

HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION



2005-2006 ANNUAL REPORT

BRIDGING SOUND BUSINESS PRACTICE  
WITH QUALITY PATIENT CARE



hfma

healthcare financial management association

## TO OUR VALUED MEMBERS:

2005-2006 was a historic year for HFMA—we celebrated 60 years of success. The healthcare industry has changed tremendously in the last six decades, but HFMA's commitment to industry advancement, expertise in healthcare practices and dedication to members has remained constant. We continue to be the premier membership organization for healthcare financial professionals.

2005-2006 was also a successful year. Members continue to join—we reached the highest membership in our history. And once members join, they stay. Member retention neared 100 percent last year, our highest rate ever. ANI continues to grow in areas of attendance, exhibitions and sponsorship. And *hfm* circulation continued to expand.

It's evident that our members and the industry continue to trust HFMA's advice, guidance and information on healthcare financial matters. Our chairman's theme, "The Business of Caring," challenged our members and the industry to look past balance sheets and refocus our attention, policies and practices on the foundation of our business—patient care. We also offered tools, resources and recommendations, based on sound research, to help the industry adjust to and succeed in this new healthcare milieu.

- The **PATIENT FRIENDLY BILLING**® Project released its fifth report, analyzing the impact consumerism is having on the healthcare industry, as well as the opportunities and risks it poses for patients.
- We partnered with David Brailer from the U.S. Department of Health and Human Services to encourage adoption of electronic health records throughout the industry.
- We hosted an Audio Webcast to help physicians and nurses engage in more effective working relationships to improve patient care.
- We supported *Cover the Uninsured Week* and *Covering Kids and Families Back-to-School Campaign*, urging our nation's leaders to make healthcare coverage for all Americans a top priority on their agendas.

Additionally, we continue to apply our industry knowledge to create advantages for our members.

- We unveiled a new *hfma.org* website that offers many new features and capabilities, such as an interactive news section that simplifies how our members receive important association and industry news.
- Our Principles and Practices Board is revisiting standards for measurement and reporting of charity care and bad debt in light of the increasing uninsured issue facing the industry.
- *hfm* launched a "Member Spotlight" section to encourage member networking.

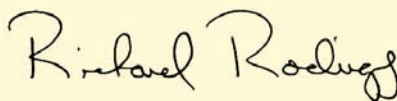
In addition to these accomplishments, HFMA has many more to report. Please read on to learn more about our achievements, as well as HFMA's financial report for 2005-2006.

These are challenging times in healthcare finance. Thanks to the hard work, dedication and enthusiasm of our members, volunteers, board members and staff, HFMA is meeting the challenge. We look forward to working with you to build on our achievements in the coming year.

Sincere regards,



Richard L. Clarke, DHA, FHFMA  
HFMA President and CEO



Richard Rodriguez, FHFMA  
HFMA Chairman

**IN 2005-06 HFMA DEMONSTRATED LEADERSHIP ON MANY FRONTS.**  
FROM GUIDANCE ON FINANCIAL REPORTING FOR UNCOMPENSATED CARE  
AND PRICE TRANSPARENCY TO RECOMMENDED PRACTICES FOR FINANCIAL  
MANAGEMENT DISASTER RECOVERY, HFMA IS A VALUABLE ADVISER FOR THE  
HEALTHCARE FINANCE INDUSTRY.

## ENCOURAGING INVOLVEMENT

Each year, more and more healthcare financial professionals join HFMA to help them meet their professional and organizational objectives. In fiscal year 2005-06, HFMA membership reached more than 35,000. HFMA's position as the premier healthcare finance membership organization attracts management-level professionals, nearly 80 percent of members have a management title.

HFMA adds value to members at every stage of their careers. By offering members exclusive benefits, such as professional certification, educational programs, membership events and professional networking opportunities, HFMA accomplishes this goal.

## DEMONSTRATING EXPERTISE

HFMA applies its leadership position, financial expertise and industry partnerships to define and drive priorities for the healthcare industry. Members count on HFMA to set direction and offer innovative tools necessary to stay on course.

*Education.* HFMA is known for its resource-rich educational programs. Live, self-study, e-Learning and other mediums put healthcare finance professionals in touch with business and industry leaders who provide guidance on issues that directly affect their careers, their organizations and their

communities. In 2005-06, curriculums focused on important issues such as the uninsured, charity care, consumer-directed healthcare plans, pay-for-performance, revenue cycle performance indicators and achieving and sustaining revenue growth.

To accommodate our members' busy schedules, diverse learning preferences and varied areas of focus, programs and content were offered in a variety of mediums, including conferences, seminars, e-Learning lessons, Audio Webcasts and a growing online library on *hfma.org*.

In 2005-06, more members participated in HFMA educational programs, and HFMA saw a 50 percent increase in self-study program involvement.

*Publications.* Members and the healthcare financial industry turn to HFMA publications for leading ideas, practical strategies and industry news and information affecting healthcare professionals today. HFMA publications include *hfm* magazine, five newsletters, and e-mail news updates. The combined circulation of all publications for 2005-06 reached more than 147,000 subscribers.

To expand service and information to members, HFMA launched the new HFMA News website. Updated daily and including the latest news and breaking stories on healthcare business, policy and legal issues, the site is a new way for members to receive industry news. To complement the news site, HFMA also launched HFMA Views, a website that features observations, opinions, and insights on healthcare business. A *Daily News* e-mail delivers news stories and links to related HFMA resources directly to subscribers' desktops each morning. Each week, HFMA members receive an e-mail summary of all the week's news.

HFMA's premier printed publication, *hfm* magazine, published 15 percent more pages than last year and 24 more feature articles. HFMA expanded the magazine's "News Watch" section to include both at-a-glance monthly news and longer explanations of key developments. This integrated approach to news gives HFMA members comprehensive and timely information affecting their business success.

