



The Gem Statement



President's Message



I want to start out by updating you on several changes that were recently made to the Board. In case you have not heard, Matt Cox, Board Secretary, accepted a job in places Arkansas. He moved quickly leaving open his position on the board. After a lot of begging and deal making, Darci Linstrum, Board Treasurer, agreed to move up the "chairs" and accept the Secretary position. Jennie Pipoly, Controller for Kootenai Medical, graciously agreed to become the Board Treasurer. Norlina Harvel, CFO at Bonner

General will fill the board position vacated by Jennie Pipoly. All of this shuffling was proposed and voted on at our recent board meeting held October 5, 2008 in Coeur d'Alene, ID. We are working to update our web sight and directory to reflect these changes. It is clear we have a great board, everyone is eager to make the chapter stronger.

I want to thank everyone who attended our fall meeting in Coeur d'Alene. Once again, IHA provided a great location and a great program plus supported our chapter in organizing our sessions. Our speakers were well received. Day really opened our eyes about what to expect with the RAC, they will

hit Idaho August 2009 so get ready. We have invited Day back to our Boise meeting to provide the chapter with further education about RAC appeals. As always, Jeanne Scott gave an "energetic" presentation. We are only weeks away from electing a new President and the challenges in healthcare are staggering. Jeanne provided a humorous and insightful view of our political scene.

We are just finishing up the agenda for our winter meeting. Hopefully, many of you will be able to break away and join us in downtown Boise. I look forward to seeing you all.

making connections

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Special points of interest:

- Batch Eligibility
- HFMA Value
- Help Wanted
- Idaho Chapter National Awards
- Region 10 Education Event Info!

How Much Can Eligibility Save Your Facility

By Kate Homan, Patient Accounts Manager, St. Alphonsus Regional Medical Center

With more and more people losing their jobs and thus becoming eligible for Medicaid it is important to look at options to help automate the search of the State Medicaid databases to find out if they are eligible for coverage. In Idaho, this coverage is often retro activated. Because of the retro activation our front end eligibility systems don't always capture the insurance. It can take months for the approval to come through, but the effective date could cover services dating back many months prior to the approval.

This search can be done by partnering with a company that can send a grouping of data to the Medicaid plans using the HIPAA ANSI 270-271 eligibility transaction. If your information technology department is experienced in the X12 transactions they may be able to perform this function without the use of a vendor partner.

Many of our vendor partners offer batch eligibility transactions. They typically require a text or Excel file with the data elements needed to complete the search. The return on investment for these searches is very good. The information technology support needed is minimal. If the hospital can create the report of data needed then they are well on their way to completing the project. The typical timeframe to go live on a batch eligibility project is less than a month.

There are many ways to use the batch eligibility function to save your hospital time and money:

- For hospitals that do not have a front end eligibility system, a file can be sent each day of not only your self pay to see if they have Medicaid, but many vendors can send batch to other insurance companies to confirm eligibility. Normally the response is received the next day. In most cases this will allow the insurance to be added, changed or removed prior to the account being billed.

- For series accounts that do not reregister each month, the hospital can create a file of the patients that will be receiving services the following month and send this file to Medicaid or other insurance to confirm they still have coverage.
- Send a batch of self pay accounts at day 60 or 90 with no payments to see if they have coverage.
- Send files of accounts that are ready to be turned to bad debt or charity.

Send quarterly files of accounts that have already been turned to collection or charity.

I believe your hospital will be pleasantly surprised at the number of accounts that actually result in insurance coverage. Many of the vendors will run a sample file for the hospital to help show the return on investment without a commitment to buy.

Below is an example of a monthly average cost for a hospital that utilizes a front end eligibility product to search eligibility on all self pay patients against the Medicaid database at the time of service. Even though this important front end function was performed the hospital was still able to find additional coverage when batch files were ran months after service was rendered. This example just represents the dollars identified for billing and doesn't take into account the hours of staff time saved by performing this function in an electronic batch.

