

## Fairness Controversies Challenge Tax-Exempt Hospitals

### Part One: Key National and Regional Elements of the Controversies

BY JAMES UNLAND



#### INSIDE:

Highlights and Recap  
First Illinois Chapter Events

A review of the  
Chapter Transition Dinner  
July 14, 2005

First Illinois Chapter Golf Outing  
May 27, 2005

CFO Committee Education  
Session and Golf Outing  
May 6, 2005

**Editors Note:** This is the first of a two-part series.

In this first part, James Unland, longtime HFMA member, describes the multi-faceted nature of pricing, collections and charity care controversies. In our November issue, Mr. Unland will share specific steps that hospital associations, hospital boards and their executives can take in regards to these issues and relations with uninsured populations, the broader community and government.

heard again and again. Lawmakers representing angry constituents are accusing such hospitals of:

- Charging 'list prices' – prices that hardly anyone actually pays – to the uninsured.
- Using onerous collection tactics, even against low-income people whom they fully know cannot pay.
- Failing to provide enough 'charity care' and, in some cases, concealing its availability.

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#### Controversies With Common Accusations Regionally and Nationally

It is now fully two and a half years since the modern incarnation of these controversies began, kicked off in the winter of 2003 by reports from consumer groups and prominent media articles.

From city councils and county boards, from state legislatures and state attorneys general and even from within the halls of the U.S. House and Senate, three related allegations against 'tax-exempt' hospitals can be

Government officials – both here in Illinois and nationally – are doing more than just talking. In Champaign-Urbana, Illinois, the county Board of Review has recommended the revocation of the property tax exemption of both hospitals there, citing, among other things, hospital pricing and collection policies.<sup>1</sup> Minnesota's Attorney General has very publicly moved against two large hospitals systems. In one of those MN cases, the AG has released 40 affidavits including actual hospital bills, personal bankruptcy filings and the like. In several other states,

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## President's Message Now Is Your Opportunity

Sometime in the early 1990's I was told by my manager that in order to expand my experiences and increase my knowledge in healthcare financial management I should consider joining a professional organization.

During those early career years I either didn't have the time to fully dedicate myself to an organization or I simply felt lost in how to go about getting involved. Today as president of the First Illinois chapter of HFMA I am in the position to provide clarification and assistance to new members that are faced with the same challenges that I was many years ago. Following are three examples of opportunities and benefits of membership...

**Opportunities to Network...** our first event in the 2005 – 2006 chapter year began in early July. The chapter hosted a wonderful "transition dinner" which was open to all members at no fee. The dinner this year was held at Carlucci's Restaurant in Rosemont Illinois. At this annual we recognized those chapter members who have volunteered their time during the past year. We also installed the new board of directors and chapter officers. This year over 90 members attended.

**Opportunities for Education...** this year the chapter will provide 8 First Illinois education programs, 1 co-sponsored education program and host the annual golf outing in May 2006. ALL of these events are offered to members at a *reduced* rate. Non-members are paying a much higher cost to participate. Our first education program is scheduled on August 18, 2005 – HFMA 101 "It's about You". This initial offering of information is meant to inspire and to provide information about our local chapter, regional and national HFMA.

**Opportunities Exclusive to Members...** membership affords the opportunity to volunteer in various chapter leadership and support positions. Through my volunteerism I have established and enhanced many relationships in the First Illinois Chapter and across the country. Non members will never have this opportunity.

The National Presidents Theme this year is "The Business of Caring". While the meaning is certainly obvious in relationship to healthcare providers, I also feel a compelling meaning in how we manage day-to-day interaction with First Illinois membership. As leaders of the chapter we care about the timeliness of education, quality of programs and value of HFMA membership. As members – we care to expand our experiences and knowledge by getting involved.

Today the mood of healthcare is shifting to a gentler approach. Patient focused initiatives rather than impersonal "customer"-focused ones are catching on. The First Illinois chapter is also shifting to become more member-focused and personal. I am looking forward to working with the entire membership during my year as president. Each of us is part of the First Illinois TEAM. Please feel comfortable calling upon me and the other chapter officers when you have a need. If we can't provide an answer – we may be able to put you in touch with someone who can. ☎

Sincerely,

Jim Heinking, CHFP  
President  
First Illinois Chapter HFMA

the **Business of Caring**

## First Illinois Chapter News, Upcoming Chapter Events & Committee Updates

### Accounting and Reimbursement Committee:

The 2005-06 Accounting and Reimbursement Committee Education Program will take place on Thursday, January 19th, 2006 at the William Tell Inn in Countryside. For more information on how to volunteer, please contact Co-Chair Brian Katz at (312) 946-2605 or Co-Chair Patricia Marlinghaus at (815) 935-7256, Ext. 3544.

### CFO Committee:

The 2005-06 CFO Program and outing will occur sometime in early to mid-spring, with a date to be announced in the near future. Co-chairs of this year's committee are Jeff Rooney and Guy Alton. If you are interesting in contributing to the CFO committee, please contact either of this year's Co-Chairs: Jeff Rooney at (847) 933-6039 or Guy Alton at (773) 962-4073.

### Education Committee:

The HFMA Education Committee kicked off its annual program on Thursday, August 4th, 2006. Held at Maggiano's in Oakbrook, Committee chairs Brian Sinclair and Janet Blue facilitated the annual meeting of all committee co-chairs. The Education Committee ensures that individual committee chairs are familiar with the procedures and deadlines involved in planning and executing the HFMA programs. Discussion points included deadlines for mailing, brochure production and general timetables for planning to share with committee members. Should you have any questions, Brian can be contacted at [bsinclair@hrfi.net](mailto:bsinclair@hrfi.net) and Janet at [Janet.Blue@csistaff.com](mailto:Janet.Blue@csistaff.com).

### Information Systems Committee:

The 2005-06 Information Systems Educational program is slated for Thursday, November 17th, 2005 at the Aramark corporate headquarters in Downers Grove. Co-chairs of this year's committee are John Rougena and Eric Tate. For more information on committee activities, please contact Co-Chair John Roquena at (312) 996-0922 or Co-Chair Eric Tate at (847) 842-5242.

### Managed Care Committee:

This year's annual Managed Care Education Program will take place on Thursday, March 16th, 2006 at the William Tell Inn in Countryside. The committee anticipates a participative but thought-provoking program. A kick-off meeting is slated for sometime in September. For more information, please contact Co-Chair Brian Washa at (847) 570-8825 or Co-Chair John Wyrostek at (815) 334-5538.

### Medical Groups and Physician Groups Practice Committee:

This year's Medical Groups Program is slated for Thursday, February 16th, 2006 – the location will be announced at a later date. Chairperson Elaine Scheye will once again spearhead a program sure to be filled with the most current and relevant information for industry professionals. For more information, please contact Elaine at (773) 989-9315.

### Membership Committee:

2005-06 promises to be a banner year for membership in HFMA, according to Al Staidl, Chairperson of this year's membership committee. As of July 1st, 2005 – the start of the current chapter year – the 1st Illinois Chapter has 1,235 active members.

### Annual HFMA Golf Outing Committee:

This year's annual HFMA member golf outing is scheduled for Friday, May 26th, 2006. For those relatively new to HFMA, according to Al Staidl, Co-Chair of the Golf Committee, this is the 30th anniversary of the outing. As in years past, two scramble courses will be available at St. Andrew's Golf Club in West Chicago – those golfers looking for a more daring adventure will find a challenging regulation course at Klein Creek. This event is one of the most popular events on the HFMA calendar and provides a terrific setting to socialize, meet fellow HFMA members and work on your golf game.

The committee currently has 14 HFMA members volunteered to assist with the planning and execution of the day's events – additional volunteers are always welcome! The Golf

## First Illinois Chapter News, Upcoming Events & Committee Updates *continued from page 2*

Committee will kick off their planning sessions in January of 2006. For more information, please contact the co-chairs Al Staidl at 630-724-1197 or Ron Hennings at (630) 424-4016.

