

2007 | 2008

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Thanks for a Great Fall Conference!

————— *Jim Moynihan, FHFMA, Fall Conference Co-Chair* —————



Jim Moynihan, Southern California Chair of the Fall Conference receiving his award for chairing the conference; Debby Chanen, President, Southern California chapter HFMA; Christine Sarrico, President, Northern California chapter HFMA; and Mary Ackley, Northern California Chair of the Fall Conference.

The California Fall Conference in Lake Tahoe was a great success, and the several hundred attendees who ventured to the Sierras emerged with many new tools for better healthcare financial management. The 2007 Conference was marked by an all time record in available educational sessions as the

Conference Committee members obtained speakers for an expanded Sunday Pre-Conference and additional specialized programs on Monday and Tuesday. Conference attendees were able to hear the latest from Medicare representatives and State of California speakers on regulatory change and receive guidance through the rest of the year and into 2008. Speakers from provider organizations shared best practices about managed care contracting, coding, patient access, cash collection tools and techniques, denial management and many other practice subjects in 21 separate break-out sessions.

If you were not able to attend you missed many ideas that would help your organization run more smoothly. Here is how to plan for taking advantage of next year's great program. First, mark your calendars for September 14-16 for the 18th Annual California Fall Conference. This will be held "in the back yard" for many of you at the newly refurbished Hyatt Regency in Newport Beach. Next, direct your colleagues to *Continued on page three*

July 19, 2007 CFO Round Table Luncheon

Dan Settlemayer, Healthcare Practice Director for the law firm of Latham & Watkins, LLP provided an overview of the issues affecting providers in adjudicating claims with non-contracted HMOs and the evolving role of DMHC. Dan reviewed some of the case law in this area and provided useful insight to providers on how to protect the rights of their organizations.

Our President, Debby Chanen also took advantage of this opportunity to recognize Steve Forney as he advanced to FHFMA. Congratulations Steve!

We would also like to thank the Costa Mesa office of Deloitte & Touché LLP for providing their educational facility for this event.

Our next lunch is scheduled for October 18, 2007 at the Manhattan Beach offices of Deloitte & Touché where Jack Flaherty will cover "Current IT Issues Facing Healthcare Providers and Suggestions for Improvement". More detail can be found in the brochure posted under the "Events Listings" at the Chapter's website: <http://www.hfma-socal.org/>.

Hope to see you there!
 Steve Blake, CFO Round Table

FROM THE PRESIDENT'S DESK

Debby Chanen



We recently started using the California Endowment's Center for Healthier Communities conference center in downtown L.A. for some of our educational programs, as it is convenient and inexpensive for a good quality conference center. In trying to book our upcoming March meeting there, they requested the mission of our organization to determine if we meet their criteria to host an event there (which has obviously become stricter). This is what we sent them: "The mission of the Southern California chapter of HFMA is to provide its members with opportunities for professional growth through quality education, networking and fellowship with peers and to serve as a resource in healthcare finance." We feel our organization is worthy one and although I think we are meeting our mission, we also want to ensure that our members feel that their needs are met. We always want to hear feedback and suggestions

from you either through our chapter assistant Lori Kuwahara's phone, fax or e-mail or directly to one of our Board members – our e-mails and phone numbers are listed on our website, www.hfma-socal.org/Board

Later this month, National HFMA will begin their bi-annual confidential random member survey, which is conducted by an outside organization. Although we hope that you will be honest in the survey, and we will take all the suggestions and ratings from it to heart for planning for future education and activities, we would of course, like to see a very positive result. The member satisfaction score is one way our chapter is rated by National on how well our chapter is performing on the Chapter Balanced Scorecard, that is new this year.

I wanted to remind you of the education and networking programs that have been put together by your chapter recently:

July 19 – CFO Roundtable Program 1 in Costa Mesa

August 16 – Chapter Educational Program 1 at the Long Beach Marriott

August 26 – Wicked musical/networking event at the Pantages Theatre in Hollywood

September 9-11 – Fall Conference in Lake Tahoe (in conjunction with Northern California chapter)

We are looking forward to:

October 18 – CFO Roundtable Program 2 in Manhattan Beach

October 25 – Geographic Program in San Bernardino

November 14 – Chapter Program 2 in Universal City

December 13 – Holiday party in Los Angeles

January 27-30, 2008 – 10th Annual Region 11 Symposium in Las Vegas.

Our Chapter Newsbrief, which is published five times a year, is meant to be a resource and source of additional education for you. For example, if your hospital doesn't have a representative on the California Hospital Association (CHA) Board, where else would you get an insider's report of their efforts? Our current HFMA California representative has summarized the highlights of that organizations work for you in this edition of Newsbrief.