HFMA also published numerous roundtables and educational sections in *hfm* magazine targeting critical challenges, including pricing, revenue cycle improvement, supply chain management and linking clinical improvement and cost containment.

On the lighter side, *hfm* magazine also launched a "Member Spotlight" section that highlights some of the more unique activities of HFMA's members—from comic-book collecting to painting to big-game hunting.

HFMA's website continued to be a valued resource for members. Monthly page views and downloads for the online Resource Center at [hfm.org](http://hfm.org) increased nearly 20 percent over last year.

Additionally, HFMA continued its release of the Financing the Future, *PATIENT FRIENDLY BILLING*<sup>®</sup>, electronic health records and nursing-finance relations reports. More information about these research initiatives and reports is detailed later in this report.

## ADVANCING CAREERS

Financial management within the healthcare industry has become increasingly complex. Today's healthcare financial leaders are challenged to find balance between successful financial performance and quality patient care. Through participation in HFMA certification programs and special-interest group Forums, HFMA members are enhancing their ability to meet objectives of all stakeholders both inside and outside of the boardroom.

*Front row, left to right:* Beverly B. Wallace; Richard L. Clarke, DHA, FHFMA, President & CEO; Richard Rodriguez, FHFMA, Chairman; Joseph J. Fifer, FHFMA, CPA, Chairman-Elect; Mary Beth Briscoe, FHFMA, CPA, Secretary/Treasurer.

*Back row, left to right:* Lawrence E. McManus, FHFMA, CPA; Robert L. Broadway, FHFMA; John A. Orsini, CPA; Debora Kuchka-Craig, FHFMA; Frances H. Crunk, FHFMA; Catherine A. Jacobson, CHFP, CPA; Joseph F. Corfitts, Jr., FHFMA; James S. Stewart.



*Certification.* The comprehensive certification program confers the designation of Certified Healthcare Financial Professional (CHFP) or Fellow of the Healthcare Financial Management Association (FHFMA). In 2005-06, more than 500 certification exams were administered, which is a 40 percent increase over the previous year. Nearly 95 percent of all certified members retained their designations through participation in professional development courses and activities.

Growing interest in the program can be attributed to chapter support and the efforts of the Board of Examiners, a governing group of members who volunteer their time and expertise to oversee the certification program and its products.

*Forums.* HFMA offered four members-only special interest group Forums designated to fit the unique needs of health-care finance professionals. Each Forum—Chief Financial Officers (CFO), Healthcare Compliance, Managed Care and Patient Financial Services (PFS)—encourages knowledge sharing through Audio Webcasts and live events.

The 2005-06 Forums included roundtable conference calls, in-person events and produced multiple *Quarterly Insights* publications featuring peer reactions and responses about issues facing healthcare executives today.

Members continued to express interest in Forums during the year. The number of CFO subscribers grew slightly, and PFS subscribers increased 3.2 percent over last year. Total Forums subscriptions reached 9,148 for the year, which is the highest number of subscriptions since 2001.

HFMA continues to expand the Forums program to meet the changing needs of members. The Forums' National Advisory Council is in the process of establishing Communities of Practice that will officially launch next year.

## STRENGTHENING RELATIONSHIPS

A total of 69 chapters offered resources, networking opportunities and support for HFMA members. HFMA offers chapter leaders exclusive training and education events throughout the year. More than 500 volunteer leaders on the chapter, regional and National levels attended the May 2006 Leadership Training Conference.

Two Program Chair Workshops were held in November 2005 and January 2006. Attendees from 16 chapters participated in two half-days of interactive sessions with staff and members of HFMA's Chapter Advancement Team. These workshops provided HFMA National an opportunity to support volunteer leaders and advance the excellence of local chapter education. Chapter leaders also participated in four Program Chair Conference Calls in 2005-06 where they enthusiastically shared best practices for successful program planning and topic selection.

In 2005-06 chapter leaders earned more than 250 awards for education, membership growth, certification and other areas. Specifically, achievement in new member retention was recognized, affirming the importance of chapters in connecting members to the information, resources, ideas and relationships that make HFMA such a vital resource. Chapter efforts to welcome and retain new members strongly supported HFMA's strategic goal to maintain a seamless system of service. Chapters also continued to contribute to members' professional development through support of the certification program, offering pre-certification testing training and operating the testing process in a convenient and timely manner.

## ADVANCEMENT THROUGH COLLABORATION

HFMA is committed to the advancement of the industry through developing and promoting ethical, high-quality healthcare finance practices. Notable 2005-06 highlights of our activities to advance the financial management of health care include:

### ■ *PATIENT FRIENDLY BILLING® Project*

HFMA continued to lead the Patient Friendly Billing project, designed to help hospitals and health system leaders create clear, concise, correct and caring healthcare billing and collection processes. During 2005-06, this initiative continued with the release of "Hospitals Share Insights to Improve Financial Policies for Uninsured and Underinsured Patients." The report, released at the 2005 Annual National Institute, shared tools and ideas addressing the discounting and collections practices for patients with limited ability to pay.

During the fiscal year, a new project work group studied the impact of consumerism on health care, culminating in a report (released at the 2006 Annual National Institute) that includes an 11-point call to action for hospitals and physicians to take on the impact of consumerism and help patients better understand the financial aspects of their health services.