Average Monthly Cost of the Product: \$ 784.00

Average Dollars Located to Bill: \$46,919.00

Batch eligibility is relatively easy to put into production, so get the ball rolling and become a hero in your facility by helping to capture some lost revenue.

The HFMA Value Proposition

By Thomas Albanesi, Jr., FHFMA, CPA

I was recently asked by Region 11 Regional Executive Walt Luke to write an article about the value of HFMA. Apparently, Region 11 has some chapters that are losing members because some employers don't believe there is much value in their employees being members of HFMA. I'm going to attempt to provide you with some talking points to address this challenge.

Before you can attempt to educate your employer on the value of HFMA, you first need to assess whether you're getting as much value out of your membership as you could be. Do you even look at your copy of *hfm* magazine when it's delivered, or is it tossed into a pile with all the other reading materials you don't read? Why is *hfm* different, and why should it be placed on top of your reading materials ahead of all the others? Easy—it's the one monthly magazine that covers *your* industry from A to Z. It is full of insightful articles, commentary, and tools that can help you excel in your job. Many of the articles are written by your peers, who are offering their ideas and expertise to their fellow healthcare finance professionals.

Other sources of information in *hfm* are the display ads. Healthcare vendors know that *hfm* has the exact audience they are looking for, and they spend big bucks on these ads. New products, new solutions, and customized answers are often debuted in these ads. If you're seeking a solution to a challenge at work, the answer may be in an ad in *hfm*.

Are you using the HFMA web site at www.hfma.org? It's packed with information that can help you and your employer solve challenges at work. If you haven't logged in for a while, do so today. It's easy to use and it is searchable. The content is continuously updated for late-breaking healthcare issues. Unlike the results produced by using a generic web browser (which can be potluck at best), the content on the HFMA web site has been vetted for its applicability to the field of healthcare finance.

What about the online member directory? It's a valuable tool that provides quick access to your peers both in your chapter and across the organization.

If you're not an active member, either get active or don't be shocked when your boss informs you that your membership dues won't be covered. Better yet, get involved in your chapter. I was a classic HFMA wallflower who looked at my shoes anytime the chapter was soliciting volunteers. I was

quite reluctant to volunteer. But once I did, the value of my membership soared! I was viewed much differently by my peers, and to this day I enjoy a level of respect in my chapter that I would have never attained without becoming an active volunteer. It's so true—you'll get much more out of HFMA if you put something into it.

Now that you've assessed your own efforts to derive value from your HFMA membership, let's start on your employer. First, explain to your employer what HFMA is: the premiere membership association for healthcare finance professionals. An organization whose vision is "to be an indispensable resource for healthcare finance." An industry leader that doesn't just report healthcare news, but is helping to create the future of health care.

The best way to demonstrate the value HFMA brings to employers who pay our dues is to give tangible examples of the times you've used HFMA resources to solve a problem or learn something valuable. Show your boss the in-depth articles in *hfm*. Introduce him or her to the web site and to the quality and depth of resources that are listed. Share how the online member directory has been a resource to you in solving a problem. Show an agenda from an upcoming meeting, and highlight the line-up of industry experts who will be presenting. Better yet, get your boss to accompany you to an upcoming meeting and see the value first-hand. Or speak with the program committee about getting your boss a presenter's role at an upcoming meeting.

Any human resources consultant worth a hoot will tell you that an educated workforce is critical in today's fast-moving information age. Explain to your employer that there is no better organization than HFMA to keep you informed about the latest developments in healthcare finance. Forward to him or her pertinent e-mail alerts we receive on breaking issues, as well as the "Weekly News Highlights" e-mail that summarizes (with links for expanded analysis) critical developments in the healthcare industry.

Finally, make a value comparison with other resources your organization consumes. Suppose your annual HFMA budget consists of \$3,000, which covers your dues, a few chapter meetings, and perhaps ANI. Compare that with the cost of engaging a consultant for one day and make a value comparison! I'm not knocking consultants; I used to be one earlier in my career. My point is that HFMA is an incredible year-round value for healthcare finance professionals.