### Revenue Cycle Committee:

The Revenue Cycle Education Program for 2005-06 will be held on Thursday, October 20th, 2005, at the

William Tell Inn in Countryside. Chairperson Michelle Holtzman anticipates a good turnout for another timely and innovative program. For more information on the committee, please contact Co-Chair Michelle Holtzman at (847) 971-4011 or Co-Chair Eleanor Michalek at (847) 695-3200.

## More than a Quarter of a Century of HFMA Membership

First Illinois Chapter must be doing something right... we have 88 members who have been with us for twenty five years or more! We want to recognize them for their years of membership and service. We are proud to have you as continuing members!

### 1960s Members

Richard Ziler	1966
Donald Ripoli	1966
Harold Staidl	1966
David Hey	1967
Robert Kuhel	1968
James Brotnow	1969
Phil Melchert	1969

### 1970s Members

Bruce Fisher	1970
Sy Berebitsky	1970
David Felsenthal	1970
Clete Moll	1971
John Czech	1971
Mike Grady	1971
Al Staidl	1972
Gregory Yore	1973
Keith Alman	1973
Gerald Swarzman	1973
John Depa	1973
Donna Gellatly	1973
Andrew Knauf	1973
Bill Blum	1973
Jim Lipinski	1974
Kenneth Huff	1974
Harold Reisler	1974
Joe Parrillo	1974
John Brugioni	1975
Ladd Waldo	1975
Charles Gardner	1975
Charles Barth	1975
James Cole	1975
Peter Morales	1975
Peter Mulvey	1976
Bill Wheeler	1976
Paul Morowczynski	1976
John Dennison	1976
Phillip Johnson	1976
Larry Majka	1976
Sue Petru	1976
Paul Pasinski	1976
Allwyn Baptist	1977
Charles Brobst	1977

Chuck Stanislaw	1977
Bob Carlisle	1977
Linda Charley	1977
Tom Meyer	1977
Karen Gagnon	1977
Martin Tintari	1977
Robert Landsman	1977
Michael Scheer	1977
Steve Berger	1977
Anthony Kazwell	1977
Terry Mielsing	1977
Dave Line	1977
Loren Foelske	1978
Kenneth Johnston	1978
Louis Porn	1978
Chuck Mowll	1978
Doug Young	1978
Gary Peacock	1978
Gary Gephart	1978
Robert Jobin	1978
John Cookinham	1978
Jay Levy	1978
Robert Tragas	1978
Mac Salazar	1978
Jack Gilbert	1978
Linda Klute	1978
Charles MacKelvie	1978
Diane Millikan	1978
Rich Felbinger	1979
Robert Frederick	1979
Jerry Jawed	1979
Mike Purbaugh	1979
Martin Zimmerman	1979
Nancy Bartelt	1979
Susan Hull	1979
Hugh Rose	1979
Geoffrey Abbott	1979
Morley Kerschner	1979
Reva Mitchell	1979
Steve Pyrcioch	1979
Tom Jendro	1979
Steve Lemke	1979
Ken Zudyski	1979
Bill Devoney	1979

## From the Editors

BY HOLLY SOVA AND PAULA R. DILLON

Welcome to the 2005-06 Chapter year! Responsibility for overseeing this newsletter has passed to a new group of individuals. Through our involvement, we look forward to getting to know many of our fellow HFMA members better. We hope that reading these pages will help you to do the same throughout the year.

Our industry is filled with both veterans, but newcomers as well. In fact, our chapter has quite a number of student and new members. Many high-ranking HFMA members speak of the need for mentoring of future leaders. One of our goals to help ensure that articles are not imposing, but rather are informal and easy-to-read.

We continue to be very lucky in that our contributing authors include real-life experts sharing great insight on key issues. Newcomers have something to teach us as well. For example, the trend of increasing consumerism demands new ideas and innovative approaches. No matter your number of years in the industry, please consider yourself invited to share your experiences and expertise with our community through this publication. We'll help you get your thoughts on paper in a way that is accessible and interesting to the wide range of experience within our membership.

Consumerism in health care applies not only to work interactions within our chosen field, but also means a high-touch and personal approach to connecting with a broader external community. Another goal for this year is to exemplify that personal and accessible approach in better connecting with our membership through the newsletter.

We are excited to have the opportunity to reach out to the larger membership during what we expect to be a fantastic year! Feel free to contact us anytime at hollymariesova@msn.com or pauladillon@firstthealth.com.

## More Chapter News

### Jim Ventrone and Mike Grady receive HFMA's highest honor

Jim Ventrone and Mike Grady were presented with the Medal of Honor on July 14 at the Chapter Transition Dinner. The Medal of Honor is awarded to those members who, after achieving all three Founders Awards – Follmer Bronze, Reeves Silver, and Muncie Gold – continue to significantly contribute their time and talents to HFMA.



Jim Ventrone and Mike Grady

### About the Recipients:

This year we recognized Mike Grady, FHFMA, CPA with Financial Resources Initiatives Inc., and Jim Ventrone, CHFP, CPA with Ventrone Ltd. for their outstanding work with our Chapter.

Mike Grady has been a member since 1972. He has been an active member with our Chapter and served as Chairperson for the Revenue Cycle Committee in 1999 – 2003. He is also active with the CFO, Managed Care and Golf Committees. He is currently Vice President of Financial Resources Initiatives, Inc. His previous experience was with KPMG and PriceWaterhouse.

Jim Ventrone has been a member of First Illinois Chapter since 1982. He was a previously a member in Pennsylvania from 1974 - 78. Jim is Chairperson of the Sponsorship Committee for the last four years and is very active with the Revenue Cycle and Golf Committees. He is president of Ventrone Ltd., and previously worked for Andersen Consulting.



# Spotlight on the CFO Committee and Its Chairs

BY HOLLY SOVA

HFMA is, in large part, about helping members get to know each other and strengthen professional and personal connections. Look for each issue to profile individual members by highlighting their career paths, personalities, and HFMA experience.

Kicking off this year's profiles, our CFO Committee Co-chairs kindly gave their time in interviews and took the opportunity to clarify what the CFO Committee is all about. As role models for aspiring leaders, each also gave valuable advice for anyone starting out in this rewarding profession.



**Guy Alton**  
Chief Financial Officer  
St. Bernard's Hospital

**G**uy Alton is CFO of St. Bernard's Hospital on Chicago's Southside and has been an HFMA Fellow since 1988, and a member since 1982. Active in the CFO committee for 10 years, Mr. Alton stressed that members owe a lot to Mr. Steve Berger who established the CFO Committee and did a lot to keep it active and relevant. Alton himself started as a hospital staff accountant and became a CPA in 1980. He worked his way up through the ranks and has gone through three mergers/acquisitions. His varied experience includes roles in a multi-hospital teaching institution, all in suburban and rural hospitals, and within the Chicagoland region.

Jeff Rooney is in his third year as CFO of Rush North Shore Hospital in Skokie. Rooney earned his MBA

in Finance from Vanderbilt University. For twelve years he made significant contributions at Children's Memorial Hospital in various roles. In his next three years, he gained a great deal of experience as a consultant serving hospital clients. Rooney has been CFO of Rush North Shore for two and half years. If you are pursuing your HFMA Certification you are in very good company. Certification is a definite commitment Mr. Rooney has made to himself.

For a further peak into the impressive personal profiles of Mr. Alton and Mr. Rooney, (including what made each of them the man he is today), read further. But first, learn what they had to share about the CFO Committee to which they are donating a great deal of personal time.



**Jeff Rooney**  
Chief Financial Officer  
Rush North Shore Hospital

## CFO Committee Goals

Guiding the co-chairs' plans this year are three goals: 1) Increase the number of CFO's participating in the committee's activities; 2) Attract a variety of CFOs to the committee, especially those from city providers, health-systems, and hospitals serving a high percentage of indigent patients; and 3) Increase education sessions at meetings, with at least half delivered by CFOs.