As this State continues to work on healthcare reform through a special session of the State Assembly, the country transitions to an entirely new Medicare DRG system, payers move toward more P4P reimbursement, and more hospital closures occur and put additional stress on providers and their Emergency Rooms in Southern California; your chapter would like to continue to be one of your primary resources for the latest updates, education and networking with your peers on changes in healthcare financial management.

Sincerely,

Debby Chanen

Debby Chanen, FHFMA

President, Southern California Chapter HFMA

2007 | 2008

COMMITTEES

Certification

Peter Lee, FHFMA, CHAIR

CFO Round Table

Steven R. Blake, CPA, CHAIR

Chapter Leadership Training

Victoria Morgan, FHFMA, CHAIR

Davis Chapter Management

Donna Anglin, FHFMA, CHAIR

Fall Conference

Jim Moynihan, FHFMA, CHAIR

Founder Points

Donna Anglin, FHFMA, CHAIR

Geographic Programs

Terry McQuaid, CHAIR

Government Programs

Scott Ujita, CHAIR

Legislative Issues

David Volk, Esq., CHAIR

Long Term Care

Ron Foster, CHAIR

Managed Care

Will Weisbaum, CHAIR

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Valeria Ruggieri, CHAIR

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Region 11 Symposium

Ira Alexander, CHAIR

James Stewart, CO-CHAIR

Student Recruitment, Mentoring & Scholarship

Kymblyn Brown, CHAIR

Website

Donna Anglin, FHFMA, CHAIR

HFMA SO-CAL

ADMINISTRATIVE ASSISTANT

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Fall Conference

Continued from page one

the website for the 2007 program www.hfma-cafallconf.org/program.lasso and take a close look at what was done in Lake Tahoe. Each of the tracks for Managed Care, Finance and Patient Revenue Cycle packs as much or more programming in as most other conferences do at greater expense and over more days. The 2007 conference did an especially good job of assembling sessions for finance directors and CFOs that presented best practices from half dozen health systems. We promise to maintain this high level of quality programming in 2008 and providers in Southern California would be remiss not to seize the opportunity next fall in the "Big OC"! Tell your management that this is an event that is not to be missed. And make your reservations early!

Special thanks are owed to the great team of volunteers who worked on the various committees to make the 2007 conference a success. These include Vickie Morgan, Debby Chanen, James Cummings, Greg Labow, Rick Lash, Frank Matricardi, Chris Stein, Dave Schinderle, David Epstein, David Lee, Linda DeAntonio, Gordon Johnson, Terry Laurie and Adam Klein from the SoCal chapter. Our colleagues in Northern California were also crucial to the effort and they included Mary Ackley, Terry Paff, Aimee Arata, Kim Oka, Mike Laidlaw and Brian Marrs. Our Northern California team was especially helpful in obtaining a record number of sponsors. Special thanks go to Vickie Morgan whose project planning and meeting management expertise were invaluable in the overall direction of the conference.

This is YOUR conference, and we would welcome new volunteers for the 2008 program. A web site will be up for the 2008 program and we will start soliciting speakers earlier this year to ensure the best possible program in Newport Beach. Thanks for 2007 and hope to see you in 2008!



Vickie Morgan, Committee Member responsible for Hotel and registration, and Terry Paff, Northern California Chapter Committee Member responsible for Sponsors.

HFMA Northern and Southern California chapters Fall Conference committee.



Noah Rosenberg, attorney; Stacy Hrountas, Vice President, Managed Care at Sharp Healthcare; and Mitchell Zack, Vice President, Health Plan Contracting, John Muir Physician Network, speaking on Hot Topics in Provider Contracting.



**HFMA SoCal Chapter
CFO Roundtable—October 18, 2007
11:30-1:30 (Lunch): CFO. CIO. HIM.**

Guest Speaker

Jack P Flaherty, Sr. Manager- Deloitte & Touche LLP

Topic-Current IT Issues Facing Healthcare Providers and Suggestions for Improvement. Discussion will include the topics of:

1. Segregation of Duties & Data Privacy: Methods for configuring and authorizing access to sensitive patient and financial data.
2. Physician Connectivity: Optimally and securely configuring physician access to patient information.
3. Systems Implementation / Change Management: Help management teams meet project expectations and ensure user acceptance.
4. Configurable Controls - Designing automation into your existing processes and ensure they are correctly setup.

Location: (Validation stickers will be provided during the Roundtable event). The parking lot is located behind the Deloitte office.

**Deloitte & Touche LLP
1500 Rosecrans Avenue, Suite 300
Manhattan Beach, CA 90266**

RSVP: October 8, 2007

Steven R Blake, CFO
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1301 N Tustin, Santa Ana, CA 92705
714.953.3536/714.745.6092 cell/714.953.3384 fax
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GOVERNMENT PROGRAMS COMMITTEE

Education Program #1 August 16th

TOP: Scott Ujita, from Toyon Associates and the Government Programs Chair introduces the speaker at the seminar.

CENTER: Dale Baker, from Baker Healthcare Consulting, Inc., talks about wage index at the Government Programs session.