And Now for the Million Dollar Question: How Much Can We Afford to Spend?

Few healthcare organizations have sufficient capital resources to meet their comprehensive, strategic capital requirements. Their leaders must make choices. How much capital to spend and the projects on which dollars will be spent are critical decisions with long-term strategic and financial implications.

Ultimately, the answers to spending questions must be driven by the organization's long-range strategic financial plan. This plan should include operating, financial, and capital projections based on the organization's defined strategies. It should also reflect management decisions regarding the organization's targeted long-term financial structure and optimal access.

Some organizations simply look at last year's spending levels or income statement—for example, net income plus depreciation or a percentage of total operating revenue—as a starting point. Because this approach does not account for changes in the organization's balance sheet that require or provide cash, it provides an incomplete view of capital availability, which can lead to financially detrimental levels of capital spending.

What can the organization afford to spend on capital next year? In the next three to five years? This article offers guidance on how executives can answer these questions by determining the organization's *capital constraint*,

which is defined as the net capital available for spending during a designated period of time.

The complete picture of net cash available for capital spending emerges through a capital position analysis that considers all sources and uses of funds, including principal payments, working capital changes, and additions to balance sheet cash reserves, which are added to an income statement-based calculation.

The Components of Cash Constraint

To determine an organization's capital constraint, financial leaders should start by asking the following simple question: What amount of capital, obtained through both internal operations and external sources, are we reasonably sure can be generated to support the organization's development over a defined period of time?

The answer is related to how much the organization can and should borrow, as well as the level of cash that it can generate and retain from operations in uncertain times. Cash available for capital spending will be a function of projected operating results, planned use of external debt, changes to the balance sheet, and projected levels of non-income statement philanthropy (for example, capital campaign contributions).



The basic components of the capital constraint include the following:

- Cash Flow
- + Total Sources of Cash:
 - Debt proceeds
 - Philanthropy
 - Other sources of cash
- Total Uses of Cash:
 - Working capital
 - Principal payments
 - Carry-forward capital
 - Cash reserve requirements
 - Other uses of cash
- = Total Cash Available for Capital
- Less Contingency
- = Net Cash Available for Capital Allocation – the Capital Constraint

Cash Flow:

Cash flow is the starting point for any calculation of capital availability and is often determined by the simple addition of income plus depreciation. However, whether income should reflect only income from operations or should include all non-operating sources, such as investment income, contributions, and gains on sale of assets, can be a significant issue for an organization. A focus solely on operating income creates an automatic reserve to increase balance sheet liquidity at the expense of current-year capital spending. This approach is often used by organizations with balance sheet weakness or a history of spending too much capital.

On the other hand, including income from all sources maximizes current-year capital availability, but increases the importance of establishing

And Now for the Million Dollar Question (Continued)

and meeting the rigorous balance-sheet cash-reserve targets in the strategic financial plan.

Debt Proceeds

This component includes proceeds from debt that will be issued in the upcoming year *and* the unspent but still available proceeds of debt issued in prior years. An organization should incur no more debt than is consistent with maintaining the credit rating that enables it to effectively compete in the marketplace and maintain optimal access to capital. The amount of debt the organization is capable of supporting within a particular desired credit-rating profile is its debt capacity.

Financial leaders must conduct a rigorous debt capacity analysis before commencing their annual process for allocating capital. Typically, this analysis occurs as part of the organization's strategic financial planning process.

Philanthropy

Many, if not most, not-for-profit healthcare organizations benefit from ongoing donations generated as a result of their community, academic, or religious affiliations. Such contributions appear as non-operating revenue on their income statements. Depending on the definition of income adopted by the organization (see *Cash Flow*), this revenue stream may already be part of the capital constraint calculation.

Extraordinary philanthropy, which is typically associated with a particular capital initiative or a capital campaign, is the main focus of this capital constraint component. This source of cash flow often is not recorded as an income item, but flows directly to the balance sheet. Thus, the inclusion of such philanthropic funds in the calculation of the capital constraint is critical.

