**Health care finance – Module 1: Terminology**

1. A **business** is an organization that needs to have sufficient revenue to pay all of the costs associated with creating and selling its goods or services.
2. **Agency relationship** = Relationship in which a principal acts on behalf of an agent to provide a good or service the agent would not be able to obtain on their own.
3. **Third-party payers** = entity that pays for services that is not directly involved in the transaction between the first and second party
4. **Health care finance =** Plan for, acquire, and use resources to maximize the efficiency and value of the enterprise within the health care organization
5. **Capital =** Funds (money) used to acquire land, buildings, and equipment
6. **Conservation =** ability to control financial and physical resources to ensure that the organization is protected for future use
7. **Chief financial officer =** Individual responsible for all finance activities within the organization
8. **Comptroller =** Responsible for accounting and reporting activities such as routine budgeting, accounts payable, and patient accounts management
9. **Treasurer =** Responsible for the acquisition and management of capital funds
10. **Chief information officer =** Responsible for providing management oversight to all information processing and telecommunication systems in the organization
11. **Internal auditor =** Employee of the organization who is responsible for protecting the company’s assets from fraud, error, and loss
12. **Independent auditor =** Individuals retained by the organization to ensure that the financial reports sent to external agencies are correct as to accounting formatting.
13. **Board of directors =** Sets the policies and directions for the organization, which is then carried out by the administration through its management team
14. **Opportunity cost =** What a person gives up by choosing one choice over another
15. **Risk aversion =** The degree in which a person is fearful of loss due to a transaction
16. **Shareholder/Stockholder** = owns company through stock
17. **Stakeholder** = interested in the company but may not have any financial ties (Patients, community, nurses, doctors)
18. **Retrospective payment** = Third-party payers making payments after the provider has rendered a service, based on what the provider charges for the service rendered.
19. **Prospective payment** = Method for reimbursing based on a predetermined rate for the treatment of specific illnesses
20. **Capitation payment** = It pays a physician or group of physicians a set amount for each enrolled person assigned to them, per period of time, whether or not that person seeks care.
21. **Discounted payment** = Pays based on discounts through a pre-established contract with a provider