### ■ *Guidance on Financial Reporting for Uncompensated Care*

HFMA's Principles and Practices (P&P) Board released an exposure draft of revisions to its long-standing guidance on how to measure and report charity care and bad debt (*P&P Board Statement No. 15, Valuation and Financial Statement Presentation of Charity Service and Bad Debts by Institutional Healthcare Providers*). Accountability among tax-exempt healthcare providers is in the spotlight on

Capitol Hill and in state capitols around the country. Since 1978, the P&P has provided standards for how to measure and report uncompensated care. The updates in this exposure draft address current questions raised in relation to charity care reporting practices and also incorporate principles of the Patient Friendly Billing project.

### ■ *Financing the Future II*

Financing the Future II includes six reports published over 18 months for healthcare financial leaders, their staffs and healthcare executive board members. Each report illustrates how actual hospitals and health systems have applied corporate finance principles to achieve successful financial performance and capital access. The first report, published in May 2005, covered key principles of better practice financial management, while the second report focused on the "right" capital structure. The third report discussed strategic financial planning and capital allocation and the fourth report addressed the trend of joint ventures with physicians and other partners. Report five tackled strategies for financially struggling hospitals and highlights the warning signs of a distressed organization. The sixth and final report reviewed the outlook for capital access while taking an updated look at research from the first Financing the Future series.

### ■ *Disaster Preparedness*

In response to the disastrous 2005 hurricane season, HFMA formed the Hurricane Relief Task Force to quickly gather and communicate vital information to CFOs in crisis situations. Resources provided included a financial management checklist for disaster recovery, a ready-to-use presentation on strategic disaster recovery planning and a compilation of important information and tools for disaster recovery.

### ■ *Electronic Health Records*

Electronic health records (EHRs) have the potential to address two of the most critical challenges facing the U.S. healthcare system: enhancing quality of care and controlling costs. In December 2005, HFMA surveyed healthcare finance executives to identify the challenges that hospitals face in EHR adoption, as well as the steps that government could take to encourage adoption. Two roundtable discussions with senior financial executives added depth to the survey findings. The roundtables were conducted by HFMA in collaboration with David Brailer, MD, PhD, National Health Information Coordinator for the U.S. Department of Health and Human Services and the former leader of the Bush Administration's drive toward national EHR adoption.

### ■ *Covering the Uninsured*

HFMA, along with other influential organizations around the country, is a national supporter of *Cover the Uninsured Week* and the *Covering Kids and Families Back-to-School Campaign*, initiatives sponsored by the Robert Wood Johnson Foundation. The initiatives urge U.S. leaders to make health coverage for Americans their top priority. They also support volunteers who work at hundreds of events nationwide to help uninsured people enroll in existing public coverage programs, distribute information about local resources and spread the word about this program.

### ■ *Uniform Billing*

HFMA continued its longstanding work with the National Uniform Billing Committee (NUBC) to maintain the integrity of the UB-92 data set and develop mutually agreed upon data elements for claim and claim-related transactions. This past year, the NUBC, of which HFMA is a founding member, approved a new version of the UB-92, now called the UB-04, to be implemented in May 2007.

### ■ *Supply Chain Management*

HFMA surveyed members to assess what they viewed were the best opportunities to reduce supply chain costs. HFMA also worked with the Association for Healthcare Resource & Materials Management (AHRMM) to develop a definition for supply expense in healthcare organizations. A standard definition will help hospitals and other healthcare organizations compare their supply costs to others in the field and look for ways to improve the care they provide to the communities they serve.

### ■ *Leadership Competencies*

HFMA has joined forces with the nation's top healthcare management professional societies to develop a new interactive tool to ensure that healthcare leaders have the training and expertise they need to manage the nation's healthcare organizations. The HLA Competency Directory is a searchable reference tool that identifies 300 competencies that are important across diverse healthcare management roles. Educators, individuals and organizations can use this resource to assess programs, define job requirements and enhance education programs.

**HFMA AWARD WINNERS. IT IS OUR PLEASURE TO HONOR HFMA MEMBERS WHO HAVE MADE REMARKABLE CONTRIBUTIONS TO OUR ASSOCIATION AND THE INDUSTRY.**

**FREDERICK C. MORGAN ACHIEVEMENT AWARD**

The 2006 Frederick C. Morgan Achievement Award, the Association's highest individual honor, was awarded to Fred J. Lucky, FHFMA. Lucky, who is senior vice president of the Kansas Hospital Association, is the 48th recipient of this prestigious award that honors career-long contributions to healthcare financial management and HFMA.

Lucky's health career accomplishments include forging strong relations with numerous organizations in Kansas, including the Kansas Hospital Association. He has also had significant civic involvement and played an integral role in obtaining additional Medicaid funding for Kansas providers.

A member since 1976, Lucky has served on the HFMA National Board of Directors, the National Matrix, the Nominating Committee, the Chapter Services Council and the Board of Examiners. Lucky earned HFMA's Founders Medal of Honor Award in 1993, and became a Fellow of HFMA in 1997.

**STRENGTH IN VOLUNTEERS**

**VOLUNTEER AND LEADER CONTRIBUTIONS**

HFMA is indebted to the efforts of its thousands of members, volunteers, sponsors and staff. The significant achievements detailed in this annual report would not have been possible without their dedication, long hours and unwavering commitment to our industry. Their labors set the drumbeat by which HFMA pursued our objectives in 2005-06.



The 2005 Frederick C. Morgan Achievement Award was presented to Fred J. Lucky, FHFMA.