Working Capital

The income statement does not provide a complete picture of funding requirements. An organization that is growing, or one whose net current assets are growing, will have material year-to-year needs to fund working capital. These changes flow through the balance sheet and cash flow statement, but not through the income statement. An organization that uses a simple percentage-of-operating-income measure to calculate capital spending targets overlooks a potentially significant use (or source) of cash.

Principal Payments

In a similar vein, payments of principal on existing and new anticipated debt constitute direct uses of cash that are not accounted for on an organization's income statement. Depending on the amortization structure of the organization's outstanding debt, principal payments could have a material

impact on cash available for capital.

Carry-Forward Capital

In general terms, carry-forward capital can be defined as approved capital expenditures that have or will have a multiyear cash flow impact. Identifying and quantifying specific types and amounts of carry-forward capital are critical to an accurate capital constraint calculation.

Carry-forward capital should be a direct deduction from available cash flow. To determine carry-forward capital amounts, the organization must first establish firm definitions for the three basic types of carry-forward capital:

Type 1. Capital dollars originally committed for approved capital projects with a planned, multiyear implementation schedule

Type 2. Capital dollars required to complete an initiated approved project whose completion was originally anticipated to occur within the current fiscal year but will not occur until the subsequent fiscal year

Type 3. Capital dollars allocated in the current year to projects or other types of capital requests whose implementation has not commenced at the end of the current fiscal year

After defining specific types of carry-forward capital, organizations should establish specific policies related to the funding of each type. This is critical to calculating and managing the current-year capital constraint and ensuring deployment of capital dollars according to the organization's strategic financial plan.

Every organization should address carry-forward capital issues in a manner consistent with its culture and structure. Type 3 carry-forward capital typically generates the most complex issues, including the following:

The organization's ability to quantify the approved capital spending that has not yet been committed

The impact of large carry-forward amounts on the organization's ability to support future capital initiatives

The potential for creation of a use-it-or-lose-it attitude or approach

The discipline and rigor of the organization's project management process

And Now for the Million Dollar Question (Continued)

Cash Reserve Requirements

The financial planning process identifies operating performance and balance sheet targets required to meet the capitalization needs of the organization while maintaining access to capital within defined credit and risk contexts. Liquidity—the minimum level of required cash reserves—is a key balance sheet target.

As management projects operating performance, executives should also define the specific amount of generated cash flow that should be held on the organization's balance sheet. The increase or decrease in cash reserves is included in the capital constraint calculation. In this way, leaders can be certain that the amount of capital to be spent will not jeopardize the organization's balance sheet liquidity.

Conversely, if capital availability is calculated as a percentage of depreciation or income, there is no correlation to the balance sheet and no way to accurately understand the impact of a particular spending level on the organization's access to capital.

Other Sources and Uses of Cash

This catch-all category directs attention to the many other non-income statement calls on organizational cash that ultimately affect liquidity and cash available for capital spending. Among the more typical items are

- Funding of pension or benefit-related shortfalls
- Payouts to unaffiliated organizations, such as joint venture partners or corporate member; and
- Dividends received from unaffiliated organizations

These items can be either additions to or deductions from the capital constraint. Their inclusion and a proper accounting of their effects ensure that the ultimate capital constraint calculation reflects true levels of cash available for capital spending.

The table illustrates a five-year capital constraint calculation performed by a two-hospital system based on its strategic financial plan. The sources and uses of capital numbers reflect the output of the financial plan and quantify the organization's strategic initiatives through volume, expense, and reimbursements projections that result in projected levels of net income, working capital, and cash reserves.

Calculating the Capital Constraint: Net Cash Available for Capital Allocation

Source: Kaufman, Hall & Associates, Inc. Used with permission.