BOTTOM: Adam Plotkin from Healthcare Outsourcing Network, LLC, wows the crowd with his talk about Laws and Issues affecting Hospital Business Offices.



Session Update

Scott Ujita

The Government Programs Committee Track of the 1st Educational Program of the year, held August 16th at the Long Beach Marriott, was very well received by the attendees. We had three great speakers, Dale Baker, Tim Yuen and Ron Knapp. Dale spoke about wage index and how the low wage index in Southern California is affecting all of our hospitals. Tim and Ron spoke about the recently released 2008 Inpatient Prospective Payment System final rules that were released on August 1.

Dale covered lots of ground in his presentation. Some of the topics that he covered were hot topics in wage index, appeals, Medicare geographic reclassifications, California wage index, strategies and the HASC program and MedPac's wage index proposal. It was interesting to hear about how contract labor may be treated in the wage index in the future and the reasons why this change is being made. Another hot topic was the Budget Neutrality issue. Dale discussed this issue that affects all Inpatient PPS hospitals. He noted that he is working with Hooper Lundy & Bookman in California with this issue.

Tim and Ron were responsible for covering the main points of the 2,141 pages of the Department of Health and Human Services published Changes to the Hospital Inpatient Prospective Payment System and Fiscal Year 2008 Rates. The topics highlighted in their presentation included the PPS base rates, Hospital Quality Data, updates to the Inpatient rates, Outlier, IME, wage index changes with an emphasis on Southern California areas, physician owned facilities, but most importantly, they covered the recent changes to the DRGs. There will be a 3 year transition to cost-based DRG weights. CMS is adopting Medicare Severity adjusted DRGs or MS-DRGs. This was the biggest change that will affect Inpatient hospitals in regards to the final rule this year.

From the comments I received after the seminar, everyone I spoke with had positive reviews of both speakers. Both of these PowerPoint presentations are available on the HFMA website at www.hfma-socal.org/education_materials. I encourage you to download them for your reference. If you are interested in getting in touch with any of the speaker, feel free to e-mail them at:

Dale Baker – Dbaker@baker-healthcare.com

Tim Yuen – Tim.Yuen@Toyonassociates.com

Ron Knapp – Ron.Knapp@Toyonassociates.com

If you are interested in getting involved with the Government Programs Committee, you can contact me, Scott Ujita, at 925-685-9312 or at Scott.Ujita@Toyonassociates.com. I will include you on the Government Programs mailing list where I will remind you of upcoming meetings and topics. We generally meet the third Tuesday of each month.

Band of Brothers and Sisters

— Laura Zehm, Vice President & CFO, Community Hospital of the Monterey Peninsula —

Duane Dauner, President of the California Hospital Association (CHA) is working towards building a closer relationship between the members of HFMA and CHA. Duane (and his entire CHA team) understands the fight we have on our hands as healthcare providers to meet our missions, our strategic and financial goals, all while meeting government regulations and the expectations of our communities, patients, employees and physicians. Duane and his team are fighting the good fight on our behalf in many ways, some of which I will outline below. CHA needs all the support it can get and we need to be a part of that. After all, most of what is discussed at the CHA Board meetings has to do with the financing of health care, something near and dear to our hearts.

HFMA Representation on CHA Board

You might not know this but a few years back at a Region 11 meeting, Duane Dauner, President of the California Hospital Association (CHA), asked the current California Chapter Presidents if HFMA wanted to add a member to the CHA board and we said of course. On a rotating basis, one of the California Chapters of HFMA is asked to select a member to serve on the CHA Board. Jack Ruzic, the 2006-2007 Northern California Chapter President, honored me with such a request, I accepted and I am mid-way through my year. My intention is to bring value to both HFMA and CHA by my being on the Board. I will begin by passing along to you the issues I see as most urgent and significant. Before I do that, however, I have a comment and a request.

If you read nothing else, please read this:

Before I go on, and just in case you do not have time to read the entire article, I want you to know two things:

1. Comment – It is important for HFMA to continue to provide representation on the CHA board and to continue to explore ways to be more effective in that role. That is what I am working on now.
2. Request – Please let me know through your chapter leadership how I can best represent HFMA and what message you want me to bring. I will be speaking with your chapter president on how best to accomplish the communication but I am asking you, as an HFMA member, to think about how best to use the voice we have at the CHA table, what is our message, what do we want CHA to hear.

Highlights

Since I assume you all receive the CHA communications about current issues, such as the Health Advocacy Update, I will not spend this space repeating it all here. I will mention a few key issues that have received significant discussion at the meetings. I urge you to sign onto the CHA website to obtain more detailed information.

