

Healthcare Finance

Name:

Institution:

Course Title:

Assignment Name:

Instructor:

Date:

Healthcare Finance

Part 1

- Once purchased, the MRI machine can be used for many years as it becomes a tangible asset that can be depreciated over time, potentially reducing long-term costs. However, purchasing the MRI machine can cause a serious strain on the care facility's budget as the upfront costs of the machine are substantial in addition to the maintenance and repair costs. On the other hand, leasing an MRI machine has the advantage of lower upfront costs compared to purchasing while allowing facilities to upgrade to the advanced technology over time more frequently. However, higher long-term costs due to monthly payments, lack of ownership, and the contractual obligations of leasing an MRI machine which limit flexibility are the potential disadvantages that the facility has to bear with leasing the machine.
- After watching the video "Time Value of Money", I have inferred that making informed investment decisions is important in the healthcare sector to ensure the sustainability and efficiency of the facilities offered in the care system. For instance, a hospital decides to invest in a new EHR (Electronic Health Record) system which requires the hospital to make a well-researched investment decision to overcome increased costs, operational disruptions, and potential harm to patients. Therefore, an investment in high-quality EHR systems can streamline patient data management and improve overall patient care.

Part 2

- Being a CFO of the hospital, I understand what important role financial planning plays in the strategic planning of an organization. The notable functions of financial planning

include risk management and allocation of resources effectively in order to implement the strategic goal of the organization. In the hospital, financial planning must include funding technology, staffing, and other operations. Moreover, financial planning assesses how the organization needs the funds to mitigate financial risks such as funds for legal challenges.

- Financial planning and strategic planning of the hospital predict revenue growth from the services provided to the people in need. For instance, the team dealing with the financial planning of the organization assesses implementation costs including technology, marketing, and staff training for implementing the telemedicine program. It also ensures that the hospital has adequate funds in order to create a strategic budget for the program implementation. The strategic planning team needs to collaborate with the clinical teams to meet the initiative goals and critical performance criteria of telemedicine. I will show the board of directors how the procedures of both strategic and financial planning are essential to identify such instances and achieve telemedicine goals.

Part 3

- Based on the information provided in the videos and the financial ratio calculation sheet, I chose “debt-to-equity” ratio which is a key financial metric used to evaluate the financial leverage of a company. The formula used for the “debt-to-equity” ratio is:

$$\text{“Debt-to-Equity Ratio”} = \text{Total Liabilities} / \text{Shareholder’s Equity}”$$

It states that the higher ratio means the company is more leveraged as it relies more on debt to finance the company’s operations but the lower ratio means the company uses more equity and less debt. For Hillside Inc., the calculation of the “debt-to-equity” ratio is:

$$\text{“Debt-to-Equity” Ratio} = \$1,310,000 / \$1,030,000$$

Debt-to-Equity Ratio = 1.27

This means that for every dollar of equity, the corporation has 1.27 dollars of debt.

Part 4

Through the videos, I understood that financial working capital through accounts payable involves how payment timing can be scheduled strategically. I will show the board of directors how extending payment terms can free up cash for other users while the company can hold onto the cash for a longer period. Moreover, discounts for early payments can allow us to take advantage of early payment discounts can reduce the overall expenses for the company which would directly improve the working capital. For instance, if the company purchases raw material on a credit with a 60-day payment term in order to make sure that it can manufacture and sell its products in 40 days and collect payments from the suppliers within 20 days. By strategically managing accounts payable, the company would receive cash from sales, optimizing its working capital before the company needs to pay its suppliers. This would ensure that the company has sufficient liquidity and can keep its cash available for other needs to meet its short-term obligations and investment in growth opportunities until the last possible moment.