## What Are CFO Committee Members Up To Anyway?

The 2nd Friday of most every month, regional CFOs, Directors, Controllers and HFMA-member consultants and vendors meet at HFMA's national headquarters in Westchester to take part in a forum on CFO-level topics. Committee members, especially CFOs, are invited to present on what works and what doesn't in their various experiences. In addition to monthly meetings, the committee arranges an annual golf outing (see pg 8) and presents a classroom educational opportunity, usually. If you would like to get on this committee's mailing list, email Guy Alton at [guyalton@stbh.org](mailto:guyalton@stbh.org). Interested non-members at the CFO level are especially encouraged to attend or email Guy Alton to learn more.

## Building on Unique Opportunities

Under Alton's and Rooney's guidance, the committee will continue delivering information and contacts that are hard to access elsewhere. The CFO Committee's half-dozen educational opportunities presented last year won our chapter a prestigious Yerger award. Such programs, along with speakers brought in by the CFO Committee from around the country provided updates on hot issues of State and national

importance. For example, this June Reatha Clark and Richard Wichmann from PWC shared exceptional insights on the re-basing of hospital charges and on charity care.

## What to Expect

This year, issues affecting inner-city hospitals will be prominent in many CFO Committee activities. One such targeted issue is how hospitals can find broad-based solutions to charity care challenges. In an upcoming committee program, CFOs will share a forum to explore partnering with vendors that serve indigent populations. The focus will be on the value of organizations that go beyond healthcare finance concerns, to address the wider range of issues impacting the individual's well-being and therefore the hospital's resources. For a schedule of 2005-2006 CFO programs, look in the November issue of *FirstIllinois Speaks*.

## Showcasing Local Innovations

Alton and Rooney are determined to identify and share the innovative approaches that local industry leaders are using to solve common problems and improve organizations. They are inviting all CFOs to step forward to present their unique experience and innovative approaches to help expand the toolkit of their fellow CFOs in the region.

## Quintessential Professionals

Turning from a profile of the committee, to a profile of its leaders, Alton and Rooney were asked: "If you were offered a two-year sabbatical at full pay, on the condition that the first year be devoted to personal pursuits, and the second to professional development, how would you spend those 730 days?" Their answers remind one of what it means to be a professional.

## Alton's Aspirations and Advice

It is telling that Mr. Alton found it

difficult to separate the personal and professional in what he imagined he would do each of the two years. Alton envisioned that in the first, "personal" year he would volunteer through his membership in a CPA society to serve on one or more non-profit boards.

He feels called to contribute his financial expertise at the board level to help a social service organization further its mission. Alton's first response to the question was entirely personal, however, and is interesting because many of us might say the same. He answered quite immediately that he would devote more time to working out and being healthy. For him, that first year would also include golf lessons "which I need desperately", he laughed.

When asked how he would switch gears in the 2nd year and focus on professional development, he admitted that his professional goal held significant personal benefit as well. In a theoretical 2nd year of sabbatical, Alton would pursue advanced education in investment management and treasury, and professional estate and financial planning. Alton knows all too well the importance of such expertise. At present he is putting three kids through college. Alton's advice to all readers: start saving as soon as you can, as much as you can. Whatever you save, it's not going to be enough.

### Doing what he loves

Born in the metro area and living in Mokena for 36 years now, Alton has seen his community transform from a horse and farm town to a bustling suburb. A similar amount of change contributed to his love for the profession. He thrives because every day is different, and there is always something going on. The work is extremely rewarding for Alton who finds it not only an opportunity for both personal and professional growth, but also as a means to contribute to society. Talk to this man for only a few minutes, and it's clear he is a genuine and committed professional. Digging for what makes this man tick, the interview turned to how he met his wife. As it happened,

his next-door neighbor married the sister of wonderful woman named Cheryl. Through that connection, Guy Alton was lucky enough to meet Cheryl, "without whom" Mr. Alton said of his wife, "I would not be where I am today."

### Rooney's Ruminations and Relationship Skills

Laughing at the interview question about a theoretical sabbatical year devoted to personal pursuits, Mr. Rooney stated that he simply had not given it any thought, "I've never had any hope of having an entire year off!" That laugh, however, was a secondary response. Rooney's immediate answer as to how he would spend a "personal year" was, like the answer of his fellow Co-chair, inextricably tied to professional development. Without a moment's hesitation Rooney said he would love to do research and write a book about healthcare management. Hospitals and health systems are complex, and unique in so many ways. The book would, like Mr. Rooney's knowledge, go well beyond strictly financial management, and share what it takes to lead a provider organization through today's difficult environment.

Evident from talking with Mr. Rooney, he has a good head for analyzing C-level issues and directing large, complex organizations. He clearly prioritizes "building-up" his colleagues. He has a knack for conveying complex financial concepts in a way that is understandable to a variety of stakeholders. He "gets" the perspectives of clinical folks, colleagues, executives and, importantly, board members. He is able to gain broad buy-into the improvements he has set to run and advance the organization.

When Rooney finds that the best approach is one that is uncharacteristic for him, he has the ability to curb his natural reactions. In explaining his career success, he said, "You hire good people and then let them do their jobs. That is harder than it sounds, especially in the financial world where you typically want to control things

### Interesting? You be the judge

Mr. Rooney is a Chicago native who married his college sweetheart and now spends as much time as he can with his family, which includes two young daughters. Mr. Rooney is a modest man. When asked to share personal stories so fellow HFMA members could get to know him better, Rooney replied: "There's not that much interesting about people like me." Some of us find that hard to believe, coming from a person who is achieving and sharing so much.

### Paths to leadership: Both CFOs give advice

When asked what type of work an aspiring CFO should pursue, Guy Alton recommended roles within a small- to medium-sized hospital. There, he explained, one is more likely to get greater exposure to complex issues, and gain a wide variety of experience. Alton urges today's leaders to make time to mentor. He underscores


the great need for good financial people in hospitals.

Jeff Rooney explained that the way for health care finance professionals to distinguish themselves is by communicating with, and serving the needs of, the staff and doctors who are closest to the patient – they need your help. He also suggests choosing carefully, and paying very close attention to, whom you work for. Grateful for having worked for very good bosses, he credits much of his learning to their guidance. Another key to professional development, Rooney insists, is HFMA. Its benefits are useful beyond those of any other professional association he can think

According to both of our CFO committee Co-chairs, anyone pursuing a career in healthcare finance without HFMA membership is really missing out. ☘

*Guy Alton can be reached at [guyalton@stbh.org](mailto:guyalton@stbh.org). Jeff Rooney can be reached at [jmrooney@rsh.net](mailto:jmrooney@rsh.net).*


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## More Chapter News

### President Jim Heinking becomes the newest Certified Healthcare Financial Professional (CHFP)



Past-President Martin D'Cruz congratulates incoming President Jim Heinking for achieving the CHFP designation

Congratulations to Chapter President, Jim Heinking, for achieving the Certified Health Care Professional designation. Jim's challenge to the rest of us: "If I can do it, you can too!" For information about HFMA certification, please contact Suzanne Lestina, Certification Committee Chairperson at 815-397-0078 or [s\\_lestina@gustassoc.com](mailto:s_lestina@gustassoc.com)

### Chapter recognized at ANI

The First Illinois chapter was recognized for its achievements by winning five chapter awards at this year's Annual National Institute in Las Vegas.

First Illinois won three Yerger awards: in the category of Education, for the Education Committee's "Education Process Improvement"; in Improvement, for the CFO Committee's Improvement in Communications and Meeting content, and as part of a multi-chapter collaboration in Education for the Region 7 Symposium "Setting the Pace." In addition, the chapter was recognized with the C. Henry Hottum Award for Educational Performance Improvement, and the Award of Excellence for Membership Growth and Retention – Silver level. Congratulations to all who helped make these accomplishments a reality!