	2007	2008	2009	2010	2011
Operating Income	\$ 17,587	\$ 12,950	\$ 13,035	\$ 14,104	\$ 16,664
Add: Non-Operating Income (excl. interest)	6,364	9,864	7,989	8,064	11,039
Depreciation, Amortization & Loss on Disposal	25,167	29,226	33,335	36,677	39,309
Operating Cash Flow	49,118	52,040	54,359	58,845	67,012
Plus: New Debt Proceeds (net of restriction)	-	43,096	-	-	-
Non-Income Statement Philanthropy	-	-	-	-	-
Interest Income	4,885	4,583	4,820	5,431	6,177
<i>Total Sources of Cash Available for Capital</i>	<u>54,003</u>	<u>99,719</u>	<u>59,179</u>	<u>64,276</u>	<u>73,189</u>
Less: Working Capital Requirements	(1,012)	(1,083)	(1,748)	(1,999)	(2,195)
Principal Payments	(9,400)	(7,444)	(8,254)	(8,209)	(7,243)
Other Sources/(Uses) of Cash	-	-	-	-	-
Carryover Capital ⁽¹⁾	(23,104)	(12,949)	-	-	-
Pre-Committed Capital	-	-	-	-	-
Contributions to Cash Reserves	10,604	(9)	(15,710)	(20,882)	(30,251)
<i>Total Uses of Cash Available for Capital</i>	<u>(22,912)</u>	<u>(21,485)</u>	<u>(25,712)</u>	<u>(31,090)</u>	<u>(39,689)</u>
<i>Total Cash Available for Capital</i>	<u>31,091</u>	<u>78,234</u>	<u>33,467</u>	<u>33,186</u>	<u>33,500</u>
Less: 10% System Capital Contingency	(3,109)	(7,823)	(3,347)	(3,319)	(3,350)
Net Cash Available for Capital Allocation	<u>\$ 27,982</u>	<u>\$ 70,411</u>	<u>\$ 30,120</u>	<u>\$ 29,867</u>	<u>\$ 30,150</u>
Total Capital Spending⁽²⁾	<u>\$ 54,195</u>	<u>\$ 91,183</u>	<u>\$ 33,467</u>	<u>\$ 33,186</u>	<u>\$ 33,500</u>

And Now for the Million Dollar Question (Continued)

The system defined total cash available for spending in 2007 as approximately \$31.1 million, but subtracted from this a 10 percent capital contingency for system wide emergency investments, yielding net cash available for allocation of nearly \$28 million.

Defending the Constraint

After calculating the capital constraint, management must be vigilant about ensuring that organizational spending does not exceed this sum and that capital investment does not occur outside of the organization's capital management process. High-level oversight must be provided by the capital management

council. If the process breaks down and authorization of capital occurs outside of the comprehensive process, the validity of the capital constraint will be undermined and the integrity of the process diminished.

In many organizations, leasing often challenges the capital constraint. Although operating leases frequently represent the most expensive source of capital for an organization, they also are used by some executives or managers to bypass the capital management process. This is especially true if the process does not include a clear definition of capital. For example, should the value of the lease for a medical office building, a leased

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HFMA Membership

HFMA National's On-line Membership Directory

Have you visited HFMA National's On-line Membership Directory lately? Here's the link: <http://www.hfma.org/login/index.cfm>. When you select "HFMA Directory", not only can you search for members of our chapter, you can also search for all of your HFMA colleagues by name, company, and location - regardless of chapter! Using an on-line directory instead of a printed directory ensures that you always have the most up-to-date contact information.

While accessing HFMA National's On-line Membership Directory, you may view your current contact information and make edits to your profile. You can also view any products you have ordered, events you have registered for, your CPE credits, your Founders points, and more!

It is vital that HFMA has your correct information, so please take a moment to review your record now. By doing so, you will ensure that HFMA continues to provide you with valuable information and insights that further your success.

And Now for the Million Dollar Question (Continued)

outpatient facility, or a leased MRI be considered capital subject to the capital constraint?