**ROBERT M. SHELTON AWARD FOR  
SUSTAINED EXCELLENCE**

Oklahoma Chapter

Rebecca L. Speight, FHFMA, CPA  
*2005-06 chapter president*

Richard E. Kelly  
*2004-05 chapter president*

Lloyd L. Haggard, Jr., FHFMA, CPA,  
CPC, CMC  
*2003-04 chapter president*

Ann L. Paul  
*2002-03 chapter president*

Jerome R. Gardner  
*2001-02 chapter president*

**THE C. HENRY HOTTUM AWARD  
FOR EDUCATIONAL  
PERFORMANCE IMPROVEMENT**

Appalachian Chapter of  
Central Pennsylvania

Arizona Chapter

Arkansas Chapter

Central New York Chapter

Central Ohio Chapter

Connecticut Chapter

Eastern Michigan Chapter

Great Lakes Chapter

Greater St. Louis Chapter

Hudson Valley Chapter

Indiana Pressler Memorial Chapter

Iowa Chapter

Kentucky Chapter

Maryland Chapter

Minnesota Chapter

Montana Chapter

Nebraska Chapter

Nevada Chapter

New Mexico Chapter

North Dakota Chapter

Northeastern New York Chapter

Oklahoma Chapter

Oregon Chapter

Puerto Rico Chapter

Southern Illinois Chapter

Southwestern Ohio Chapter

Texas Gulf Coast Chapter

Virginia Chapter

Washington-Alaska Chapter

West Virginia Chapter

The Robert M. Shelton Award for Sustained Excellence was presented to the Oklahoma Chapter on June 19 during the 53rd Annual Chapter Presidents' Dinner and Meeting at HFMA's Annual National Institute in Orlando, FL. *Left to right:* Rick Kelly (2004-05), Jerome R. Gardner (2001-02), Lloyd Haggard, Jr. (2003-04), Ann L. Paul (2002-03), Becky Speight (2005-06) and then HFMA-elect Chairman Joe Fifer.



**GOLD AWARDS OF EXCELLENCE**

**FOR EDUCATION**

Arkansas Chapter  
Iowa Chapter  
Mississippi Chapter  
Montana Chapter  
Nebraska Chapter  
North Carolina Chapter  
North Dakota Chapter  
Puerto Rico Chapter  
Sunflower (Kansas) Chapter

**SILVER AWARDS OF EXCELLENCE**

**FOR EDUCATION**

Alabama Chapter  
Georgia Chapter  
Hawaii Chapter  
Hudson Valley Chapter  
Idaho Chapter  
Kentucky Chapter  
Louisiana Chapter  
Oklahoma Chapter  
Oregon Chapter  
Rochester Regional Chapter  
South Carolina Chapter  
South Dakota Chapter  
Southern Illinois Chapter  
West Virginia Chapter

**BRONZE AWARDS OF EXCELLENCE**

**FOR EDUCATION**

Appalachian Chapter of  
Central Pennsylvania  
Arizona Chapter  
Eastern Michigan Chapter  
Show-Me of Missouri Chapter  
South Texas Chapter  
Southwestern Ohio Chapter  
Tennessee Chapter  
Washington-Alaska Chapter  
Wyoming Chapter

**GOLD AWARDS OF EXCELLENCE**

**FOR MEMBERSHIP**

**GROWTH AND RETENTION**

Alabama Chapter  
Louisiana Chapter  
Mississippi Chapter  
Puerto Rico Chapter  
South Texas Chapter  
Utah Chapter

**SILVER AWARDS OF EXCELLENCE**

**FOR MEMBERSHIP**

**GROWTH AND RETENTION**

Central New York Chapter  
Central Ohio Chapter  
First Illinois Chapter  
Heart of America Chapter  
Maine Chapter  
McMahon-Illini Chapter  
Nebraska Chapter  
Nevada Chapter  
Oklahoma Chapter  
Oregon Chapter  
Show-Me of Missouri Chapter  
South Dakota Chapter  
Sunflower (Kansas) Chapter  
Washington-Alaska Chapter  
Western Michigan Chapter  
Western Pennsylvania Chapter

**BRONZE AWARDS OF EXCELLENCE**

**FOR MEMBERSHIP**

**GROWTH AND RETENTION**

Appalachian Chapter of  
Central Pennsylvania  
Florida Chapter  
Hudson Valley Chapter  
Idaho Chapter  
Indiana Pressler Memorial Chapter  
Iowa Chapter  
Massachusetts Chapter  
New Hampshire-Vermont Chapter  
North Carolina Chapter  
North Dakota Chapter  
Northeast Ohio Chapter  
South Carolina Chapter  
Southern Illinois Chapter  
Southwestern Ohio Chapter  
Texas Gulf Coast Chapter  
Western New York Chapter

**GOLD AWARDS OF EXCELLENCE**

**FOR NEW MEMBER RETENTION**

Alabama Chapter  
Appalachian Chapter of  
Central Pennsylvania  
Hudson Valley Chapter  
Idaho Chapter  
Louisiana Chapter  
McMahon-Illini Chapter  
Mississippi Chapter  
Puerto Rico Chapter  
Rochester Regional Chapter  
Wyoming Chapter

**SILVER AWARDS OF EXCELLENCE**

**FOR NEW MEMBER RETENTION**

Indiana Pressler Memorial Chapter  
Iowa Chapter  
Montana Chapter  
Nebraska Chapter  
New Hampshire-Vermont Chapter  
North Carolina Chapter  
North Dakota Chapter  
Northwest Ohio Chapter  
Oklahoma Chapter  
Oregon Chapter  
Sunflower (Kansas) Chapter  
Virginia Chapter  
Western Michigan Chapter  
Western New York Chapter

**BRONZE AWARDS OF EXCELLENCE**

**FOR NEW MEMBER RETENTION**

Central New York Chapter  
Greater St. Louis Chapter  
Maine Chapter  
Rhode Island Chapter  
South Texas Chapter  
Washington-Alaska Chapter

**GOLD AWARDS OF EXCELLENCE**

**FOR CERTIFICATION**

Great Lakes Chapter  
Nebraska Chapter  
Southern Illinois Chapter  
Western Michigan Chapter  
Western Pennsylvania Chapter