### Remembering Len Pishko

It is with deep sadness that we note the passing of a long-time HFMA member and great friend to the First Illinois Chapter, Leonard "Len" Pishko, who passed away in late May of this year. In addition to HFMA, Len was a member of HIMSS and CHIME.



Len was active with HFMA, serving on numerous committees and giving generously of his time to many chapter activities. He was a distinguished presenter at First Illinois' IT educational program in November 2003. Most recently he served on the Information Technology, Membership Relations, and Strategic Planning committees. He will be greatly missed.

*I met Len Pishko in the 1980's when he was with Ernst & Whinney. I always considered Len my friend. After moving to Sherman Hospital, I was able to convince Len to accept the position of Chief Information Officer. During this time at Sherman, we selected and installed a new computer system. With Len's guidance and direction, this was the most successful installation of a new computer system that I have experienced in my career. Len was always professional, hard working and great to work with. His passing is a great loss to the healthcare industry and HFMA, and he will be missed.*

— Bob Carlisle SVP/CFO Parkview Health System in Fort Wayne, IN, and long-time member

*I knew Len as an HFMA IT committee colleague, a consulting competitor and a client. He was always a fun guy to be around. His contributions to the IT Committee will be sorely missed. He has been involved since the late 1970's – early 1980's and was always willing to share his time, experience and ideas with the committee*

—Mike Cohen, Cardinal Consulting and IT Committee

*Len was on our 1st Illinois HFMA Membership Relations Committee for the past several years. He was great contributor. He always gave our committee a needed hand with our membership retention program.*

*I will miss his great smile!*

—Al Staidl, Chairperson

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## Chapter Transition Dinner

July 14, 2005

Over 90 1st Illinois Chapter HFMA members attended the annual transition dinner, held at Carlucci's – Rosemont on Thursday, July 14th, 2005.

The evening's program kicked off with a reception hour, which provided HFMA members, both veteran and newcomers alike, the opportunity to socialize and discuss pressing health-care issues. After the reception concluded, the dinner turned to business related issues – outgoing president Martin D'Cruz provided highlights of the successes of the 2004-05 Chapter Year, including welcoming the incoming 2005-06 President – James

Heiking. Following Martin's comments, as well as a presentation of awards for the 2004-05 year, Paula Wilke conducted an official induction of all officers and board members for the 2005-06 year – a new feature also included asking all members present to stand and acknowledge their willingness to contribute to the success of the chapter's upcoming year.

After the installation, James Heiking – 1st Illinois Chapter President for 2005-06 – outlined his goals for the coming chapter year and then made individual presentations to Jim Ventrone and Mike Grady for their numerous contributions to the



New President Jim Heiking presents outgoing President Martin D'Cruz with a plaque recognizing his service to the chapter



Paula Wilke, past President, conducts the installation of new Officers and Board members.



Gail Walker and Susan Hull greet members at the registration table



2005-2006 Board of Directors, Officers, and Committee Chairs

chapter over the past number of years.

The evening was not all work and no play – to ensure the evening did not end on a serious note, new entertainment joined the HFMA audience – comedian Tim Walkoe entertained the

group for approximately an hour, with a cross section of jokes aimed at Chicago, schools, colleges and sports. Judging by the noise and laughter within the room, the evening ended on a humorous and successful note!!

## HFMA National Founders Points

**Do you know your Founders Points?** Founders Points are awarded to members for service to their Chapter and National HFMA, and are the basis for the Founders Merit Awards: The Follmer Bronze award, Reeves Silver award, and the Muncie Gold award. For more information on the awards and their history, please refer to the Awards and Recognition section of your member directory, or call the First Illinois Chapter Award Committee chair, Brian Sinclair at (630) 307-9138. Members can check their current point totals at any time by reviewing your profile in the Member Directory section of the National HFMA website, [www.hfma.org](http://www.hfma.org).

In 2004-2005, HFMA revised the Founders Award point system. In keeping with the core purpose of the recognition program, the Founders program will only record points for volunteer effort, and no longer include points for attendance at HFMA educational events. (Attendance for CPE credit is tracked separately). Additionally, Founders Points are no longer a requirement for maintaining certification. That requirement was replaced with a 90-contact hour requirement over three years.

More recent changes: in April 2005, the Regional Executive Council of HFMA voted to re-align the Founders Muncie Gold award level from 100 to 75 points, effective for the 2004-05 year. This change only affected members with a total of 201 Founders points or above. The converted "old" totals through May 31, 2004 were amended accordingly. The change does not affect certification maintenance since Founders Award points are no longer used for certification maintenance. Nor does the change affect any of the awards already distributed for the 2004 year.

The Regional Executive Council also approved the following changes to the Founders Program:

1. Point allocations adjusted as follows, effective for the 2004-05 year:
  - Newsletter Article- raised from 1 point to 2 points per article published (National and Chapter)
  - Committee Co-Chair - reduced from 4 to 3 points per co-chair position
2. Approved language to more clearly define significant service for the Medal of Honor award criteria, effective for the 04-05 year.

If you have questions, please contact Award Committee chairperson Brian Sinclair at (847) 706-9200.

## HFMA Events

# CFO Committee Education Session and Golf Outing

BY GUY ALTON, CFO COMMITTEE CO-CHAIR

The 11th Annual CFO Committee Education Session/ Golf Outing was held on Friday May 6th at the Calumet Country Club. The education session focused on Compliance issues and was attended by over 60 healthcare executives as well as reporters from Modern Healthcare.



Jim Stark

Jim Stark of KPMG highlighted the for-profit organization's Sarbanes Oxley financial reporting requirements and showed how it is impacting not-for-profit hospitals now, and potentially in the future

Margaret Purcell of E & Y discussed the changes in use rules related to tax exempt bond financing, what it takes to comply and the impact on not-for-profit hospitals ability to access the capital markets.

Dianna Vorhees of DV & Associates outlined some of the new chargemaster issues, such as bundling, current areas of government focus, and Stark II, being given attention by consumers, the government payers, the media and how to comply with some of these new concerns.

Andy Knauf of Gottlieb Memorial Hospital led a great panel discussion on compliance issues and their impact on the CFO. We



Dianna Vorhees

would have gone on forever, but for a beautiful day outside and a lovely golf course with super fast greens. Everyone enjoyed the golf, if not necessarily the scores.

Matt Rice of AON had low gross of 82. Andy Stefo of Palos Community Hospital had the longest drive of the day. A good time was had by all at the Calumet Country Club. Our thanks to Dave Nelson of SSM St. Francis Hospital for arranging the outing. Save next year's date of May 5th. ☘



Margaret Purcell

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## Alternative Risk Conference

### Bringing Together Hospitals and Physician Groups to Evaluate Alternative Risk Financing Solutions

With crucial changes in the way healthcare medical liability protection is purchased and healthcare services delivered, healthcare providers face a new variety of risks. A special event, Alternative Risk Financing Solutions for Hospitals and Physician Groups, provides a forum to hear over 20-industry experts discuss options on how to evaluate, understand, and implement strategic risk-response plans.

To be held September 15-16 at the Palmer House Hilton Hotel in Chicago, this event is produced by IBC Conferences. Through a special agreement with HFMA's First Illinois chapter, chapter members can receive a discount on registration.

"Healthcare organizations are being forced to explore new risk management strategies – ones that combine the use of self-insurance vehicles with successful risk reduction and patient safety initiatives," says Larry L. Smith, Vice President of Risk Management for MedStar Health and Conference Chair. "The Alternative Risk Financing Solutions for Hospitals and Physician Groups is the perfect forum to gather the valuable information you need and get a chance to network with leading industry gurus."

