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# First Illinois Speaks

A Newsletter from HFMA's First Illinois Chapter

March 2003

## Transfer Payment Policy

"The next feature in the  
'Out of the Black Box' series"

By: Paul Hendrickson, Director, Revenue Accounting and Corporate Tax  
Elmhurst Memorial Hospital

### From the President



create the future

We are entering a very exciting planning stage of this chapter year. The membership satisfaction survey has been completed. We will be using the results as we develop our 5-year strategic plan.

It has been an interesting process. The recently completed membership satisfaction survey is the first one initiated by the chapter in several years. Our process began back in June of 2002 when the board voted to conduct the membership survey. The planning began in August of 2002 and the survey was delivered to the members in November of 2002. Finally, in February 2003 the results were shared with the board.

Now the real work begins! The results will be published in a series of articles, the first in this newsletter and then in future newsletters. In addition to these articles, I would like to share some key statistics with you.

The board has some benchmark information available from the 1998/1999 national survey, which allowed us to compare many of the results. For example, in 1999 20% of the respondents were Executive officers versus 18% of the respondents in 2002. Our top respondents for the 2002 survey were Hospital directors who participated at 26% versus 4% in 1999. Overall satisfaction with our education programs rose from 82% in 1999 to 94% in 2002. The satisfaction with the education programs can be attributed to the many committee chairs and members that are devoted to ensuring the success of these programs.

The survey results also indicated areas for improvement. For example, only 10% of the respondents are certified and 27% of the respondents are unfamiliar with the certification process. I would encourage you

*continued on page 2*

### Background

Under the Medicare inpatient prospective payment system, the hospital discharging the patient is entitled to receive the full DRG payment. As we all know, the hospital that ultimately discharges the patient may not be the hospital responsible for admitting the patient or rendering a substantial portion of the patient care services. CMS (formerly HCFA) recognized this situation and has always provided a mechanism to reimburse the transferring hospital for the "costs" it incurs prior to the transfer.

Prior to the Balanced Budget Act of 1997(BBA97) this mechanism was straightforward. Full payment is made to the final discharging hospital and each transferring hospital is paid a per diem rate for each day of the stay. The transfer per diem payments could not exceed the full DRG amount if the patient had not been transferred.

### Transfers under BBA97

The Balanced Budget Act of 1997 changed the situations under which a patient is considered discharged from a hospital by redefining the terms transfer and discharge. A "qualified discharge" from one of 10 specified DRGs to a post-acute care provider was to be treated as a transfer beginning with discharges on or after October 1, 1998. A qualified discharge, as defined in the July 31, 1998 Federal Register, is "a discharge from a prospective payment hospital of an individual whose hospital stay is classified in one of the 10 selected DRGs if, after the discharge, the individual is: 1) Admitted to a hospital or hospital unit that is not a PPS (subsection 1886(d)) hospital". These settings include psychiatric hospitals and units, rehabilitation hospitals and units, children's hospitals, long-term care hospitals and cancer hospitals. 2) Admitted to a skilled nursing facility. In order to be considered a transfer, the patient must be admitted directly from the hospital

to the skilled nursing facility. Patients transferred to a swing-bed for skilled nursing care are not included. 3) Provided home health services by a home health agency if the services relate to the condition or diagnosis

for which the individual received inpatient hospital services and if these services are provided within an appropriate period as determined by the Secretary. The specified appropriate time period was deemed to be 3 days. Therefore, any home health services provided within 3 days after discharge would constitute a transfer situation.

CMS selected the 10 transfer DRGs and published them with comments in the July 31, 1998 Federal Register. The selections were based on a high volume of discharges to post-

acute care and a disproportionate use of post-acute care services. The 10 DRGs included in the BBA97 transfer payment policy were and still are 14, 113, 209, 210, 211, 236, 263, 264, 429 and 483. For most of these DRGs, the transfer payment is based on twice the per diem for the first day and the per diem for each subsequent day. For DRGs, 209, 210 and 211, the payment is based on 50 percent of the DRG payment plus the full per diem for the first day of the stay and 50 percent of the per diem for the remaining days of the stay. These three DRGs are paid differently because a disproportionate percentage of the cost of care occurs on the first day. In either case, the provider will never be paid more than the full DRG payment for the respective DRG.