**SILVER AWARDS OF EXCELLENCE**

**FOR CERTIFICATION**

Central New York Chapter  
Colorado Chapter  
Western New York Chapter  
Wyoming Chapter

**BRONZE AWARDS OF EXCELLENCE**

**FOR CERTIFICATION**

Arizona Chapter  
Eastern Michigan Chapter  
First Illinois Chapter  
Lone Star Chapter  
Massachusetts Chapter  
Nevada Chapter  
North Carolina Chapter  
Northern California Chapter  
Puerto Rico Chapter  
San Diego-Imperial Chapter  
South Dakota Chapter  
Southwestern Ohio Chapter  
Texas Gulf Coast Chapter  
Utah Chapter

**HELEN M. YERGER SPECIAL  
RECOGNITION AWARDS PRESENTED  
TO INDIVIDUAL CHAPTER  
RECIPIENTS (NUMBER OF YERGER  
AWARDS EARNED)**

Alabama Chapter (3)  
Appalachian Chapter of  
Central Pennsylvania (1)  
Arizona Chapter (3)  
Arkansas Chapter (1)  
Colorado Chapter (2)  
Eastern Michigan Chapter (3)  
First Illinois Chapter (4)  
Georgia Chapter (4)  
Great Lakes Chapter (2)  
Greater St. Louis Chapter (3)

Hawaii Chapter (1)  
Heart of America Chapter (1)  
Hudson Valley Chapter (3)  
Indiana Pressler Memorial Chapter (1)  
Iowa Chapter (3)  
Kentucky Chapter (3)  
Lone Star Chapter (3)  
Maine Chapter (1)  
Maryland Chapter (2)  
Massachusetts Chapter (1)  
Metropolitan New York Chapter (3)  
Minnesota Chapter (1)  
New Hampshire-Vermont Chapter (2)  
New Jersey Chapter (4)  
North Carolina Chapter (3)  
North Dakota Chapter (2)

Northeastern Pennsylvania Chapter (1)  
Oklahoma Chapter (3)  
Rochester Regional Chapter (2)  
San Diego-Imperial Chapter (2)  
Southern California Chapter (1)  
Southern Illinois Chapter (4)  
Southwestern Ohio Chapter (1)  
Tennessee Chapter (3)  
Texas Gulf Coast Chapter (2)  
Virginia Chapter (1)  
West Virginia Chapter (1)  
Western New York Chapter (1)  
Western Pennsylvania Chapter (2)  
Wisconsin Chapter (3)

**HELEN M. YERGER SPECIAL  
RECOGNITION AWARDS PRESENTED  
TO MULTI-CHAPTER RECIPIENTS**  
Connecticut, Maine, Massachusetts,  
New Hampshire-Vermont and Rhode  
Island Chapters for the HFMA  
Region 1 Annual Healthcare  
Conference: Achieving Excellence  
through Collaboration

Connecticut, Maine, Massachusetts,  
New Hampshire-Vermont and Rhode  
Island Chapters for a New and  
Improved Financial System for Region 1  
Central New York, Hudson Valley,  
Metropolitan New York, Northeastern  
New York, Puerto Rico, Rochester  
Regional, and Western New York  
Chapters for the Region 2 2005 Mini-  
Leadership Training Conference

Kentucky, Maryland, North Carolina,  
Virginia, West Virginia and  
Washington Metropolitan Chapters  
for the May 2005 Region 4 HFMA  
Mid-Atlantic Conference  
Alabama and Georgia Chapters for  
their Leadership-Only Section of  
the Website  
Alabama and Georgia Chapters for  
their On-Line Credit Card Processing  
Georgia and Tennessee Chapters for  
their Nursing Home Volunteer Month  
Alabama, Florida, Georgia, South  
Carolina and Tennessee Chapters for  
the Region 5 Dixie Institute  
Eastern Michigan, Great Lakes and  
Western Michigan Chapters for their  
Multi-Education Event

Eastern Michigan, Great Lakes and  
Western Michigan Chapters for their  
University Project  
Iowa and Nebraska Chapters for Corn  
Bowl, Battle for Region 8 Midwest  
Supremacy  
Arkansas, Mississippi and  
Tennessee Chapters for the Tri-State  
Institute 2006  
Arkansas, Lone Star, Louisiana,  
Mississippi, Oklahoma, South Texas  
and Texas Gulf Coast Chapters for  
the 3rd Annual HFMA Region 9  
Conference  
Northern California and Southern  
California Chapters for the 15th  
Annual Conference on Managed Care

**RECOGNIZING SIGNIFICANT CONTRIBUTORS.** HFMA APPRECIATES ITS ADVERTISERS, EXHIBITORS, CHAPTER SPONSORS, AND THE OTHER FIRMS WHO SUPPORT THE ASSOCIATION AND ALL OF OUR CHAPTERS THROUGH VARIOUS MEANS. YOUR CONTRIBUTIONS AND SUPPORT PROVIDED INVALUABLE FUNDING TO HELP HFMA ACHIEVE OUR MISSION. SPONSORSHIP CONTRIBUTIONS ASSIST HFMA IN REDUCING MEMBERS' COSTS, FUNDING SPECIAL PROJECTS AND OFFERING MORE RESOURCES TO HELP MEMBERS AND THEIR ORGANIZATIONS EXCEL.