Over 20 industry experts will share their ideas and solutions including: Tom Jones from McDermott, Will & Emery; Larry Smith from MedStar Health; and Jack McCarthy from the Risk Management Foundation of Harvard. Also featured are high-end case studies lead by experienced risk managers and physicians from organizations such as Boston Medical Center, Gould Medical Group, Jefferson Health System, Sutter Health, and others. The conference's two days of workshops and sessions will cover topics such as RRG vs. Captive vs. Self Insurance Trusts, Understanding Fronting and Reinsurance Options, Tax and Legal Implications, Claims Management and Litigation Plans, Patient Safety Initiatives, and more.

Members of HFMA receive a special discounted rate to attend. All subscribers need to do is call 508-616-5550, ext. 1004 and use code KY5034HF at the time of registration in order to receive 15% off the cost of the conference. For more information about the conference, go to [www.ibcusa.com/altrisk](http://www.ibcusa.com/altrisk). ☎

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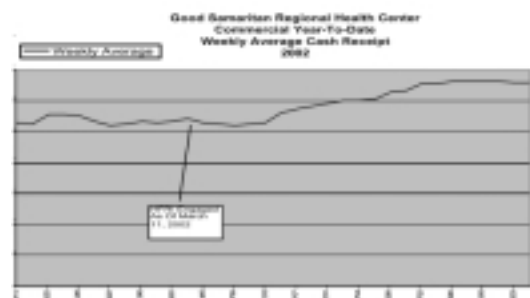
- After collection agencies
- Maintain right to recall accounts
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# First Illinois Chapter Visits the Golf Links – May 2005

BY KEVEIN ELLIS, GOLF COMMITTEE CHAIR

## GOLF OUTING SPONSORS

An event like this could not happen without our very special Golf Sponsors. We want to THANK them for their generous gifts! Here are our 2005 Golf Sponsors:

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A special "THANKS" goes out to the following sponsors for

The halfway house at all 3 courses:

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Beverage tents on the St. Andrew's courses:

Senex Services, Revenue Production Management

The 29th Annual First Illinois HFMA Golf Outing was held on Friday, May 27, 2005. This year's event took place at St. Andrews Golf Club and Klein Creek Golf Club. We had a truly wonderful day as the rain stayed away and we saw a lot of sunshine during the day. This year's gift was a Seville Gear black leather rolling duffel bag.



Di Di Lee and Ron Hennings

347 golfers played in the event. They enjoyed an outside barbecue from 11:00 AM till 1:00 PM for those who had to leave early. For those who stayed, we enjoyed a barbeque which was held inside in the cool air-conditioned banquet room at St. Andrews from 3:00 PM until 7:00 PM.



Mike Nelson and Al Staidl

## Awards and Winners

### William Costello Memorial Award

*- low gross score for a HFMA member who played the regulation course at Klein Creek*

Lynne Robinson (shot 83).

Congratulations to Lynne as this is the first time a lady has won this award.

### Scramble team winners at St. Andrews:

Matt Hunniford  
Rick Jorstad  
Rick Logan  
Steve Marshall

### Hole events at St. Andrews and Klein Creek:

#### St. Andrews:

Closest to the pin, Women - Sue Petru

Closest to the pin, Men - Tom Stateman, Ryan Adams

Longest drive, Women - Linda Peterson, Liz Hills

Longest drive, Men - Mike Kwon, Kevin Kichery

#### Klein Creek:

Closest to the pin - Lynne Robinson, Joe Wood

Longest drive - Lynne Robinson, Jim Cox

## Golf Outing... (continued from page 10)



Ron Hennings and Dick Zeiler

Raffle prizes included TV's, Stereo's, DVD Players, Golf Clubs, and Cubs' Baseball Tickets.



Nathan Amoruso and Ron Hennings

As everyone knows, this event just does NOT happen by itself. It takes a lot of personal time, commitment, and hard work to bring our golf outing together. We want to say THANK YOU and recognize each of the golf committee members:

Bob Belke - OSI Healthcare Services  
DiDi Lee - Senex Services  
Paula Dillon - First Health  
Amy Goble - American Hospital Association  
Michael Grady - Healthcare Financial Resources  
Julie Haluska - NCO  
Ronald Hennings - Pellettieri & Associates  
Richard Meyer - Medical Recovery Specialists  
Rick Rogers - Accelerated Receivables Management



Tom Stateman and Al Staidl

Kay Rovner - University of Illinois at Chicago Medical Center

Al Staidl (Co - chair) - OSI Healthcare Services

James Ventrone - Ventrone, LTD.

Greg Wimbrow - Provena Mercy Center

Also, a special "THANK YOU" to those who helped at the registration table:

Janet Blue of CSI Staff; Julie Haluska of NCO; Susan Kernan-Wise and Christina Pagliarulo with Addison Financial Search, Mary Grady, Mary Okel and Marianne Staidl.

We hope everyone who attended the 29th Anniversary 1st Illinois Chapter HFMA Golf Outing enjoyed the entire days' activities. It's been a pleasure and an honor to serve as this year's chairperson.

See you next year! 🍀



Steve Marshall, Rick Logan and Rick Jorstad - Scramble Team Winners

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Thanks also to our Chapter's corporate sponsors for their generous support throughout the year:

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R&B Solutions  
Revenue Cycle Solutions  
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United Collections Bureau, Inc.  
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Attorneys General have, to one extent or another, undertaken investigations and sided with plaintiffs in state class action lawsuits. As well, several state legislatures have become active in these matters. Several Congressional committees in both the upper and lower chambers have also undertaken investigations and held hearings.

"It is the basic perception of unfairness.. that ... has galvanized politicians around this issue."

Government officials at every level cite one another when accusing or investigating hospitals. Here in Illinois, for example, both the City of Chicago Finance Committee and, separately, the County Board each held hearings featuring Stan Jenkins, Chairman of the Champaign County Board of Review as a main witness. Jenkins, incidentally, also testified before the U.S. House Ways and Means Committee in late May 2005. In that same meeting, Committee Chairman Bill Thomas himself cited how, "...my hometown newspaper recently ran an article on how hospital charges just don't make sense" and postulated, "...if blindfolded and taken to a hospital would a patient know whether he or she was in a for-profit or not-for-profit (hospital)?"<sup>2</sup>

Chairman Thomas cited these industry statistics: tax-exempt hospitals provide an amount of uncompensated care equal to 4.4% of revenues, while for-profits see care valued at 4.5% of their revenues going for the same purpose. Thomas questioned whether the 'community benefit standard' for a hospital to achieve tax-exempt status was now inadequate. Thomas further noted that for-profit, 'taxable' hospitals quite obviously provide jobs, help the economy, make donations to local causes and the like.

#### Unfairness: The Perception Personified

What made these controversies incendiary – as opposed to relatively technical 'inside-the-hospital-industry' matters – was clear from a first reading of certain Wall Street Journal articles in March and April of 2003. These matters can so easily (a) *be brought to life in human form* and (b) *be comprehended and identified with* by local and national media as well as by average Americans.

Horror stories of the uninsured have been recounted in local and national print media as well as in televised features. In some areas, community groups have entered publicly-available courthouse databases and unearthed hundreds of lawsuits by local 501(c)(3) hospitals against patients. These groups then crosschecked patients' income and family status to determine whether they should have been eligible for charity care in the first place. Accusations of broad price discrimination, while generally not a part of such stories, have been presented in a whole other series of poignant episodes.

Leaving aside the issue of how much 'charity care' so-called 'charitable' 501(c)(3) hospitals should provide, the allegation of price discrimination – that is, hospitals charging their highest 'list prices' to the uninsured – has provoked community groups and state attorneys general. Unlike the Scruggs federal class actions that were premised on far-fetched federal legal theories, at the state level, consumer fraud statutes have given legs to a number of class action lawsuits that quite possibly will proceed to jury trials unless otherwise settled.

*It is the basic perception of unfairness repeatedly brought to life in the human voice* that, in my view, has galvanized politicians around this issue. While nearly one-third of the nation's population is either uninsured or underinsured, public budget deficits make it easy for these politicians to ask the question: exactly what is our society getting in return for giving hospitals the gift of tax-exempt status?