### The future

CMS was authorized to expand after FY 2000 the post-acute care transfer policy to additional DRGs. In July 1999 it was decided not to expand the number of DRGs in this policy until FY 2003. So no changes were proposed to the post acute care settings or the 10 DRGs in FY 2001 or FY 2002. There were two options set forth in the proposed Inpatient PPS regulations for FY 2003. The two options were to expand this policy to all DRGs or expand it to only additional DRGs that have

*continued on page 6*

From the President (continued)

to talk about the certification process with any of our chapter's certified members. Certification is a very positive step that demonstrates personnel initiative and differentiates you within your present position or future opportunities.

Although we scored high on overall education satisfaction, 28% of the respondents have not attended a First Illinois Education session in the past three years and 18% indicated they NEVER attended a program. Try one on for size! You may discover that you are missing a great opportunity for professional education and networking. We all work in a very dynamic industry. Any edge that you have can become a powerful resource. The reason that we ask attendees to complete evaluations is to work on improving all aspects of the HFMA chapter educational experience. We will also use the survey comments to assist in planning and improving our educational programs.

My first reaction to the survey results was a feeling that we had let our members down. It seemed that there was too much diversification within the survey results. Survey respondents needs varied with the healthcare industry sector they represented.

This creates a challenge for the chapter board. How was the board going to create a plan that would satisfy all the members of the chapter? Then I had to opportunity to read Phyllis Cowlings "Vantage Point" article in the February 2003 HFM journal. Phyllis wrote about her experience in the United Kingdom. She reflected on the differences between our health care industry and their healthcare system. She went on to write that although there are many players with different goals and objectives, there are also similarities. She concluded with the notion that by bringing together the similarities we could collectively create a health care process for the good of all.

As I reflected on the survey results, I realized that many of the same things Phyllis had described in her article were also true of our chapter results. Even with many players seeking different goals and objectives, there are also many similarities! We can build on those similarities to help us develop and plan for the future. It is the similarities that will help us to create a seamless process to better align our goals for the benefit of the chapter and therefore, the benefit of the healthcare industry. In the end, isn't that what we all ultimately want? ☘

Suzanne Lestina  
HFMA President

First Illinois Chapter Membership Survey 2002

*James F. Heinking, Vice President, Healthcare Financial Resources, Inc.*



This is the first in a series of reports of the results from the First Illinois 2002 membership survey.

In September 2002, the First Illinois Chapter of HFMA contracted for a membership survey with the firm of Smith, Bucklin & Associates, Inc. to design, administer and compile the results of the full membership survey from the First Illinois

chapter. During the month of November 2002, SBA administered the electronic survey resulting in 183 (20%) responses.

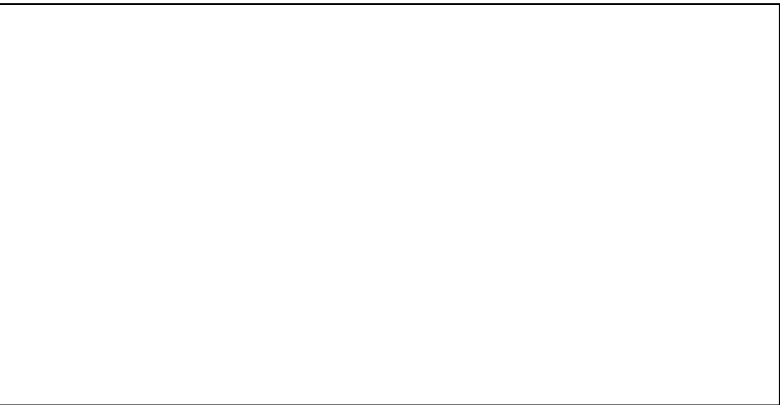
As an incentive to participate in the survey, First Illinois offered five people the opportunity to win one free education session, to be chosen in a random drawing.

