



NYU

**ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE**

MHA-GP-2861

**Capital Financing and Advanced Issues in Financial
Management**

Spring 2021, Section 001

Instructor Information

- Name: Thad Calabrese
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- Office Hours: By appointment

Course Information

- Live Session Meeting Times: Tuesdays, 7:00pm - 8:00pm
- Live Session Location: Online

Course Description

The course focuses on long-term financing, capital investment, and corporate finance as applied specifically to healthcare organizations. The course spends significant time incorporating risk into organizational decision-making. The course is structured to integrate both academic and practical approaches and perspectives on current healthcare financial issues.

Course Objectives

The primary goal of this course is to increase students' abilities to use tools to effectively manage, plan, and analyze the long-term solvency of healthcare organizations (broadly defined). The long-term prospects of healthcare organizations are intimately tied to how services are financed in this sector, so we will examine how the financial environment affects solvency. Another goal of the course is to reinforce the spreadsheet and quantitative skills that

are essential in the financial management process. A final goal of this course is to help students learn how to communicate financial concepts clearly and effectively.

Students who successfully complete this course will be able to:

- **CO 01:** Analyze financial risks facing healthcare organizations.
- **CO 02:** Compare the use of long-term debt and equity in financial management.
- **CO 03:** Calculate an organization's cost of capital.
- **CO 04:** Construct a capital budget.
- **CO 05:** Assess project risk.
- **CO 06:** Conduct sensitivity and scenario analyses for proposed projects.

Course Resources

View the “**Readings**” tab within NYU Classes for a complete list of resources for this course. Course readings might include any of the following: textbooks, software, relevant reading materials, videos, etc.

Assessment Assignments and Evaluation

13 Weekly Assignments: (65% total—5% each):

Each student will prepare and submit weekly assignments based on the readings and case studies. The 13 weekly assignments are made up of seven homework problem sets (35% of total grade) and six case study assignments (30% of total grade). Students will also be graded weekly on their participation in discussion forums and on commenting within modules when prompted.

1 Case Memo Assignment (15%):

Each student will submit a professional memo based on one of the six case studies covered in the course. The memo will present the assumptions, context and issue, background, specific recommendations, and next steps. All financial information must be presented in a manner in which someone who is versed, but not an expert in finance and accounting, would understand.

Note: In order to appropriately compare and select a case study for this assignment, it is strongly recommended that work on the Case Memo Assignment not commence prior to Module 8. Students must discuss the Case Memo Assignment with the instructor via a meeting or email before they begin the work.

Class Participation (20%):

Students are expected to attend and participate in all Live Sessions by interacting with the instructor and classmates.

Assignment Instructions

Weekly Assignments:

Each week, students will be expected to complete a homework assignment prior to the Live Session. There are two types of weekly assignments:

1. **Homework Problem Sets:** For Modules 1, 2, 4, 6, 8, 10, and 12, you will complete an assigned reading from the *Gapenski and Reiter* text, then solve problems found in the corresponding Word document for that particular assignment.
 - Responses should be in Times New Roman, 12-point font, and single-spaced with one-inch margins.
 - The completed assignment should not exceed the specified number of pages.
 - If you use an Excel spreadsheet to solve any problems, you are expected to embed the Excel work in the Word document using the embed function, allowing you to still only submit a single Word document.
 - The finished homework file should be named using the first initial of your first name_your last name_Module_X_Homework (e.g., J_Smith_Module_2_Homework).
 - Before submitting these homework assignments, be sure to review the Homework Problem Set Grading Rubric posted on the assignment page of the corresponding module in NYU Classes.
 - When you have completed work on the assignment by solving all problems, please upload your work as a Word document to the assignment submission page in the appropriate module.
 - All assignments should be completed and uploaded prior to the Live Session for the corresponding module.

2. **Case Study Assignments:** For Modules 3, 5, 7, 9, 11, and 13, you will complete an assigned reading about a case study from the Pink and Song text, then complete questions and work using the corresponding Excel spreadsheet for that particular assignment.
 - Responses to the “Question Set” (located on the bottom left tab of the spreadsheets) should be in Times New Roman, 12-point font, and answered using the text-wrap feature in the same cell as the question.
 - Remember to use the spreadsheet labeled “Model” (located on the bottom left tab of the spreadsheets) to assist with your calculations.
 - Your completed file should be named using the first initial of your first name_your last name_Module_X_Homework (e.g., J_Smith_Module_3_Homework).

- Before submitting these homework assignments, be sure to review the Case Study Assignment Grading Rubric posted on each assignment page of the corresponding module in NYU Classes.
- When you have completed work on the “Model” tab and responded to all items in the “Question Set” tab of the assignment, please upload your work as an Excel spreadsheet to the assignment submission page in the appropriate module.
- All assignments should be completed and uploaded prior to the Live Session for the corresponding module.