#### Officials Aren't Buying The Hospital Associations' Party Line

The message from public officials is clear: no amount of rationalization by hospitals and hospital associations is going to remove hospitals' duty to address the fundamental, substantive issues. Responses from hospital associations' that have irritated politicians and attorneys general include:

- "Government regulations make us do these things to patients."
- "We need true national health payment reform."
- "It's the unions' fault for ginning this up to create leverage for unionization activities."
- "The uninsured aren't filling out our forms, they're unresponsive, they don't 'ask for' charity care and discounts."
- "We do so much already for communities;

stop picking on us. We're much better than for-profit hospitals in terms of 'community benefit' and charity care."

- "We are huge employers and provide huge economic benefits for communities."

These arguments aren't going over and never did.

Why? Because the perception of injustice and unfairness

*continued on page 13*

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– particularly in the areas of pricing and collections – has predominated.

### The Regulatory Mess

Unfortunately, the CMS/OIG regulations are still fraught with some ambiguities notwithstanding the government's attempts at supposed clarifications (see the Unland/MacKelvie article in the Winter 2004 issue of *First Illinois Speaks*). The June 2004 teleconference put on by CMS and OIG gave one a first-hand look at the 'left-hand-not-knowing-what-the-right-hand-is-doing' problem. I am reminded why I loathe to 'go inside the beltway' for fear of catching some mental virus.

At the outset of their so-called 'open forum' a top CMS official (Herb Kuhn) essentially yanked a lot of the relevance out of the meeting by proclaiming: "...we are here today to continue this important dialogue...we want to focus on the broad issues and not get into hypotheticals at all...particularly with respect to OIG policies." Hence, from the audience's point of view, much of the potential usefulness of the event was off limits.

That said, I strongly believe that in the crucial time period of the spring and summer of 2003 – when already some Congressional committees were starting to look into these matters – the American Hospital Association, the Catholic Hospital Association and HFMA needed desperately to have banded together and insisted upon a 'summit meeting' with CMS and OIG. Such a summit, possibly including the FTC as well, could go a long way to resolve (and I do mean *explicitly* resolve) outstanding regulatory issues.

That did not happen and still has not happened.

### Very High Risk, Very Low Return

A valuation expert or risk analyst does not experience anxiety over unknown risks that, by definition,

are unknown. Rather, anxiety arises by virtue of: (a) known risks that remain unaddressed and (b) an out-of-whack risk/return dynamic. Both have been present here.

When one thinks about the cauldron of trouble facing tax-exempt hospitals for almost three years now, set against incredibly low financial yield from the uninsured population (and I mean the 'net yield' to hospitals as opposed to collection agents and law firms), the risk/return dynamic is totally out of balance: very big trouble over very low yield.

The risk analysts' basic instinct is to lower the risk, increase the yield, or both. More on this in the second article in this series.

"Action at the 'hospital association' level is significant...there actually is an advantage to consistency of pricing and collection policies in precisely this area."

### Minnesota Hospitals React As An Association

It is dangerous for just one or two hospitals in a market of many to implement better 'fairness' policies. In doing so, they risk becoming 'magnets' for the local uninsured. Action at the 'hospital association' level is significant because there actually is an advantage to consistency of pricing and collection policies in precisely this area.

In early May 2005, the Minnesota Hospital Association along with many hospitals and systems in the state announced agreements with the state Attorney General. The agreements contain highly specific provisions, among which is the pledge that pricing to the uninsured shall be no higher than the hospital's pricing to their 'most favored payor.'

I was able to interview both the Minnesota Hospital Association's

General Counsel and President. Both emphasized that hospitals need improved focus on collecting more money from the uninsured through fairer pricing and fairer payment terms. This emphasis affirms a philosophy I heard from one hospital Patient Accounts Manager in the eastern U.S. That pragmatist told me, "Jim, we've tried everything else; we might as well try being fair with these people...We will never collect 100% of even discounted fees but we can probably do a lot better than the 5% we're collecting now."

### The Situation in Illinois and Cook County

Tax-exempt hospitals in Illinois are beset by: (a) an ongoing investigation by the Illinois Attorney General; (b) several state-level class action lawsuits; (c) unions creating and leveraging press around the topic as 'economic justice' issue to further their own aims (d) involvement by both the Champaign County Board of Review and the Illinois Dept. of Revenue in attempting to revoke property tax exemption from at least one hospital; (e) hearings on the topic by the Chicago City Council Finance Committee; and (f) similar proposals and hearings in the Cook County Board.

Of great concern to me is one dangerous legal issue that has not received much publicity even inside the industry, and quite apart from 'pricing/collections/charity care.' Some contend that only property 'used exclusively for' charitable purposes can be exempt from property taxes. For example, the Champaign County Board made much out of the fact that physicians are 'making money on charitable property' in both their Provena and their Carle filings to the Department of Revenue, even going so far in the Carle Foundation filing to state as follows:

"...It must be concluded that in

many respects, the primary use of the Hospital is to serve as a platform from which a private physicians group (Carle Clinic Association) and the individual physicians privately benefit from unfettered access to, and use of, a modern, cutting edge, healthcare facility that for many years has enjoyed a "charitable" exemption from local, state and federal taxes."<sup>1</sup>

Such a statement might be viewed as a county official 'spouting off' were it not for a number of legal cases, including an Illinois Supreme Court case in December 2004 (Eden Retirement Center) upholding the concept of 'used exclusively for' charitable purposes.

My contention here is that Illinois exempt hospitals – *en masse* – need to proactively (a) address the pricing/collections/charity care controversies. In so doing, they as a group need to (b) insist on a permanent legislative solution that would prohibit a county tax board from attempting to revoke property tax exemption based on the fact that doctors – or any other for-profit entity – carry on activities within 'charitable property'. Naturally for such an exception, business activities must otherwise comport with antikickback and other regulations.

I'm convinced that in the right circumstances the Chairman of the Champaign County Board of Review would testify in favor of such legislation, as would the Association of County Assessors. ☘

*James Unland is an HFMA member. He can be reached at HealthCapitalGroup@yahoo.com.*

- 1 For copies of the Champaign County Board of Review's filings against both Provena Covenant Medical Center and the Carle Foundation Hospital (which filings are quite different in content) email the author at: HealthCapitalGroup@yahoo.com.
- 2 Excerpted from his remarks May 26, 2005.
- 3 NOTE: This full filing and numerous other resources can be found at: [www.healthbusinessandpolicy.com/HFMA.htm](http://www.healthbusinessandpolicy.com/HFMA.htm)

# Boost Your Bottom Line

BY PETE STILLE

Every hospital financial executive searches for ways to improve margins. We have observed that low change/high impact results can be gained from focusing on the contracting side of the supply chain. Even low-cost and small, community-based hospitals have measured savings of at least a \$175 per discharge by taking supply chain management to the next level. We offer you the following tips in helping your institution find savings that, when implemented, have averaged \$2.4 million for standalone institutions.

## Redirect Resources

Most purchasing resources are committed to low value functions. Order placement and error resolution handcuff their time, leaving little available to dedicate to a strategic approach to contracting (or strategic sourcing). With the right focus and resources, seven digit year-over-year savings are available for almost any institution.

As a case in point, let's compare the situations of two institutions. Medical center "A" dedicated most of their negotiating time to capital projects, leaving operational contracting on an "as time permits" basis. They did hit their \$250,000 savings goal, an amount set by Finance. Medical center "B", of similar size, dedicated a skilled full-time equivalent to contracting. After inking sixty-seven new contracts, "B" achieved audited first year savings of \$4.7 million. These contracts involved more than half of total spend for supplies and purchased services.

## Expand Your Materials Management Function

Often contracting is very siloed, even when clinical preference is not a factor. When a competent Materials Manager introduces negotiating and market research skills into services such as telecommunications, transcription, and clinical engineering, an institution may anticipate significant value. At one institution, savings in

outsourced areas beyond maintenance, rentals and linen totaled \$475,000 and exceeded the percent decrease achieved in supplies.