**DIAMOND-LEVEL SPONSORS**

3M Health Information Systems  
GE Commercial Finance Healthcare  
Financial Services  
Lawson Software Inc.  
McKesson Corporation  
Siemens Medical Solutions  
Health Services

**PLATINUM-LEVEL SPONSORS**

Cerner Corporation  
Innovative Health Systems,  
An Accuro Company  
MedAssets

**GOLD-LEVEL SPONSORS**

ARC Group  
OnBase (Hyland Software)  
Perot Systems

**SILVER-LEVEL SPONSORS**

Amerinet  
Emdeon Business Services  
Executive Health Resources  
IMACS, An Accuro Company  
J.A. Thomas & Associates  
Kaufman Hall and Associates  
Per-Se Technologies  
Premier  
PricewaterhouseCoopers  
Exante Financial Services

**EVENT SPONSORS**

AHA Financial Solutions, Inc.  
AIG Valic  
AIM Healthcare Services, Inc.  
Any Doc Software  
Aptium Oncology  
Bank of America  
BidShift  
CodeCorrect, An Accuro Company  
Craneware  
Crowe, Chizek and Company  
DST Technologies  
GHN Online  
Global Recovery Alliance  
H2O Technologies  
Healthcare Funding Solutions  
HSS, Inc.  
Humana  
ING  
Integra  
Iron Mountain  
JPMorgan Chase  
Kronos  
Lynx Medical Systems  
McStrategies  
MD-X Solutions  
MedAssist  
MedeFinance  
MedQuist

MedSynergies  
Mellon Client Service Center  
Meridian Leasing Corporation  
Microsoft  
OmniVue Business Solutions  
Ontario Systems LLC  
Oracle  
Portfolio Recovery Associates  
Principal Financial Group  
Progressive Management Systems  
Quadramed  
Search America  
Senex Services Corporation  
SoftMed  
SRC Software  
Tectura  
The Lewin Group  
Third Millennium  
TransUnion  
UBS Financial Services  
Wachovia Bank  
West Asset Management

**Level Sponsors** are those sponsors who contribute to HFMA on an annual basis throughout the year with multiple assets. **Event Sponsors** are those sponsors who sponsor individual events throughout the year.

## HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION AND AFFILIATES

### CONSOLIDATED BALANCE SHEETS

Years ended May 31, 2006, and 2005

<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
Current assets		
Cash and cash equivalents	\$ 12,245,112	\$ 10,899,911
Accounts receivable, less allowance for doubtful accounts of approximately \$160,000 in 2006 and \$180,000 in 2005	1,364,608	1,055,407
Convention and meeting deposits	989,406	393,750
Prepaid expenses and other	314,208	172,733
<b>Total current assets</b>	<b>14,913,334</b>	<b>12,521,801</b>
Investments	11,082,527	10,244,233
Investments held for deferred compensation	795,114	1,219,185
Furniture, equipment and leasehold improvements, net	1,020,626	655,192
Chapter-restricted cash	67,183	65,262
<b>Total assets</b>	<b>\$27,878,784</b>	<b>\$24,705,673</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 3,578,433	\$ 3,080,232
Deferred membership dues, net of related chapter rebates of \$520,089 in 2006 and \$533,538 in 2005	4,671,223	4,696,955
Deferred institute, subscription and examination revenue	4,289,393	4,130,434
<b>Total current liabilities</b>	<b>12,539,049</b>	<b>11,907,621</b>
Deferred lease obligation	538,610	551,685
Deferred compensation liability	795,114	1,219,185
<b>Total liabilities</b>	<b>13,872,773</b>	<b>13,678,491</b>
Commitments and Contingencies (Note 9)		
Unrestricted net assets	14,006,011	11,027,182
<b>Total liabilities and unrestricted net assets</b>	<b>\$27,878,784</b>	<b>\$24,705,673</b>

### CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended May 31, 2006, and 2005

<b>REVENUE</b>	<b>2006</b>	<b>2005</b>
Membership dues	\$ 6,313,957	\$ 6,129,035
<i>hfm</i> magazine	5,643,665	4,747,647
Institutes	2,991,057	3,026,417
ANI convention	2,961,418	2,521,335
Development program	2,073,391	1,805,025
Royalties	542,993	657,934
Forums	634,158	638,077
Books and periodicals	386,615	443,833
Certification	215,959	242,331
Other products and services	42,589	56,195
Miscellaneous	215,738	255,140
Net investment income	1,456,603	805,724
Training	581,466	571,931
<b>Total revenue</b>	<b>\$24,059,609</b>	<b>\$21,900,624</b>

The accompanying notes are an integral part of the consolidated financial statements.

## HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION AND AFFILIATES

### CONSOLIDATED STATEMENTS OF ACTIVITIES, *continued*

Years Ended May 31, 2006, and 2005

<b>EXPENSES</b>	<b>2006</b>	<b>2005</b>
Personnel	\$ 8,626,823	\$ 8,345,787
Administrative	3,603,221	2,650,263
Professional services	2,411,564	2,102,173
Marketing	1,364,822	1,000,420
Printing	1,279,330	1,100,059
Occupancy	960,802	836,845
Travel	492,405	380,927
Postage	509,748	437,557
Depreciation and amortization	289,921	230,276
Equipment	636,339	491,117
Telephone	288,829	323,560
Other	616,976	687,936
<b>Total expenses</b>	<b>21,080,780</b>	<b>\$ 18,586,920</b>
Change in net assets	2,978,829	\$ 3,313,704
Unrestricted net assets, beginning of year	11,027,182	\$ 7,713,478
<b>Unrestricted net assets, end of year</b>	<b>\$14,006,011</b>	<b>\$ 11,027,182</b>

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended May 31, 2006, and 2005