The winners of the free education seminar are:

Bruce Flowers – Advocate Illinois Masonic Medical Center	Steven Kroll – Alden Management Services, Inc.	Bernadine Flavin – Advocate Healthcare
Michael Wordon – KPMG Healthcare Consulting	James Wuellner – Lake Forest Hospital	

Congratulations to each of you and Thanks to everyone who participated in this important project. In the next issue of "First Illinois Speaks" we will share the specific data related to the survey questions.

Questions or comments regarding the survey or the results may be sent to Jim Heinking at [jheinking@hfri.net](mailto:jheinking@hfri.net). ☘



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Steve Lemke,  
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# "Jogging the Mind"

## New Evidence Proves Exercise Keeps the Mind Sharp

By Lee Dye, *Special to ABCNEWS.com*

Jan. 30—New research shows that physical fitness can actually affect the structure of the human brain, and exercise may be our best friend when it comes to keeping the old noggin tuned up while we age.

We've been told for years that staying fit helps fight off the decline in cognition due to aging, and that's common sense because the brain, after all, is part of the body. But for the first time scientists have literally looked inside the human brain and found that people who exercise regularly maintain a physiological advantage over couch potatoes. To put it simply, their brains don't shrink as much.

### Keeping Your Grays and Whites

The researchers used high-resolution magnetic resonance imaging to study the brains of 55 volunteers between the ages of 56 and 79. They found that those who were physically fit had lost far less of their brain's gray and white matter than those who got very little exercise.

"People who are most fit showed the largest benefit," says psychologist Arthur F. Kramer of the University of Illinois at Urbana-Champaign. "They showed the least amount of reduction in brain volume."

Gray matter is home to the neurons that are so important to learning and memory. White matter is sort of the brain's Internet, with fibers that send signals throughout the brain. Scientists have known for years that these tissues begin to shrink at about the age of 30 in a pattern that closely matches declines in cognitive performances, says Kramer, leader of the research team.

But the new research shows that the decline can be minimized by physical exercise, because the fitter participants had more gray and white matter than those who exercised less.

Furthermore, the areas that showed the most benefit are the same areas associated with mental decline due to aging, such as short-term memory loss.

The researchers found far more gray and white matter in the frontal, temporal and parietal cortices among the physically fit participants.

That's particularly significant because of the role each of those areas plays in the cognitive processes.

### Crucial Cognition

"The frontal areas of the brain have a lot to do with what people call higher-level cognition," Kramer says. That's where we synthesize information, and store data we've just acquired. If that's not up to par, you're likely to forget a phone number that you just looked up. The temporal lobes consolidate short-term memories and build them into long-term memories. The parietal lobes allow us to navigate.

People call it spatial cognition, to get around in the world," Kramer says.

All of those areas are associated with mental decline due to aging, and "those seem to be the areas that are most responsive to fitness training," he adds.

The participants were all well educated men and women, ranging from sedentary to very fit athletes. Three-dimensional brain scans were done on each participant, allowing the researchers to measure the density of white and gray matter.

Kramer cautions against drawing too many conclusions from the University of Illinois study, because more research needs to be done.

"This is the first study ever to look at the link between brain structure and fitness," he says. But it fits neatly with other major studies at the university, also led by Kramer. Another study shows that even people who begin exercising late in life "show pretty dramatic benefits."

*continued on page 6*

## "e"-Street Wisdom: "Priorities"

Adapted from a recent email (original author unknown)

A philosophy professor stood before his class and had some items in front of him. When the class began, wordlessly he picked up a very large and empty mayonnaise jar and proceeded to fill it with rocks, rocks about 2" in diameter. He then asked the students if the jar was full? They agreed that it was.