The Governors Healthcare Plan

We, the hospital industry, have the Governor's attention. Governor Schwarzenegger needs the hospital industry support to pass his health care reform package. He has been meeting with the Executive Committee of CHA in order to arrive at a compromise that we can live with. Up until recently the CHA position on the Governor's proposal was "no way". Because we now have his full attention, it is our best opportunity to shape the legislation in a way that provides the most protection to our bottom lines. The CHA Executive Committee worked with Schwarzenegger to arrive at the plan I will summarize below. The CHA membership voted to support this plan as it is summarized here.

Health Care Reform Package

- **Capping of hospital fee** – The fee on hospitals is a per diem set at approximately \$141 for each day of care provided to managed care patients, not including Medicare managed care, plus a fee of approximately \$405 for all other patient days not including Medicare. This fee is to be capped at the percentage figure initially enacted. (Your hospital should have received an estimate of the financial impact of the fee compared to the increase in Medi-Cal).
- **Separate fund** – This fee will go into a fund separate and apart from the General Fund and is to be spent first to raise Medi-Cal inpatient and outpatient payments to hospitals to the maximum amount allowed by federal law.
- **Annual Medi-Cal rate increases** – Medi-Cal payment increases to hospitals that equal the greater of the increases in the cost of providing hospital services or average increases in payments from payers. First, there will be a large increase to get us to the maximum allowed by Federal law (approx. 31%).
- **Net Return Guarantee** – Poison pill language that repeals the fee on hospitals if the aggregate net return to hospitals in any subsequent year falls below the net return to hospitals in the first year.
- **Five-Year Sunset** – Can only be extended through reenactment by the Legislature and Governor.
- **Elimination of Loss Ratio** – Elimination of the 85% "minimum medical loss ratio" for hospitals because it doesn't apply.
- **Adoption of Hazards United States (HAZUS)** by the Administration through an emergency regulation that is promulgated and put in force prior to December 31, 2007.
- **Enactment of relief for hospitals** from the 2008/2013 deadline requirements of seismic safety standards pursuant to SB 1953 in 2007.
- **Balance Billing** – The ban on balance billing limited to emergency room services where the hospital does not have a contract with the payer.

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Brothers and Sisters

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Your hospital should have received the model completed by Health Management Associates dated August 24, 2007. Please note that minor data deficiencies in the model have been identified and corrected. The model has not been redistributed to members because a remaining factor in calculating new managed care Medi-Cal payments must be resolved. The potential federal limit on Medi-Cal managed care payment increases must be determined before the model can be adjusted and final estimates calculated. CHA is working with the administration to ascertain the federal limit.

Seismic Compliance

SB 1953 is an unprecedented state mandate for all hospitals to meet new earthquake compliance standards. It is an unfunded mandate that is currently estimated to cost California hospitals \$110 billion at a time when 50% of California hospitals are currently operating in the red. OSHPD retained structural engineers as consultants to study the use of HAZUS software technology for assessing the risk of potential loss after an earthquake. To cut to the chase, OSHPD has recommended to the Hospital Building Safety Board (HBSB) the use of this software which will greatly reduce the number of hospitals that fall into the highest risk category, thereby reducing the cost. It is expected that the Administration will accept and move this proposal forward as an emergency regulation in September. The current methodology is like using a hatchet when a laser is more appropriate. There will be hospitals that will not benefit from HAZUS and will not be able to meet SB 1953. For these facilities, CHA is working with Senator Dave Cox on SB 211 and Senator Denise Ducheny on SB 306 to provide financial and time (deadline) relief for those hospitals that do not benefit from HAZUS.

RAC Audits

The Recovery Audit Contractor (RAC) initiative initially designed to audit inpatient rehabilitation facilities (IRF) have expanded their reach and are now auditing general acute hospitals for one-day stays. RAC has challenged both IRF and general acute hospitals by inappropriately denying thousands of patient admissions, resulting in millions of dollars of lost reimbursement. CHA has been actively working on this issue for several months. A RAC workgroup was established and communications with CMS personnel and other key stakeholders is ongoing. A letter to the leadership of CMS from members of Congress was signed by more than half of the California delegation.

PRG Schultz as a RAC contractor is penalizing California hospitals by its operational procedures and financial recovery practices. CHA is insisting that regular CMS policies and regulations be followed by PRG Schultz. California Senator Dianne Feinstein sent a letter to CMS Acting Administrator

Leslie Norwalk requesting that CMS look into the actions of PRG Schultz to assure PRG Schultz is properly complying with existing laws and regulations.

Lloyd Bookman, Esq., Hooper, Lundy & Bookman, developed legal strategies, assessment of success and preliminary budget information in the event litigation is pursued. The Advisory Board of the Center for Medical Rehabilitation Services (CMRS) met with Mr. Bookman to discuss the results of his review and unanimously voted to recommend that CHA initiate a lawsuit at the earliest appropriate time. The CMRS Board also agreed to the initiation of a financial assessment of members to support the cost of litigation. The initial phase is estimated to cost \$50,000 to \$100,000.