Under the separation theorem of corporate finance, an organization's investment decisions must be independent of both the preferences of executives and financing decisions. This means that organizations must separate evaluation of investment decisions from the financing of investment decisions. In the context of the capital management process, leasing is clearly a financing decision which, by definition, should be under the purview of the organization's corporate-level financial management, not a department manager or even a COO. Whether or not a particular capital request is considered within the capital constraint should be a function of the magnitude of the proposed investment rather than the structure (financing) under which it will be acquired.

Allocation of capital for information technology projects should also be handled like any other class of capital, and should be evaluated within the best practice capital management process. This ensures comprehensive consideration of the projects' short- and long-term benefits and costs within the organization's overall portfolio of investments.

A clear definition of how much capital the organization can afford to spend is a critical prerequisite to defining what projects deserve funding and then keeping within defined constraints. Without an answer to the how-much-can-we-afford-to-spend question, organizations are at significant risk for either overspending, which can quickly result in deteriorating financial performance and diminished credit status, or under spending, which can equally quickly result in deteriorating facilities with outmoded technology, a loss of competitive advantage, and declining market, financial, and credit position.

Whether \$1 million, \$10 million, or \$100 million, the question must be answered before the dollars start flowing.

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Beware of Referral

Directory Solicitation

Update from Tricare

It has come to our attention that an organization calling itself Military Media is contacting providers by mail and requesting them to purchase a listing in their directory. The letter is in the form of an invoice for a listing in the "Armed Forces Medical Directory, published for selective CHAMPUS providers."

The letter also says the listing will bring providers additional exposure and an additional "influx of CHAMPUS patients, retired and active duty, to your practice." The letter received by some providers had a Palm Springs, CA address on the letterhead, while the return address had a different Palm Springs address.

This is similar to another solicitation that occurred recently in Alaska, in which some providers were told that they would not receive TRICARE referrals unless they purchased a listing in the directory.

There is a company called Military Media Inc., based out of Poughkeepsie, NY, that offers advertising, marketing, and consumer promotions to reach the military audience. When contacted by telephone, a company official said it has no other offices, was not affiliated with this organization and does not print any type of provider directory.

Providers throughout the TRICARE West Region should be alert to any other similar solicitations. TRICARE referrals are not based on listings purchased in any directory. Network providers are listed in the provider directory located at www.triwest.com/ provider and do not have to pay to be listed.

If you are contacted by this organization or an organization making similar claims, please contact your network representative.



Career Opportunities!



Head of Reimbursement

Company: Providence Health & Services

Location: Portland, OR

Providence Health & Services in Oregon is recruiting for a leadership position responsible for reimbursement activities for the entire network of 7 hospitals within the Oregon region, with revenues totaling \$2.8B. Successful candidates will hold a Bachelors degree and at least 10 years of experience preparing Medicare, Medicaid, and Champus cost reports for mid to large-size hospitals and/or health system Providence Health & Services is rated, not only as one of the best employers in Oregon, but is a national award winning health system that extends across a five-state area - from Alaska through Washington, Montana, Oregon, and into Southern California. The system employs more than 47,000 employees, operating 27 acute care hospitals, and more than 35 non-acute health care facilities, as well as physician clinics, health plans, and numerous other health and education services.

Interested parties can apply online at www.providence.org/careers #43249 or contact our recruiter at:

Fiona Gladden

Executive Recruiter-Oregon

503-215-4163 (Tel)

503-215-4770 (Fax)

fiona.gladden@providence.org

Business Office Manager

Rexburg, ID

Full-Time

Duties: Responsible for planning, organizing and coordinating hospital-wide business systems to provide all hospital departments with effective charge capture and reimbursement. Keeps the facility updated on current healthcare payment trends, reimbursement methodologies, payor contract compliance, and facility and physician billing processes. Supervises the billing and admitting departments.

Requirements: Minimum of five years experience in hospital business office billing systems. Minimum of two years experience as a manager of a hospital business office. BS degree in business administration, accounting, healthcare administration or related field. (Experience can be substituted for formal education.)