So the professor then picked up a box of pebbles and poured them into the jar. He shook the jar lightly. The pebbles, of course, rolled into the open areas between the rocks. He then asked the students again if the jar was full. They agreed it was.

The professor picked up a box of sand and poured it into the jar. Of course, the sand filled up everything else. He then asked once more if the jar was full. The students responded with an unanimous — yes.

The professor then produced two cans of beer from under the table and proceeded to pour their entire contents into the jar — effectively filling the empty space between the sand. The students laughed.

"Now," said the professor, as the laughter subsided, "I want you to recognize that this jar represents your life. The rocks are the important things — your family, your partner, your health, and your children—things that if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter like your job, your house, and your car. The sand is everything else. The small stuff."

"If you put the sand into the jar first," he continued, "there is no room for the pebbles or the rocks. The same goes for your life. If you spend all your time and energy on the small stuff, you will never have room for the things that are important to you. Pay attention to the things that are critical to your happiness. Play with your children. Take time to get medical checkups. Take your partner out dancing. There will always be time to go to work, clean the house, give a dinner party and fix the disposal.

"Take care of the rocks first — the things that really matter. Set your priorities. The rest is just sand."

One of the students raised her hand and inquired what the beer represented.

The professor smiled. "I'm glad you asked. It just goes to show you that no matter how full your life may seem, there's always room for a couple of beers." ☘

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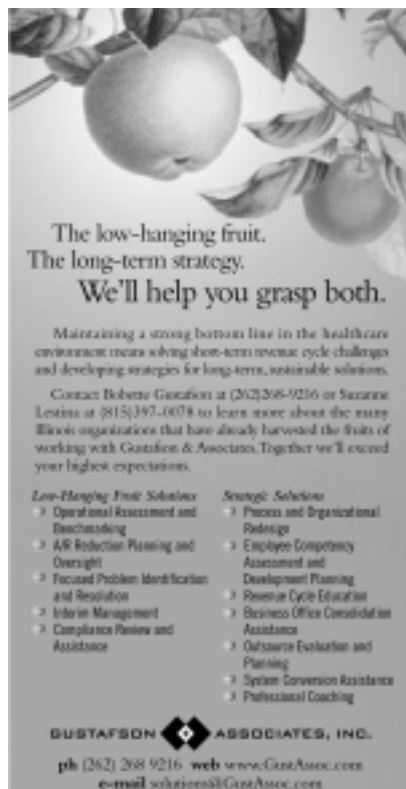
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You can access E-Learning either through the national HFMA Web site at [www.hfma.org](http://www.hfma.org) or through the chapter's Web site at [www.firstillinoisfhfma.org](http://www.firstillinoisfhfma.org). If you access E-learning through the Chapter web site, the (First Illinois Chapter will receive 20% of the registration revenue for classes.

Invest in your professional growth in 2003 by trying or rediscovering the convenience and savings of HFMA's E-Learning. For more information about E-Learning, contact Cindy Kennedy at (800)252-HFMA (4362), ext. 309 or via E-mail at [ckennedy@hfma.org](mailto:ckennedy@hfma.org).



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# The Twelve Missing Links in Revenue Cycle Management

No new band-aid is likely to fix your receivables problem.

More than likely it will be a contribution of strategies – all orchestrated by the receivables manager to overcome the “sins of omission” that contribute to high days and bad debt.

Here are the sins of omissions and how to correct them.

## Sin #1 – Loose control prior to service

### *What to do:*

Develop a well organized system and train personnel to obtain information prior to medical service given in order to negotiate potential problems, make good decisions and obtain all necessary information needed for billing and collection follow-up. Have admission program under A/R manager. “Do it right, upfront.”