The CHA Board voted and approved that if relief at the federal level, either through actions of CMS or Congress is not forthcoming, CHA will file a lawsuit challenging the RAC initiative.

CHART

Quality has always been a priority for hospitals but now other stakeholders are becoming interested in getting a handle on what value we are providing. Enter CHART (California Hospital Assessment and Reporting Taskforce). CHART was formed in order to address the quality information needs of these stakeholders (hospitals, purchasers, health plans and consumer groups). A lot of smart people with a lot of good experience worked on this project. The troublesome part of the CHART project is that some of the stakeholders were not interested in the statistically valid results but wanted to make sure there were some winners and losers and some real differentiation between hospitals **even if not statistically valid**. CHA received the message that hospitals would support a quality measure but only if it was meaningful, statistically valid and not misleading, represented this perspective to CHART. As a result, the methodology will be changing in the following ways:

- The benchmarks will be changed to National top 10 percent, National average and National average minus 10 percent (the old benchmarks were National top 10 percent, CHART average and National average).
- Benchmarks will be updated quarterly indicating the most current 12-months rolling data so that improvements in a hospital's quality measures will be reflected more timely.

A change still in discussion but not yet resolved is the matter of the methodology used in the assignment of hospitals into the categories (superior, above average, average, below average and poor). **This is a clash between politics and good valid statistical reporting**. The bottom-line is, the statisticians will say most hospitals provide good quality and fall into the

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UNIVERSITY CORNER

Student Recruitment, Scholarship and Mentoring Committee

— Anthony Lewis —

The Student Mentoring, Recruitment and Scholarship Committee had its regular meeting on September 21, 2007. The committee is very active at this time of the year and we received status reports of what is underway at UCLA, USC, and Cal State Channel Islands. Plans for introducing students to HFMA are moving ahead. The final edition of the scholarship application will be completed by September 21, 2007 and these will be sent out on October 1, 2007.

At the meeting, the following was discussed:

.....

It was decided to award two scholarships per university in the amount of \$1,000 (first place winner) and \$500 (second place winner).

.....

The committee will be reserving \$1,000 from the Scholarships budget in order to "supplement" students in the HFMA application fee process. This still leaves \$11,000 for scholarships.

.....

Several of the members reported on what is currently happening at each of the universities targeted for student recruitment. There are many plans in the works for several of the universities and everything is on target. Some of the activities planned include the following:

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UCLA – The committee is discussing the possibility of sponsoring a "mixer" in order to network with students who might be interested in joining HFMA. The date/time/location has yet to be determined.

.....

USC – There are plans to invite Debby Chanen of HFMA to prepare a presentation for potential student applicants.

.....

Cal State Channel Islands – The Business Club at this university was targeted for a presentation about the benefits of joining HFMA.

Congratulations to Kymblyn Brown who has taken a regional manager position with Logistic Care. Kymblyn still plans on being very active in HFMA and the student scholarship committee. Until she gets settled in her new role, Annalisa will be co-chairing future meetings.

Brothers and Sisters

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middle of the curve and that there is no statistically significant difference between them. Some of the stakeholders don't like this and want to make a distinction, whether real or not. Misleading information that supports a political agenda is currently being reported.

Even with these changes it is recognized by CHART that the current and proposed changes in methodology are not purely statistical but are considered to be the best compromise. I do appreciate the work that CHA has done to promote a fair reporting of the data. However, it troubles me greatly that there should be any compromise on statistical validity when quality data might be used by patients to make care decisions or by payers to make payment decisions.

What You Can Do

It is very important that HFMA support the work of CHA as much as possible. Again, what you can do is:

- Familiarize yourself with the key issues facing us in California.
• Engage your chapter in discussions about how to get this information out to the members.
• Support CHA efforts in the way that makes most sense to you (write to your representatives, have your hospital support CHA initiatives, respond to CHA requests for information such as the RAC audits).
• Provide feedback to your chapter regarding the message HFMA wishes to send to CHA through future representatives and me.

Easy Ways to Reduce Your Workload and Receive Faster, More Accurate Payments

TriWest Healthcare Alliance*

Providers can take some simple steps to expedite the processing of their TRICARE West Region claims, reduce time spent on tracking the status of submitted claims and eliminate the need to submit duplicate or tracer claims.

First, take advantage of our newest enhancements at www.triwest.com. As a registered provider, you can take advantage of self-service functionality including:

- Confirm beneficiary eligibility and benefits
- Check status of referrals and authorizations
- Update consult tracking feedback reports
- Check the processing status of submitted claims
- View a detailed Explanation of Benefits (EOB) for processed claims

Next, if you are not already submitting claims electronically, as a registered user, you can submit your professional and institutional claims online and receive real-time processing results. Currently, claims are being processed within the following timeframes:

- 71% of clean claims submitted online are processed immediately (a clean claim does not contain a defect requiring investigation or development prior to adjudication)
- 97% of clean claims submitted online are processed in 15 days or less
- 99.7% of all clean claims are processed in 30 days or less

Lastly, second submissions and tracer claims can delay claims processing, impact the accuracy of claims payment and cost your practice valuable time. Providers can help avoid these problems by allowing at least 30 days from the date the claim is received at WPS before generating second submissions or tracers. This timeframe allows WPS time to receive the claim from your office or billing service, time to process all clean claims, and time for U.S. Mail delivery of your payment.