Case Memo Assignment:

You will read and discuss case studies during Modules 3, 5, 7, 9, 11, and 13 of the course. You will select ONE of these six cases to analyze and recommend a particular course of action. Your analysis will be in the form of a written recommendation memo, and is not to exceed two single-spaced pages. The memo must address:

- the problem as you see it
- a recommended solution or solutions
- support for your perspective

Use your knowledge of the material covered in the course to create an original analysis and recommendation. Many cases have multiple issues, so you should select one you feel is the most pressing problem. Assume your reader will use your memo to make difficult decisions about the team or organization. State the key problems presented in the case and briefly explain the context in which the decisions must be made. Describe your proposed solutions to the problem, and indicate which one you believe is the best course of action. Support your recommendation with specific reasons. Identify the next steps, if your proposed solution is adopted, and outline a Plan B in case your proposed solution fails. Show how secondary evidence informed your understanding of the case and your recommendations.

Use this structure:

1. Open with a one-paragraph summary labeled Executive Summary. What is the context, key issue, and your recommendation?
2. Background: Why are we facing these issues? Identify the root causes.
3. Recommendations: Identify specific recommendations, including your rationale and alternatives.
4. Next Steps: How should your recommendations be implemented? What are the priorities, timeline, and required resources?

You have only two pages to get your message across. Use a simple and direct style, putting your recommendation in the first paragraph as a way to create a “hook” for your memo to encourage your manager to continue reading. All financial information must be presented in a

manner in which someone who is versed, but not an expert in finance and accounting, would understand.

Use one-inch margins and Times New Roman, 12-point font. If you use outside research to support any of your recommendations, list references on a concluding page, separate from the two-page memo.

A grading rubric for the Case Memo Assignment will be posted in NYU Classes.

This Case Memo assignment should not be completed prior to Module 8, as it is important to be introduced to at least three of the six case studies in the course prior to choosing one for your memo. Your completed Case Memo Assignment is to be submitted as a PDF in the assignment submission page of Module 13 in NYU Classes.

Letter Grades

Letter grades for the entire course will be assigned as follows:

Letter Grade	Points
A	4.0 points
A-	3.7 points
B+	3.3 points
B	3.0 points
B-	2.7 points
C+	2.3 points
C	2.0 points
C-	1.7 points
F	0.0 points

Student grades will be assigned according to the following criteria:

- (A) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.
- (A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.

- (B+) Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.
- (B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate but student has not been thorough or has shown other weaknesses or limitations.
- (B-) Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”
- (C/-/+) Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.
- (F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

Detailed Course Overview

MODULE 0: COURSE WELCOME

MODULE 1: TIME VALUE OF MONEY ANALYSIS REVIEW

Learning Objectives

- **LO 01:** Explain what time value of money analysis is and why it is important to financial management.
- **LO 02:** Explain opportunity cost and why it is important to financial management.
- **LO 03:** Calculate the present and future values for individual cash flows, annuities, and uneven cash flows.
- **LO 04:** Measure the financial return on investment.

MODULE 2: FINANCIAL RISK AND REWARD

Learning Objectives

- **LO 01:** Explain what financial risk is and how it can be applied to healthcare projects.
- **LO 02:** Differentiate between stand-alone risk and portfolio risk.
- **LO 03:** Measure both stand-alone risk and portfolio risk.
- **LO 04:** Analyze the capital asset pricing model (CAPM) to determine the required returns on investments.

MODULE 3: FINANCIAL RISK AND REWARD CASE STUDY

Learning Objectives

- **LO 01:** Demonstrate proper application of the capital asset pricing model (CAPM) to determine required returns on investments in a work environment.

MODULE 4: LONG-TERM FINANCING—DEBT

Learning Objectives

- **LO 01:** Describe various debt instruments and what common characteristics they all share.
- **LO 02:** Project cash flows and then discount these cash flows to determine current debt valuation.
- **LO 03:** Explain how risk affects debt valuation.

MODULE 5: DEBT FINANCING CASE STUDY

Learning Objectives

- **LO 01:** Forecast cash flows for a debt instrument and discount them back to present value in a work environment.
- **LO 02:** Apply the basics of debt valuation.

MODULE 6: LONG-TERM FINANCING—EQUITY

Learning Objectives

- **LO 01:** Explain and conduct equity valuation in for-profit and nonprofit organizations by applying cash flow forecasting, discounting, and CAPM.
- **LO 02:** Analyze how market efficiency is important for equity valuation.

MODULE 7: EQUITY FINANCING CASE STUDY

Learning Objectives

- **LO 01:** Apply equity valuation models and techniques in a work setting scenario.