Please contact Erika Teles at (888)469-6858 ext 11 or elteles@nextgenerationrecruiting.com for more information.



hfma[™]
healthcare financial management association

NEWS RELEASE

October 2008

HFMA's IDAHO RECEIVES NATIONAL AWARDS

CHICAGO — The Healthcare Financial Management Association's (HFMA's) **C. Henry Hottum Award for Educational Performance Improvement** was presented to the Idaho Chapter in June 2008 during the 55th Annual Chapter Presidents Dinner and Meeting at HFMA's Annual National Institute in Las Vegas.

The **C. Henry Hottum Award for Educational Performance Improvement** recognizes chapters that achieve a significant increase in educational performance from one year to the next. The award is based on exceptional growth in registrant hours over the last year. The award was one of many honors that HFMA's voluntary leaders accepted on behalf of their chapters.

HFMA President and CEO, Richard L. Clarke, says, "The Idaho Chapter provides a great example for HFMA's 2008-09 Chairman's theme – Making Connections. So many of their members are actively involved...contributing, sharing, and making a difference. Everyone applauds their family spirit, which shines through their many accomplishments. "

In addition to the **C. Henry Hottum Award**, the Idaho Chapter also received the **Gold Award of Excellence for Membership Growth and Retention** which recognizes chapters that achieve outstanding performance in membership growth and retention. The honor is based on the percent of net membership growth at the end of the chapter year. In addition, the Idaho Chapter received the **Charles F. Mehler Gold Award of Excellence for Education** which recognizes chapters that achieve outstanding performance in educational programming. And a fourth award, the **Bronze Award of Excellence for Chapter Performance in Certification** which recognizes chapters that achieve outstanding performance in certification support. The honor is based on an increase in the number of chapter members who pass a certification examination in the chapter year.

About HFMA

HFMA is the nation's leading membership organization for more than 35,000 healthcare financial management professionals employed by hospitals, integrated delivery systems, managed care organizations, ambulatory and long-term care facilities, physician practices, accounting and consulting firms, and insurance companies. Members' positions include chief executive officer, chief financial officer, controller, patient accounts manager, accountant, and consultant. HFMA offers educational and professional development opportunities; information on key issues affecting healthcare financial managers; resources, such as technical data, checklists and research reports; and networking opportunities—all of which provide our members with the practical tools and ideas they need to ensure career and organizational successes. For more information, visit HFMA's website at www.hfma.org.

Know Your Patients, Not Just Their Insurance

By Rich Racciopi, Regional Sales Manager, SearchAmerica

In the past years, patients have seen their healthcare deductibles increasing. Patients are feeling more financial strain to meet their commitments, and hospitals are often challenged on how to best collect on their accounts. This problem becomes even more severe if the patient's care is a result of an unplanned diagnosis or trauma.

Consumer healthcare costs for insurance premiums are also increasing, even when employers are absorbing some of its impact. In response, hundreds of thousands of individuals are signing up for a Healthcare Savings Account (HSA).

The HSA offers the advantage of stock-piling tax-free funds to cover out-of-pocket medical expenses until age 65, and they are teamed with insurance policies with high deductibles. The rationale is that when/if these individuals need medical care their portion of the bill will be much greater, often \$10K or more, and a savings plan that allows funds to rollover each year will encourage fiscal responsibility and consumer choice.

Experts agree that the HSA is the most dramatic revenue cycle change to hit hospitals in more than 40 years.

Hospitals must face this new reality by changing their Point-of-Service (POS) processes and increasing the patient's understanding of their financial commitment before services are rendered.

The bottom line for hospitals is *'Know Thy Patient, Not Just Their Insurance.'*

Reversing Today's POS Processes

The registration process has been designed to efficiently retrieve patient information for clinical and billing needs. Co-pays are usually the only collections performed at the POS, leaving most of the consumer's responsibility until after the insurance claim has been fully processed.