## Sin #2 – Sloppy controls of patient discharge

*What to do:* Set up a tight discharge control system to gather and control necessary data, improve collections and firm up all arrangements. Train cashiers to collect more at discharge.

Maintain cashier productivity reports.

## Sin #3 – Letting small balance accounts eat you alive

*What to do:* Neutralize outpatient and emergency room accounts by developing a specific collection system and strategy that isolates their type of high volume, low dollar accounts, allowing you to concentrate on the larger balance accounts. Design collection notices and billing cycles that will work on smaller balances.

## Sin #4 – Lousy one-on-one collection skills

*What to do:* Improve one-on-one collections with debtor and third-party insurance accounts. Train and motivate employees.

## Sin #5 – Little time and effort spent on collecting insurance

*What to do:* Concentrate your forces on collection from insurance – the factor that will make the most contribution to lowering days revenue outstanding and improved cash flow. Build up your knowledge of insurance companies as it relates to payment of your bills. Maintain various billing reports. Tolerate integral billing backlogs or extended delay from third-party payers.

## Sin #6 – Carry self-pay accounts on installment

*What to do:* Try to avoid carrying your self-pay accounts on an installment basis. Use credit cards, bank notes and payment in full policy. The more you have to follow-up on installment accounts, the less time you have to spend on other more profitable accounts.

## Sin #7 – Using collection letters that don't work

*What to do:* Gain a good understanding of how to design collection letters that will pay off. Keep them to a minimum. Use them in special spots.

## Sin #8 – A computer system that doesn't collect

*What to do:* Get the most mileage from your computer in terms of accurate reporting, creative exception reporting for good decision-making and in productive collection notices.

Pay close attention to cycles and color coding of your notices as well as use of automated collection system.

## Sin #9 – Don't take time to analyze

*What to do:* Perform the kind of analysis of your collection system receivables that will tell you what has to be done for cash flow improvement.

## Sin #10 – Forget good public relations

*What to do:* Maintain favorable public relations through employee awareness, training and constant procedure/policy review.

## Sin #11 – Never mind staff motivation

*What to do:* Use individual and team goal setting to provide direction, thrust and motivation. Set up brainstorming meetings, encourage employee involvement and provide report feedback to staff. Restructure jobs so they are more self-motivating.

## Sin #12 – Don't make your collection agencies pay-off dividends

*What to do:* Get the most from your collection agency by proper choice, evaluation, monitoring and auditing. Consider the most effective use of agencies in conjunction with your collection system.

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This article is reprinted from the February 2003 *Revenue Cycle Manager* newsletter published by Zimmerman & Associates, a leader in healthcare revenue cycle management. If you would like further information call 800-525-0133 or [newsletters@zimm-assoc.com](mailto:newsletters@zimm-assoc.com)

## SPONSORSHIP PROGRAM

The First Illinois Chapter relies heavily on corporate sponsors and advertisers to support Chapter activities. To this end, we have embarked on a new approach to retain our current sponsors and obtain new sponsors. This approach addresses many of the concerns of our past supporters, namely:

- More options in sponsorship to reach the targeted audience
- Greater recognition of and benefits to our sponsors
- The option to eliminate multiple requests for support

### The sponsorship options are as follows:

- First Illinois Speaks Advertisements – (Please see the ads in this issue)
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- Educational Program Support (Not new but better coordinated and easier to do!)
- Golf Outing sponsorship (A streamlined approach has been added)
- Sponsorship Packages – (New – designed to be flexible and coordinated)

While our new approach is new, we are very pleased with the response to date.