MODULE 8: COST OF CAPITAL AND CAPITAL STRUCTURE

Learning Objectives

- **LO 01:** Explain how debt financing influences an organization's risk and return.
- **LO 02:** Determine the factors that influence the choice between using debt or equity to finance capital investment.
- **LO 03:** Estimate an organization's corporate cost of capital, and how to adjust this for projects or divisions with different levels of risk.
- **LO 04:** Explain how the choice of capital financing influences taxes and returns.

MODULE 9: COST OF CAPITAL CASE STUDY

Learning Objectives

- **LO 01:** Apply the concepts of mixing capital financing decisions to understand how this affects organizational risk, return, and taxes in a work environment setting.

MODULE 10: CAPITAL BUDGETING

Learning Objectives

- **LO 01:** Apply time value of money techniques to make capital budgeting decisions.
- **LO 02:** Focus on cash flow estimation as the key issue in capital budgeting analysis.
- **LO 03:** Determine the strengths and weaknesses of different capital budgeting analytical techniques.
- **LO 04:** Interpret the results of capital budgeting techniques.

MODULE 11: CAPITAL BUDGETING CASE STUDY

Learning Objectives

- **LO 01:** Apply the concepts from Module 10 to a work environment situation.

MODULE 12: PROJECT RISK ANALYSIS

Learning Objectives

- **LO 01:** Demonstrate how risk influences capital budgeting decisions and risk can be

incorporated into the financial analysis of capital acquisition.

- **LO 02:** Determine the strengths and weaknesses of sensitivity analysis and scenario analysis.

MODULE 13: PROJECT RISK ANALYSIS CASE STUDY

Learning Objectives

- **LO 01:** Apply sensitivity and scenario analyses to a work situation to inform capital budgeting decision making.

NYU Classes

All announcements, resources, and assignments will be delivered through the NYU Classes site. The instructor may modify assignments, due dates, or other aspects of the course throughout the term. Notification of such modifications will be provided as soon as possible through the Announcements tool on the course website.

Academic Integrity

Academic integrity is a vital component of New York University and New York University's Robert F. Wagner Graduate School of Public Service. All students enrolled in this class are required to read and abide by *NYU Wagner's Academic Code*. All Wagner students have already read and signed the *NYU Wagner Academic Oath*. Plagiarism of any form will not be tolerated, and students in this class are expected to report violations to the instructor. Any student in this class who is unsure about course expectations or how to abide by the academic code, should immediately consult the instructor.

Henry and Lucy Moses Center for Students with Disabilities at NYU

Academic accommodations are available for students with disabilities. Please visit the *Moses Center for Students with Disabilities (CSD)* website and click on the *Reasonable Accommodations and How to Register* tab or call or email CSD at (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

NYU's Calendar Policy on Religious Holidays

NYU's Calendar Policy on Religious Holidays states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify your instructor in advance of religious holidays that coincide with assignment due dates or exams to arrange mutually acceptable alternatives.

Class Policies

Attendance

You are required to attend all live sessions. Any absence must be explained and justified beforehand, or your participation grade will be lowered.

Late Assignments

Extensions will be granted only in case of an emergency, out of respect for those who abide by deadlines despite hectic schedules. Late submissions without prior permission will be penalized by $\frac{1}{2}$ a letter grade per day (e.g., B+ to B).

Learning Assessment

Assignments, exams, and class participation in the course will assess progress against these competencies, and no student will receive a B or higher without demonstration of satisfactory progress towards mastery of each competency. Expected levels of competency are denoted below:

Level of Competency

In addition, the level of competency expected to be achieved should be denoted, according to the following key:

[1] = Basic: Foundational understanding of knowledge/skill/competency

[2] = Intermediate: Student demonstrates greater depth of understanding of this knowledge/skill/competency and can use this ability to analyze a problem

[3] = Advanced: Student demonstrates expertise in this knowledge/skill/competency and can use this ability to evaluate, judge, and synthesize information

Learning Assessment Table

Program Competency	Corresponding Course Objectives	Corresponding Assignments	Expected Level of Competency
PC 02: Develop strategies and align organizational design to support and achieve an organization's mission and vision.	CO 01 CO 06	Weekly Assignments Live Session Participation	3
PC 04: Use data and evidence-based management practices to improve managerial decision-making and organizational performance, including efficiency, quality of care, patient engagement, and equitable access to services.	CO 01 CO 02 CO 05 CO 06	Weekly Assignments Case Memo Assignment Live Session Participation	3
PC 05: Provide effective financial management for healthcare organizations, including effective use of accounting and budgeting practices.	CO 02 CO 03 CO 04	Weekly Assignments Live Session Participation	3
PC 09: Manage and behave legally and ethically in a complex, highly-regulated healthcare environment.	CO 01 CO 02 CO 05 CO 06	Weekly Assignments Live Session Participation	3