Try this approach: To start, have your Materials Management executive review the elevator, local telecommunications, and chiller contracts. Often these areas have close relationships as well as one-sided contracts, with onerous out clauses and evergreen terms.

## Control High Technology

New technology can be a bane or boost to the financial health of a medical center today. A coordinated, committed and comprehensive approach, however, can help (even in orthopedics) without alienating physicians:

- Reduce reimbursement for any new products delivered before vendor has added them to appropriate contracts
- Restrict new product demonstrations to those approved in advance through purchasing.
- Rationalize the introduction of

any new item of material value through a New Products Committee. Functioning similar to Pharmacy and Therapeutics Committees, the New Products Committee should hold a balance of physicians and non-physicians.

- Rapport between physicians and Materials Management is key, so include the latter in surgery meetings. Cost data, procedure margins and market research are agenda topics of interest to both parties.

- Special note: These tips are implementable today with low cultural upheaval. "Gain sharing" is a popular topic to address technology issues, however, we feel it has challenges which will make breakthrough returns too often unattained.

## Revisit Low Margin Areas

Low margin areas may be overlooked because of the expectation that only a few percentage points are available. However, in most such areas, with the right approach and creativity,

*continued on page 15*

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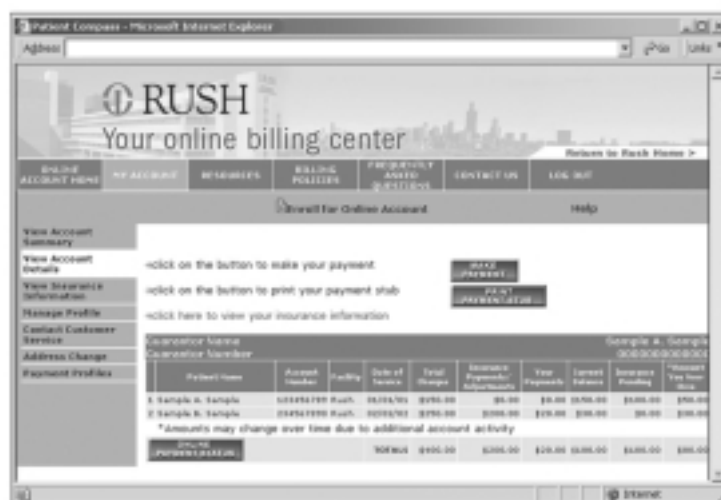
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reality can be quite different. Studies show that price variances in a single supplier's med/surg portfolio, and in med/surg supplies across an integrated delivery network, vary more than twice as much as expected.

Even distributors with reputedly low margins may deliver substantial results. One hospital's experience with paper distributors saw savings average 16%. This seems surprising coming from an industry with less than attractive gross margins and single digit net incomes. How was it accomplished? First, arrangements were struck to reduce price from both the distributor and their manufacturers. Then, distributor savings were reinvested by actually contracting with these same distributors for value-added services such as waste reduction. This was successful not only for the hospitals. Some distributors have gone so far as to emphasize this "value-added" capability to differentiate themselves and win new accounts; a counterintuitive win-win.

### Enhance Supply Chain Administration

Did you know that group purchasing organization (GPO) contracts normally cover less than half of a hospital's supplies and purchased services expenses? Can you say all of your purchases are in compliance with your contracts, especially in the operating room? Some estimates put invoice errors on contracted purchases at up to 40%. Can your purchasing department tell you how many contracts they have on file and which ones they will put out for bid this year? Does your Materials Management department have advanced systems to generate complete purchase histories and price trends for the past three years?

Too often the answers are "no." Contract administration is a large issue in healthcare, one exploited by supply partners. Software can help, but even the good ones, and there are few in the industry, don't address issues such as unofficial inventory. To address those control issues it is

typically necessary to devote resources of half of a full-time equivalent employee.

Consider this example which resulted in six figure savings: We recently applied a strategic sourcing approach to a hospital's office supply commodities. Previously, each year the same 300 items were bid and each year the same supplier won the business. Typically over 2000 different line items are purchased from an office supplies distributor in a year. Off-bid items traditionally held much smaller discounts. We asked the supplier for an electronic file of the hospital's entire three year purchase history. With this full detail, the hospital's negotiation position was much stronger than in years past.

Data in hand, we worked to compare every item price to calculate true cost savings on all purchases. The supplier's proposal, however, centered in part on a traditional, categorized "pricing matrix." When the supplier was asked for individual pricing for every item in the catalog, we were told that such a translation was

unknown even to them. We still did not have enough data to analyze the category and administer the contract. Finally our negotiations secured a CD electronic file of all line item pricing as part of the contract.

Yet administration challenges still existed. Our first audit turned up noncompliance. IT resources were not available to upload pricing automatically. Manual entry of price information into purchasing software was too much to keep up with. Ignoring the CD, the buyer simply continued previous practice and changed pricing as advised by the supplier. Education and training was the solution. The department learned about the control risks involved and how to do fast "look ups" on the CD to verify pricing integrity. This process worked. The buyer's staff caught several pricing errors per week (even after all that, supplier errors still occurred!). In this example, which unfortunately is not an isolated one, savings calculated were not a trophy, they were realized and tracked on the bottom line.

### Invest

Many of these solutions can be implemented with current resources. To fully realize savings, however, you can't escape the need to invest resources. Boggled down by large volumes of order lines, slimmed-down Materials Management departments can impact very little. Yet it does not have to be this way. Your institution likely possesses many of the skills required to realize these savings, personified in your purchasing professionals. Some of these staff may need direction, focus and incentive. Others may need to rethink their current philosophy and relationships with suppliers. Still others may need complimentary clinical skills, or other education and information resources. With an investment in one or two skilled, full-time staff, process enhancements and minor IT upgrades, even top performers can reap a return on investment of 700%, and bolster bottom lines. ☛

*Pete Stille is a member of HFMA.  
He can be reached at 773-880-2233.*



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# Self-Pay Follow-up: Increasing Collections, Reducing Expenses

BY ROBERT V. JACOBS, CPAM

The procedures listed below have significantly increased self-pay collections and reduced expenses for a local hospital. Adopting these practices requires a thorough understanding of the self-pay cycle in order to recognize the best opportunities for maximizing returns in your organization.

The process should include the following steps:

- 1) Know how self-pay account balances move through your business office
- 2) Know how many FTEs are spent on self-pay collections
- 3) Compare average FTE costs to average account balance recovery
- 4) Calculate the monthly cost for the business office mailings (letters/postage) and require the vendor to take on this activity and its associated costs.

## Up-Front Practices:

Initial patient touch-points are a key opportunity to set the tone regarding their financial commitment

Incentivize admitting/registration staff to always collect self-pay portions at time of service

- 1) Develop a standard cash realization form (on-line) that will allow the registration staff, including the emergency room clerks, to estimate the cost for services/treatments being offered.
- 2) Employ financial counselors to maximize upfront collections. Opportunity lies in establishing an FTE accountable for handling all patient walk-in making payment arrangements, determining co-pays/deductibles/self-pay portions, making floor visits, reviewing daily census, working with self-pay vendors and assisting patients in obtaining state public aid qualification.
- 3) Create promissory notes for the self-pay patients that may qualify

for payment arrangements based on the hospital's guidelines.

## Back-end Practices:

Lax, late and inconsistent follow-up gives patients the impression that they can respond in kind.