In addition, some providers may continue to count the time that the original claim was submitted to the primary payer or from the last date of service on the account as the submission date to WPS when TRICARE is the secondary payer. Due to the high proportion of secondary payments involved in TRICARE compared to other programs, WPS often receives a tracer claim from a provider at the same time that the initial claim is received showing the primary payer information. This results in increased denials due to duplicate claims and additional work for your office.

For information on becoming a registered provider, submitting your claims online, and signing up to receive Electronic Remittance Advices (ERA), refer to the Provider Connection area of www.triwest.com or call 800-782-2680 (EDI Help Desk). You also can refer to www.triwest.com for a recent article on ERA that shows you how ERA can reduce your paperwork.

*The Department of Defense Contractor for TRICARE's West Region

HFMA SO. CALENDAR

2007 EVENTS

- October 11** AAHAM EDUCATIONAL SEMINAR Long Beach Airport Marriott / 8:00 am -12:00 pm
October 18 CFO ROUNDTABLE Deloitte & Touche, LLP, Manhattan Beach / 11:30 am -1:30 pm
October 25 GEOGRAPHIC PROGRAM I St. Bernardine Medical Center, San Bernardino / 7:30 am -12:00 pm
October 30 HFMA NATIONAL AUDIO WEBCAST: *Changes to Improve Cost Based Weights* / 12:00 -1:45 pm
Nov. 14 EDUCATIONAL SESSION II Universal Hilton, Universal City / 7:30 am-12:30 pm
Dec. 6 AAHAM EDUCATIONAL SEMINAR Long Beach Airport Marriott
Dec. 13 HFMA/AAHAM HOLIDAY PARTY Maggiano's at the Grove / 6:00 -10:00 pm

2008 EVENTS

- Jan. 27-30** REGION 11 HEALTHCARE SYMPOSIUM Las Vegas
March 18 EDUCATIONAL SESSION III Location TBD / 7:30 am-4:30 pm
April 17 CFO ROUNDTABLE Save the date!

Details on all events can be found on the chapter's web site www.hfma-socal.org/ > click on Events Listings

What Is Health 2.0?

Will Weisbaum

Health 2.0 is the use of / movement to harness the technology of Web 2.0 for the delivery of the next generation of Healthcare services. Web 1.0 can be characterized as companies producing static websites that were updated by company staff with minimal outside input versus Web 2.0 with dynamic websites that are updated directly by the end users. Matthew Holt of The Health Care Blog, believes Health 2.0 is a description of Healthcare's use of Web 2.0 technology, whereas, Scott Shreeve, M.D. of Medsphere Systems, Inc. feels Health 2.0 is a broader movement toward the use of next generation Healthcare. Holt's and Shreeve's perspectives share common features such as transparency, users are in control and shared intelligence and the next generation companies are working to leverage these features into their business models.

Examples of Health 2.0 Companies include Healia, REDmedic, OrganizedWisdom and DoubleCheckMD. Healia is a personalized search engine that pulls information based on specific diseases such as Diabetes. The information is organized by tabs such as prevention, causes/risks, symptoms, diagnosis/tests, and treatments and can be filtered by sex, age, race/ethnicity, and beginning/advanced reading. REDmedic is a Personal Health Record that allows you to store and manage the following information: conditions, allergies, immunizations, medications, procedures and etc. Additionally, it visually compares your risk levels for various diseases such as cancer, diabetes and heart disease. OrganizedWisdom is an intelligent community where individuals can connect with each other based on their shared disease. For example, a cancer patient can create a WisdomCard about his experiences using a particular drug that didn't make him sick and thus help another individual whose medication is causing nausea. DoubleCheckMD is a website that does exactly what its name implies; making sure the doctor's treatment protocol is the correct one. This site gives the consumer a list of personalized messages that fully informs the patient as to what types of questions to ask as well as what types of side effects to look out for. DoubleCheckMD challenges the old adage that "Doctor Knows Best" and empowers the patient to be more aware of his health.

Health 2.0 is trying to fundamentally reform our health care system by driving towards value-based competition on results at the medical condition level over the entire continuum of care.

EDUCATION PROGRAM #2

Another Stellar Session

Rick Lash, Vice President & Programming Chair

Wednesday, November 14, 2007 is the date for our upcoming Education Program #2. We have planned another great session, again with something for all. Conveniently located at the Universal Hilton Hotel, just off the 101 Freeway, this half-day program will have seven breakout sessions. Your Government Programs, CFO Forum, Managed Care and Payer Relations/Compliance Committees have developed an outstanding agenda for you.