The flow of today's billing processes is to accumulate a patient's healthcare costs during their visit, submit the claim to their insurance company, receive insurance adjustments and payment, and bill the patient for any outstanding responsibility.

Today's higher deductibles make the consumer's portion of the bill much greater. Large receivables remain unpaid until the final stage of the current process; often weeks after the services are performed. This delay increases a hospital's accounts receivable and strains its cash flow.

What if the process was overhauled and the patient paid their bill (or a significant portion of it) upfront with their HSA or other funds?

A hospital's collections could be avoided, or at least minimized, cash flows would be more stable, and patients would be aware of the costs of their healthcare choices prior to receiving service, when adjustments could be made if needed.

The good news is that as HSAs mature and become more

prevalent, patients will be better equipped to pay their portion of healthcare costs at the point of service (POS), even in emergency situations. Unfortunately, this will take time for account balances to grow.

What Should Patients Pay at POS?

This is the million dollar question. The answer is that it depends on the patient. Some patients are good credit risks, some are not. Hospitals should ascertain the patient's medical credit score and related information to understand the probability of that patient paying their hospital bill on time.

It is just as important to understand the patient's ability and willingness to meet financial commitments, as it is to enter their insurance coverage correctly.

For example, high probability of payment patients should experience more lenient onsite collection procedures, as hospitals can expect full payment on the first billing. Lower probability of payment patients should result in predefined workflows. Each workflow should secure a portion of the patient's bill at the POS and/or direct the individual to a financial counselor to discuss the hospital's payment options.

Payment stratification at POS has resulted in significant returns for dozens of hospitals, reducing aging of accounts and improving cash flow. Some examples:

Integrus Health – received payment from 'high likelihood of payment' patients 92 percent of the time within the first two collection attempts. 98 percent of the time, payment is received prior to an account going to a collection agency for further efforts.

Resurrection Health Care – improved collections by 10-25 percent with focused, stratified collections.

Patients with a well-funded HSA should be equipped to make payments immediately, and a hospital's billing process should send statements to these individuals more rapidly for faster collections.

No one would dispute that the financial and clinical responsibility for one's health is more and more under the direct supervision of the patient themselves. Today's higher deductibles, new savings plans such as the HSA, and technology to stratify patients according to their payment probability, offer hospitals the incentive and ability to customize their financial interactions with each patient. Networks that improve their knowledge and interactions with the patient as an individual at the onset position themselves for a mutually beneficial relationship.

Rich Racciopi has more than 15 years of experience working with leading healthcare networks to streamline and improve their revenue cycle and patient relations. SearchAmerica leads the industry financially clearing patients using address verification, prediction of payment, and automated screening for charity, Medicaid, and other government programs with its Software-as-a-Service (SaaS) solutions.

Region 10—2009 Education Event!

After taking a 1 year break, the REGION 10 EDUCATION EVENT is back by popular demand. Region 10 is glad to once again host this great educational opportunity.

The Region 10 Conference will be held at the new Renaissance Glendale Hotel & Spa on February 25 – 27, 2009. This facility has just opened and features:

- 2 Story Spa with outdoor treatment rooms
- 2 swimming pools, hot tub and state-of-the-art fitness center
- Wireless high speed internet throughout the hotel, conference center and in each guest room
- A location next to Westgate City Center which is a vibrant development of restaurants, retail and entertainment venues plus the Jobing.com Arena (home to the Phoenix Coyotes of the NHL) and University of Phoenix Stadium (home of the Phoenix Cardinals of the NFL, the Tostitos Fiesta Bowl and the 2008 Super Bowl)

View this great location at www.renaissanceglendale.com



**Region 10
Conference**
February 25-27, 2009

Mark your Calendars to “winter” in Arizona at the Renaissance, Glendale Hotel & Spa (visit www.renaissancehotels.com/PHXGR to see this new hotel, Westgate entertainment area, etc.)

You can expect to attend great educational sessions, network with your colleagues in the Mountain states and play golf if you wish.

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