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2006</b>	<b>2005</b>
Change in net assets	\$ 2,978,829	\$ 3,313,704
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation and amortization	289,921	230,276
Loss on disposal of property and equipment	11,732	—
Decrease in deferred lease obligation	(13,075)	(38,469)
Net realized and unrealized gains on investments	(858,556)	(562,466)
Changes in operating assets and liabilities		
Accounts receivable	(309,201)	213,313
Convention and meeting deposits	(595,656)	(15,819)
Prepaid expenses and other	(141,475)	106,454
Chapter-restricted funds	(1,921)	(614)
Accounts payable and accrued liabilities	498,201	(475,100)
Deferred dues and revenue	133,227	807,970
<b>Net cash flows provided by operating activities</b>	<b>\$ 1,992,026</b>	<b>\$ 3,579,249</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture, equipment and leasehold improvements	\$ (667,087)	\$ (197,247)
Proceeds from sale of investments	2,520,998	1,116,585
Purchase of investments	(2,500,736)	(4,155,797)
<b>Net cash (used in) investing activities</b>	<b>(646,825)</b>	<b>(3,236,459)</b>
<b>Change in cash and cash equivalents</b>	<b>\$ 1,345,201</b>	<b>\$ 342,790</b>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>Beginning of year</b>	<b>\$ 10,899,911</b>	<b>\$ 10,557,121</b>
<b>End of year</b>	<b>\$ 12,245,112</b>	<b>\$ 10,899,911</b>
Supplemental disclosure:		
Cash paid for taxes (net of tax refund)	\$ 467,000	\$ 331,000

*The accompanying notes are an integral part of the consolidated financial statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended May 31, 2006, and 2005

### 1. ORGANIZATION

Healthcare Financial Management Association ("HFMA") is an association of healthcare financial management professionals with approximately 35,000 members. HFMA's operations include membership activities, publications, meetings, conventions and investment of funds. Operating support is derived primarily from membership dues, publications and meetings. HFMA is affiliated with the Foundation, a not-for-profit entity, through common membership on their respective Boards of Directors and shared senior management. The Foundation provides cost-effective and accessible ways for healthcare financial management professionals to increase their professional knowledge through education programs. Support for the Foundation is derived primarily from institute fees (educational revenue other than Annual National Institute ("ANI") revenue) and investment income. HFMA Learning Solutions Inc. ("LSI"), a wholly owned subsidiary of HFMA, is an inactive for-profit corporation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Association in preparation of these consolidated financial statements are summarized below

**Principles of Consolidation** The consolidated financial statements include the accounts of HFMA, the Foundation and LSI. All intercompany accounts have been eliminated.

**Use of Estimates** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Cash and Cash Equivalents** Cash and cash equivalents include bank deposits and highly liquid investments with original maturities at purchase of three months or less.

**Accounts Receivable** Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Fair Value of Financial Instruments** The carrying amounts of certain of HFMA's financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, deferred membership dues and deferred institute, subscription and examination revenue approximate fair value due to their short maturities.

**Investments** Investments held by the Association are stated at fair value based on quoted market prices in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

**Furniture, Equipment and Leasehold Improvements** Property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable furniture and equipment. Leasehold improvements are stated at cost. Amortization is computed on the straight-line method over the shorter of the useful life of the improvement or the term of the lease. Expenditures for maintenance and repairs are charged directly to expense; renewals and betterments, which significantly extend the useful lives, are capitalized. Costs and accumulated depreciation and amortization on retired or disposed assets are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of operations.

**Financial Instruments** The carrying amount of financial instruments, including cash, cash equivalents, accounts receivable, short-term investments, accounts payable, accrued expenses and short-term borrowings, approximates fair value due to the short maturity of these investments.

**Revenue** Membership dues and related rebates to chapters are recognized ratably over the fiscal year which they apply. Publication revenue is recognized as revenue when publications are shipped. Fees for educational programs are recognized as revenue when the programs are conducted.

**Chapter-Restricted Funds** Chapter-restricted funds represent amounts held by the Foundation designated to be used for certain local HFMA chapters. Interest income on these funds amounted to \$3,972 and \$1,034 for the years ended May 31, 2006, and 2005, respectively.

**Income Taxes** HFMA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, and the Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code. HFMA is subject to taxes on unrelated business income, which is generally HFMA's advertising revenue. HFMA had approximately \$5,419,000 and \$4,518,000 in gross advertising revenues for the years ended May 31, 2006 and 2005, respectively. Income tax expense associated with unrelated business income amounted to \$455,000 and \$349,000 for the years ended May 31, 2006, and 2005, respectively, and are included in other expense. LSI, which has had no operations since June 1, 2000, has a net operating loss ("NOL") carryforward of approximately \$2,117,000 at May 31, 2006. The NOL will begin to expire in 2020 if not previously utilized. No deferred tax asset has been recognized, as management has established a full valuation allowance at May 31, 2006.

**Marketing costs** Marketing costs, which include activities to create or stimulate the desire to use the organization's services, are expensed when incurred.

### 3. INVESTMENTS

At May 31, investments, which are stated at fair value, consist of the following:

	2006	2005
Equity funds	\$ 7,470,681	\$ 6,709,411
Fixed income funds	3,061,780	3,042,237
Real estate funds	550,066	492,585
<b>Total</b>	<b>\$11,082,527</b>	<b>\$10,244,233</b>

For the years ended May 31, 2006, and 2005, net investment income is comprised of the following:

	2006	2005
Interest and dividend income, net of fees	\$ 598,047	\$ 243,258
Net realized gains and losses on sales of investments	450,266	(39,859)
Change in net unrealized investment gains and losses	408,290	602,325
<b>Total</b>	<b>\$ 1,456,603</b>	<b>\$ 805,724</b>

HFMA and the Foundation invest in equity, fixed income and real estate funds. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect HFMA's and the Foundation's investment balance. During the prior fiscal year, the Association elected to change its investment counsel and associated portfolio holdings. Gains and/or losses on these investments were therefore realized, and the counterpart of the sell transactions were stated under "Change in net unrealized investment gains and losses."