The Government Programs sessions will include "A Discussion of Reimbursement Issues," presented by Lloyd Bookman, Esq., Hooper Lundy & Bookman. The second session, "Pay for Performance from an Operating Perspective," is presented by Kelly Styles, RN, MHA, PhD, Ernst & Young, LLP, Health Sciences Advisory Services.

The CFO Forum Committee session (Parts 1 & 2) is "Business Ventures and Contracts in Healthcare." Presenting are Eric Tuckman, Advisory Health Management Group, Eric Themm, Sr. Vice President, MDS, Allen C. Dye, MHA, Vice President of Marketing, Merritt Hawkins & Associates and Cheryl Wagonhurst, Partner, Foley & Lardner LLP, CCEP.

Managed Care's two sessions include "Decision Support Systems," presented by Sam King, Managing Principal, King's Consulting, James Mason, President & COO, SynerMed and Karen Durden, Corporate Director, Decision Support, Centinela Freeman Health System. "Striving for Interoperability – Opening Pandora's Box," is presented by Michael Skolnik, CEO, Premiere Healthcare Consulting.

Payer Relations/Compliance Committee's first speaker is Robert Zimmerman, President & COO, The CSC Group, presenting "A/R Management Reporting: Is it Enough or Just the Beginning." Rhonda Bankester, Director of PFS Clinical Resources, Tenet, Bret Kelsey, Executive Director, Hoag Memorial Hospital and Gene Reyes, Director of Business Services, Hoag Memorial Hospital will present "Denial Processes and Policy Discussions."

Watch for the new brochure format. We'll be soliciting your feedback! We look forward to seeing you on November 14th!

Difficult Issues Facing Hospitals Today

————— Kenneth E. Avery, CPA —————

Hospitals today are faced with difficult issues surrounding call coverage for their emergency departments, and physician recruitment to meet community needs.

Emergency Department On-Call Coverage

According to a recent report issued by the Center for Studying Health System Change (HSC), emergency departments (EDs) face growing problems in ensuring adequate on-call specialist physician coverage. A national survey of emergency department directors also confirms that two-thirds reported inadequate on-call specialist coverage.

Under the federal Emergency Medical Treatment and Active Labor Act (EMTALA), all Medicare-participating hospitals with emergency departments must provide a medical screening exam, followed by stabilization and further care or transfer, as needed, regardless of the patient's ability to pay. EMTALA obligations, including ensuring adequate on-call physician coverage, fall predominately on hospitals, not physicians. The physicians' waning interest in taking ED on-call coverage is due to many factors, including a lack of adequate reimbursement for uninsured patients, the lost opportunity cost in terms of time away from their practices and the late, stressful, timing and unpredictable hours.

EDs report having the most difficulty securing coverage by neurosurgeons, orthopedic surgeons, obstetricians, ophthalmologists, head and neck surgeons, and plastic and hand surgeons. A recent survey of hospital leaders by the American Hospital Association estimated that at least one-third of hospitals have responded by paying additional stipends to certain types of specialists for ED coverage. Hospitals that provide stipends need to be cautious that stipends are based on need and fair market value.

Physician Recruitment to Satisfy Community Needs, Community Benefit

IRS Revenue Ruling 97-21 states the Internal Revenue Service's position on the provision of physician recruitment benefits by tax exempt hospitals. It is notable because it describes acceptable physician recruitment incentives, and because it comments favorably upon a number of procedural safeguards that charitable hospitals adopted and followed in formulating the physician recruitment incentive package.

This ruling provides examples illustrating whether nonprofit hospitals that provide incentives to physicians to join their medical staffs or to provide medical services in the community violate the requirements for exemption as organizations described in section 501(c)(3) of the Code.

The favorable activities that were taken by the tax-exempt hospitals included:

1. The hospital conducted a community needs assessment audit, or its service area was designated by the U.S. Public Health Service as a Health Professional Shortage area.
2. The recruitment incentive package was negotiated at arm's length.
3. The recruitment package was either approved by the board of directors, or was in accordance with the board's guidelines and policies, and
4. The recruitment package and the physician's agreement were approved by either a board-appointed committee or by an officer designated by the board.
5. The recruitment incentives are in a written agreement, and no incentives are provided other than those reflected in the written agreement.

Summary

It is important that a not-for-profit hospital maintains a current "community needs assessment" to justify recruiting private practice physicians to join its medical staff or to provide medical services in the community. A not-for-profit hospital may not pay more than fair market value for the services to be rendered by the physician being recruited, whether it is to fill a need on the hospital's medical staff, or to fill a need in the Emergency Department.