- 1) Make a single (one) business office collector responsible and accountable for all self-pay payment arrangements.
- 2) Establish clear, comprehensive payment policies. Actively validate that your office consistently complies with and clearly communicates to self-pay patients these policies. Such policies should include:
  - An emphasis that payments are due by the 20th of each month and are to be made payable directly to the hospital
  - Workable payment schedules, for example one tried and proven schedule is:
    - \$0-\$499 paid within 4 months
    - \$500-\$999 paid within 8 months
    - \$1000+ paid within 12 months
- 3) Communicate promptly and consistently with self-pay patients
  - Immediately send a final notification letter each time even one monthly payment is missed
  - Move to bad debt each account where the patient has failed to meet payment obligations two months in a row

## Pre-collect Self-pay Vendors:

Generally, hospitals with the best revenue cycle results move all self-pay to an outside pre-collect firm immediately upon discharge. An effective program will:

- 1) Split up the alphabet between two agencies
- 2) Limit to four months the agency's work on any one account
- 3) Revolve around your designated timetable for agency phone contacts and mailings using scripts and letters approved by you.

## How to get better results from collection firms:

Monitor these key performance indicators:

- Time from discharge to when the account is handed over to collections vendor
- Number of days vendor works on the account,
- Unit cost - ask for & compare flat-fee and contingency quotes
- Volume & quality of patient contacts
- Collection results per period

- 4) Electronically list each week all accounts newly assigned to the agent, allowing them to contact the patient soon after discharge.

To choose the most cost-effective agencies, insist on the following:

- 1) A client list that includes at least ten (10) hospitals
- 2) A business mission committed to serving as an extension of hospital business offices, normally
- 3) Program rates under 10%

## Discount Letters:

Proper design and use of discount letters benefits both the self-pay patient, as well as hospital management. Hospitals face scrutiny over their financial assistance (charity) practices and are expected to sympathize with the fact that self-pay patients face two unique disadvantages. Self-pay patients are generally the only financial group responsible for gross charges without the benefit of contractual allowances. On top of that these patients are the only ones solely assuming complete financial responsibility.

Discount letters help smooth operations and balance stakeholder interests. For-profit hospitals can find discounting self-pay bills to be very cost effective. A well-designed policy gives the patient reasonable opportunity to pay. One hospital's policy gives a 40% discount on bills paid in full within a certain number of days. A 25% discount goes to those who agree to a payment arrangement within established

policies within hospital guidelines.

Again effective and consistent communication of discount offers is key. Standardize a notification letter and ensure it is

- Patient friendly and available in the languages of your population
- Sent to each self-pay patient upon discharge
- Used by both hospital staff, and pre-collect self-pay vendors.
- Clearly notes the discount offer's expiration date (usually within thirty days of discharge)

## Self-pay Patients Filing for Medicaid State Programs:

Patients who apply for but are not granted state aid end up affecting your self-pay balance. Inner-city Medicaid denial rates are usually 40%-50%. Rural medical centers see denial rates between 30%-40%. Most of these denials result from lack of patient cooperation or inappropriate filings (the individual is not actually disabled). Proactive facilitation of the Medicaid application process allows the hospital some control over the speed and success of valid claim payments. It also is a chance to steer inappropriate filings to the self-pay track for faster resolution. Depending on the number of patients filing for Medicaid, consider employing either specific financial counselors or an outside public aid vendor to:

- 1) Help the patient understand if he or she meets Medicaid application requirements, especially to check for a specific diagnosis allowable

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- under the state program
- 2) Help the patient originate the application before discharge
  - 3) Obtain the necessary documents to support the claim
  - 4) Move denied claims immediately to bad debt collection agencies
  - 5) Monitor these cases both internally and externally to measure the impact of these efforts on self-pay balances.

**Charity Care –  
Uncompensated Care Policy:**

Every hospital must adopt and implement a charity care policy. Most hospitals follow AHA standards which include federal poverty guidelines. A good policy will ensure:

- 1) The financial counselor or intake/registration clerk begins the charity process immediately upon determining a patient is without active healthcare insurance

- 2) The patient is allowed 30 days to complete an application and provide validating documentation
- 3) The bad debt committee approves or denies in compliance with established policies and committee decisions are regularly audited.
- 4) Notification in writing within five (5) business days of the committee's decision
- 5) The business office monitors these cases diligently and quickly moves to bad debt those denied as charity care.

**Bad Debt Collection  
Agencies:**

Minimizing bad debt write-offs often means partnering with a good collection agency. Where volume is high, using two agencies may be best as this allows monthly comparisons of collection results. When selecting an agency:

- 1) Look beyond cost (15% - 18% is the going rate), and evaluate total value
- 2) Call the agency's hospital references
- 3) Consider that many healthcare consulting firms and hospitals recommend sticking with agencies that service healthcare accounts exclusively
- 4) Perform an on-site review to examine the firm's techniques, calling patterns and collection letters
- 5) Require
  - a) Prompt patient/debtor notification (within twenty days is standard)
  - b) Filing of all debts with the local credit bureau (so patient can access credit bureau counseling & financing)
  - c) Monthly listing of self-pay returns received from pre-collect firms. Documented poli-

cies regarding the timing and size of discounts the agency may offer, if any

- 6) Set deadlines: aggressive hospitals limit collection agency work to between four and twelve months. Unresolved accounts are then placed with another agency, or sold, as the receivable would be less than 5% collectable.

**Follow-up Review Steps:**

- 1) Make sure monthly reports are sent to the hospital by the 5th business work day.
- 2) Allow agencies to settle account terms while talking to patients/debtors, as most opportunities to secure payment are time sensitive.
- 3) Hold quarterly meetings with all outside collection firms, and go over their findings and suggestions for process improvement. An on-site review has always been

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## Self-Pay Follow-up: Increasing Collections, Reducing Expenses ... (continued from page 17)

a good practice as you can witness first hand the collection process of the hospital accounts.

4) The Director of Patient Financial Services, Manager of Billing/Collection, Admitting/Registration Manager all must fully understand the internal and external self-pay programs. These individuals should meet monthly to review any issues, concerns or problems associated with self-pay accounts.

### Conclusion

When considering where to focus to achieve improved cash flow, remember that great opportunities often lie within self-pay accounts. The above program will increase cash flow on a monthly basis and in turn reduce bad debt expense. ☛

*Robert V. Jacobs is a member of HFMA. He may be reached at [rjacobs@meritph.com](mailto:rjacobs@meritph.com)*

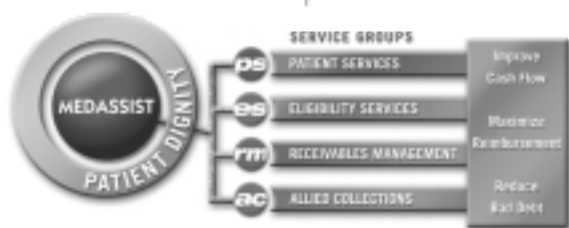
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A broad topical article may be 1000-1500 words in length. Shorter, "how-to" or single subject articles of 500-800 words are also welcome. Authors should suggest titles for their articles. Graphs, charts, and tables should be provided when appropriate. Footnotes should be placed at the end of the article. Authors should provide their full names, academic or professional titles, academic degrees, professional credentials, complete addresses, telephone and fax numbers, and e-mail addresses. Manuscripts should be submitted electronically, on computer disk or by e-mail as a Microsoft Word or ASCII document.

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### Publication Scheduling

Publication Date	Articles Received by
November 2005	September 23, 2005
January 2006	December 16, 2005
April 2006	February 18, 2006

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Half day, Mystic Blue, Navy Pier

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#### **October 20, 2005**

Revenue Cycle, Full Day, William Tell Inn, Countryside

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#### **November 17, 2005**

Information Technology, Full Day, Aramark Corporate Headquarters, Downers  
Grove

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#### **January 19, 2006**

Accounting and Reimbursement, Full Day, William Tell Inn, Countryside

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#### **February 16, 2006**

Medical Groups and Physicians, Full Day, Gardner, Carton & Douglas, Chicago

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#### **March 15, 2006**

Managed Care, Full Day, William Tell Inn, Countryside

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#### **May 5, 2006**

CFO Meeting and Golf Outing, Full Day, location TBD

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#### **May 26, 2006**

Annual Golf Outing, Full Day, St. Andrews & Klein Creek

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