### 4. INVESTMENTS HELD FOR DEFERRED COMPENSATION

At May 31, investments held for deferred compensation consist of the following:

	2006	2005
Equity funds	\$ 67,288	\$ 176,447
Fixed income funds	206,151	562,235
Money market fund	521,675	480,503
<b>Total</b>	<b>\$ 795,114</b>	<b>\$ 1,219,185</b>

This deferred compensation plan, established under the IRC Section 457, is funded entirely by employees or former employees of HFMA. HFMA accounts for these employee contributions as investments held for deferred compensation with the related liability recorded as a deferred compensation liability.

### 5. FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

The cost, accumulated depreciation and net book value of furniture, fixtures and leasehold improvements are summarized as follows:

	2006	2005
Furniture and equipment	\$ 3,788,025	\$ 3,352,216
Leasehold improvements	551,785	542,958
	4,339,810	3,895,174
Less: Accumulated depreciation and amortization	3,319,184	3,239,982
<b>Furniture, equipment and leasehold improvements, net</b>	<b>\$ 1,020,626</b>	<b>\$ 655,192</b>

### 6. LEASE COMMITMENTS

The Association occupies offices in Westchester, Illinois and Washington, D.C. under operating lease agreements through July 2011, which include certain escalation clauses. The lease in Westchester also provides two five-year renewal options, with the annual rent to be determined at the time of renewal. The effects of prior years' build-out and free rent allowances and of base rent escalation provisions are being recognized on a straight-line basis over the term of the lease and give rise to the deferred lease obligation on the consolidated balance sheets.

Total rent expense approximated \$961,000 and \$837,000 in 2006 and 2005, respectively.

Future minimum lease payments under non-cancelable operating leases are:

Year ending May 31

	2006	2005
2007	\$ 688,321	
2008	675,599	
2009	592,936	
2010	527,485	
2011	543,310	
Thereafter	90,993	
<b>Total minimum lease payments</b>	<b>\$ 3,118,644</b>	

### 7. FUNCTIONAL EXPENSES

Operating expenses for the years ended May 31, 2006, and 2005 summarized by functional classification, including only costs directly allocable to each classification, are as follows:

	2006	2005
Membership	\$ 377,852	\$ 414,431
Institutes, other products and services	4,603,411	3,524,595
Publications	2,644,223	2,245,952
Books and periodicals	236,613	143,478
Management and general	13,218,681	12,258,464
<b>Total</b>	<b>\$21,080,780</b>	<b>\$18,586,920</b>

### 8. EMPLOYEE PENSION PLAN

HFMA sponsors a defined contribution pension plan which covers substantially all HFMA employees who complete one year of employment. Contributions are based upon a percentage of participants' earnings, less forfeitures. HFMA's contributions for the years ended May 31, 2005, and 2004 were \$348,735 and \$328,210, respectively.

### 9. COMMITMENTS AND CONTINGENCIES

In 2001, the Foundation entered into agreements with the New Orleans Convention Center and a number of hotels in that area to hold the Foundation's Annual National Institute from June 14-23, 2007 in those properties. In September 2005, Hurricane Katrina came ashore and caused massive damage to the city of New Orleans and surrounding areas. Because of the damage done by the storm, the extremely low possibility of the area being returned to anything resembling its condition prior to the storm within a reasonable time frame, and potentially hazardous conditions for meeting attendees, the Foundation attempted to engage the properties in discussions intending to change the dates of the meeting to a time when the area would more likely be in an appropriate condition.

Management of these entities was unwilling to discuss the possibility of any such change until such time as the Foundation gave notice of its intent to not hold the meeting on the dates specified in the agreements. On December 14, 2005, the Foundation did give such notice and received a response from the properties indicating receipt and restating the cancellation fee clauses carried in the agreements.

The cancellation fee clauses in the agreements with the hotels are based upon 75 percent of revenue from unsold rooms at the hotels covering the meeting dates. These clauses require the hotels to attempt to resell the Foundation's cancelled room nights, thereby reducing the amount of any monies that may be due under these clauses as cancellation fees. The final amount will be calculated following the 2007 meeting dates. Such amount ranges from \$0 to \$1,008,724 depending upon the level of occupancy at the facilities.

The contract with the New Orleans Convention Center carries a minimum meeting space rental charge of \$90,000 and makes no provision for a credit to the Foundation if it is able to resell space during that time period. While management of the Foundation is of the opinion that these agreements should have been declared null and void based upon force majeure provisions in the contracts, management has accrued as an expense the \$90,000 called for in the agreement with the New Orleans Convention Center. No provision has been recorded for any fees that may ultimately have to be paid to the hotels for unsold room revenue.

### 10. CHAPTERS OF HFMA (UNAUDITED)

Chapters of HFMA may be established by charter subject to the approval of the Board of Directors of HFMA, pursuant to the provisions of the bylaws and regulations governing membership, organization, procedures and financial relations with HFMA. Should a chapter cease to function or its charter be revoked by HFMA, all funds and records held by the chapter become the property of HFMA. The financial position and the operations of these chapters are not included in the Association's financial statements.

The most recent summary financial data of the chapters is as follows:

At or for the Year Ended May 31,	2005	2004
Number of chapters	70	70
Total assets, primarily cash	\$ 8,046,450	\$ 7,421,825
Total revenue	\$ 9,493,954	\$ 8,560,524
Increase in net assets	\$ 527,708	\$ 626,842

### REPORT OF INDEPENDENT ACCOUNTANTS

June 9, 2006

To the Board of Directors of Healthcare Financial Management Association:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Healthcare Financial Management Association and Affiliates (the "Association") at May 31, 2006, and 2005, and the results of their activities and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.