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high rates of transfer. Some reasons given for expanding to all the DRGs were:

- 1) a simple, uniform, formula-driven policy, 2) the same policy rationale exists for all DRGs (continue to provide hospitals with strong incentives to treat patients in the most effective and efficient manner, while at the same time, adjust PPS payments in a manner that accounts for reduced hospital lengths of stay because of a discharge to another setting), 3) DRGs with little utilization of short-stay post acute care would not be harmed by the policy, 4) less confusion in discharge coding, and 5) hospitals that happen to be disproportionately treating the current 10 DRGs may be harmed more than hospitals with an aggressive short-stay post acute care transfer policy for other DRGs. In the final FY 2003 rule, CMS decided to keep the transfer policy to the original 10 DRGs. They also decided to conduct additional research on the impact of increasing the number of DRGs. Hospitals should understand how transfer payments are presently calculated in order to assess the impact of potential changes on future operations.

Transfer Payment Mathematics

Transfer payments are based on the wage- adjusted, standardized amount and the DRG weight for transfer DRG. Most of the necessary information is in the final inpatient PPS rule for the year in which the transfer occurs. For example, to calculate a transfer payment for a claim with a March 2003 service date you would use the August 1, 2002 Federal Register. In addition to the standardized amounts, the federal register will provide the information on the DRG weight and the geometric mean length of stay. You will also need to know your hospital's correct base DRG and capital amount. The fiscal intermediary may provide this information shortly after the final PPS rule is published in the federal register. For the specific case being calculated, you will need the patient's length of stay within the PPS component of your hospital.

Figure B.

DRG	209	1/2 DRG	Day 1	Day 2	Day 3	Day 4	Day 5 & up
Relative weight	2.0782	Full per diem	5,216.73				
Geometric mean LOS	4.5	1/2 per diem	2,318.55	1,159.27	1,159.27	579.64	-
Base payment	5,020.43	Daily total	7,535.28	1,159.27	1,159.27	579.64	-
Full DRG payment	10,433.46						
1/2 DRG	5,216.73	Running total	7,535.28	8,694.55	9,853.82	10,433.46	10,433.46
Full per diem	2,318.55						
1/2 per diem	1,159.27						

Jogging the mind ... continued from page 3

Doctor: 'Get Off the Couch'

But those who start younger reap the greatest rewards, adds Kramer, a physical fitness nut who has even climbed Alaska's Denali (also known as Mount McKinley), the highest peak in North America. If you want to keep your senses, he says, the evidence is clear: "Get off the couch, no matter how old you are." "There's no reason not to start if you're older, and there's no reason not to start earlier if you're younger," he says. "We've been doing this kind of work for years, and 20-year-olds always say to me, 'Well, what does it matter? I can always wait until I'm 60.'"

"My reply is the effects tend to be larger if you start younger. So if you plan to be around when you're 70, it might be a good idea to start now."

Lee Dye's column appears weekly on ABCNEWS.com. A former science writer for the Los Angeles Times, he now lives in Juneau, Alaska.

DRGs 14, 113, 236, 263, 264, 429, 483

In the first example we will look at the group of DRGs paid under twice the per diem for the first day and the full per diem for the rest of the stay. The calculation methodology is the same for all the DRGs in this group. You just need to substitute the appropriate data for each DRG. In our example we will work with DRG 14. The attached table demonstrates this calculation. The weighted, standardized amount divided by the geometric length-of-stay yields the per diem amount. If you double the per diem amount you then have the first day's payment. In this example if the transfer occurs after one day's stay the payment would be \$2,707.48. If the transfer would occur on the second day, the total payment would be \$4,061.22, a transfer on day 3 would result in a payment of \$5,414.96 and a transfer on day 4 would yield the full DRG payment. (Figure A).

Figure A. Sample Medical Center

Transfer Pmt w/Capital		Day 1	Day 2	Day 3	Day 4	Day 5 & up
DRG	14					
Relative weight	1.2943	2X per diem	2,707.48			
Geometric mean LOS	4.8	Full per diem		1,353.74	1,353.74	1,082.98
Base payment	5,020.43	Daily total	2,707.48	1,353.74	1,353.74	1,082.98
Full DRG payment	6,497.94					
Full per diem	1,353.74	Running total	2,707.48	4,061.22	5,414.96	6,497.94
2X per diem	2,707.48					

DRGs 209, 210, 211

Now lets try to do the same for the three DRGs paid on half the DRG rate plus the full per diem for the first day and 50 percent of the per diem for the remaining days. In our example we will look at DRG 209. Again from Table 5, the relative weight is 2.0782 and the Geometric mean LOS is 4.5. The base payment amount is still the same. The full DRG payment for DRG 209 would be \$10,433.46 for this hospital. For these three DRGs we need to add a row that calculates \_ the full DRG payment.

Questions about this article should be directed to the author.

# Think Outside the Box



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# ANI Keynote Speakers

On June 22-26, in Baltimore, Maryland, three exciting and empowering keynote speakers will grace the stage at HFMA's 2003 Annual National Institute (ANI). Each speaker will lend his hard-earned knowledge during one of three general sessions Monday through Wednesday.

On Monday, future Hall of Fame short-stop and retired Baltimore Orioles third baseman Cal Ripken, Jr., will describe the lessons he learned from his father about the importance of patience, perseverance, commitment, practice, respect for others, and teamwork—lessons that helped him spend 21 successful years in the major leagues and set standards for achievement that will never be surpassed. These essential principles helped Cal create an unbreakable foundation for his career and will provide attendees with the ability to create their own unstoppable future.



Quint Studer



Cal Ripken, Jr.

Tuesday's keynote address will be presented by Glenn Hackbarth, chairman of the Medicare Payment Advisory Commission. As a key player on this 17-member panel that advises Congress on Medicare policy issues, Glenn will give audience members an inside perspective into Medicare by discussing the present-day healthcare economic environment, healthcare policy issues of the current administration and Congress, and how these policy changes could affect the ever-changing world of Medicare.

Quint Studer, a National HFMA Board member and founder of the Studer Group, will deliver the final keynote address on Wednesday. Drawing upon his 19 years in health care, including periods serving as president of Baptist Hospital, Inc. and COO of Holy Cross Hospital, Quint has created tools and techniques to help organizations achieve superior operating results. Quint also has been instrumental in demonstrating that patient, employee, and physician satisfaction create bottom-line results. Participants will learn how this level of excellence can reduce employee turnover, rejected claims, and agency costs, as well as increase clinical outcomes, volume, and the bottom line.

For the latest updates, full program information, and to register, visit [www.hfma.org/ani](http://www.hfma.org/ani) or call (800) 252-HFMA (4362), ext. 2. ☎



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## Education Committee 2003 Program Calendar • First Illinois Chapter

Month	Committee	Format	Date	Location
April	Classroom Education	Half Day	Thursday 4/17/2003	The Carlisle Lombard, IL
May	CFO	Full Day	TBD	To be announced
May	Annual Golf Outing	Full Day	5/23/2003	To be announced

## 2003 HFMA Conferences and Clusters

April 27-29	Revenue Cycle Strategies	Hyatt Regency New Orleans, New Orleans, LA
April 30-May 1	New Orleans Cluster	Hyatt Regency New Orleans, New Orleans, LA
May 5-8	Philadelphia Cluster	Lowes Philadelphia Hotel, Philadelphia, PA
May 19-22	Denver Cluster	Hyatt Regency Denver, Denver, CO
October 26-30	Atlanta Cluster	Hilton Atlanta (downtown), Atlanta, GA
November 16-20	Phoenix Cluster	Point Hilton Tapatio Cliffs Resort, Phoenix, AZ
December 7-11	Chicago Cluster	Wyndham Chicago, Chicago, IL

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A Newsletter from HFMA's First Illinois Chapter



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Editor:  
Mike Nichols, CPA  
Director  
RSM McGladrey, Inc.  
501 Seventh St., 6th Floor  
Rockford, IL 61110-4539  
Phone: 630/588-0450  
Fax: 630/588-0453  
Email: michael.nichols@RSMI.com

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