*Medical Development Specialists is experienced in providing Community Needs Assessments and Fair Market Opinions to its hospital clients. You are invited to call **Kenneth E. Avery, CPA, Vice President** of Medical Development Specialists at 310-531-8228, with your questions regarding Community Needs Assessments or Fair Market Opinions on physician recruitment and ED coverage.*

Does Your Practice Need a Second Opinion?

————— Kenneth E. Avery, CPA —————

Medical Practice Valuations

The healthcare market is undergoing shrinking reimbursements from Medicare and Medicaid programs leading many solo practitioners to reduce expenses by banding together to form medical groups. The acquisition of small practices by larger groups requires practice valuations.

A medical practice's value has numerous components. Its reputation in the community is vitally important, and its specialty, location, equipment and supplies, earning capacity, goodwill, office lease terms, and recent financial trends must all be considered in arriving at the entity's fair market value.

The IRS also has a significant influence on the valuation of medical practices. For example, a nonprofit hospital may not pay more than fair market value for a medical practice, or it might lose its tax-exempt status by reason of inurement. The IRS recognizes three approaches for measuring a medical practice's fair market value:

1. Income approach:
 - a. Capitalization of excess earnings, known as the "historical method"
 - b. Discounted cash flow, or "future projection method"
2. Market approach, a comparison to other similar practice transactions
3. Cost approach which assesses the replacement value

To ensure a correct valuation, the IRS may require that the income approach be tested against the results of a second approach. Following are some recent transactions in which a second opinion was requested.

Central California Coast

A five-physician internal medicine group was considering acquisition by a large medical group. The accounting firm hired by the potential acquirer to value the smaller group was instructed to conduct the appraisal using only the discounted cash flow valuation method. The smaller group was instructed to conduct the appraisal using only the discounted cash flow valuation method. The smaller group was being offered a purchase price of \$400,000 or an amount equal to its accounts receivable balance. In other words, the smaller group would have been purchased with its own money.

The physicians hired an appraiser to give them a second opinion. This valuation utilized all four methods described above, and concluded that the group's value was nearly \$1 million, including accounts receivable. A meeting was arranged to compare the two valuations, and the \$1 million valuation was agreed upon, after the assumptions used in the first valuation were revised. This second valuation earned the physicians more than \$500,000.

LESSONS LEARNED:

- Be sure that several methods are used in the valuation process to create a range of value, providing a reality check for the conclusion.
- Determine whether your appraised value includes your cash or accounts receivable.

Chicago Suburbs

Eight Chicago-area hospitals were combining to form a large health system. One of the individual member hospital's MSO was selected to serve the new organization, and was valued at \$3 million by a national consulting firm.

However, another appraiser called in to offer a second opinion identified many additional assets, including policy and procedure manuals, provider manuals, computer systems and software, extensive employee training, and marketing materials. It was finally agreed that the fair market value of the MSO was \$6 million increasing the value to the MSO's shareholders by \$3 million.

LESSON LEARNED: Valuations should identify all the tangible and intangible assets of a practice.

Northern California Coast

A for-profit hospital commissioned an appraisal of a four-physician primary care medical group that was having financial difficulties. The appraiser recommended that the hospital acquire the group's assets by assuming its liabilities, thus relieving the physicians of their debt. The physicians ordered a second appraisal, which included the physician's growth plans and synergies from a strategic affiliation with a strong capital partner. The consultants who prepared the second appraisal helped the physicians affiliate with a large not-for-profit hospital in the area, and increased the value of the practice to the physicians by \$500,000.

LESSON LEARNED: The assumptions used in the financial projections should include growth plans and synergies with strategic affiliations.

New York City Area

A national practice management company was acquiring a large MSO that owned an 80 percent interest in a subsidiary MSO. The transaction required the subsidiary's 20 percent minority owners to sell their interest, for which the majority shareholders' appraisers offered them \$500,000. Not satisfied with the first appraisal, the minority shareholders got a second appraisal, which determined that the market value of the smaller MSO was nearly double the first appraisal.

Continued on page twelve

October Geographic Educational Program

Terry McQuaid

This year's first Geographic Educational Program will be held on October 25, 2007 at St. Bernardine Medical Center in San Bernardino. The program will feature Greg Labow and Bennie-Lynne Flores from Health Care Legal Services. Together they will speak on issues concerning the uninsured and underinsured and the importance of identifying any potential Medi-Cal eligible patients within this population. In addition, Greg and Bennie-Lynn will review the steps necessary to effectively and efficiently identify eligible patients while ensuring timely reimbursement for these patients.

Carol Eaton from Citrus Valley Health Partners will be reviewing the current status of the UB-04. Furthermore, Carol will present a detailed workflow process within the Revenue Cycle starting from Registration and continuing through the Business Office functions that will ultimately produce a clean UB-04.

New Fall Provider Seminars Serve Up TRICARE Tips and Resources

Tara Mogan, MMC, ABC

This fall, TriWest Healthcare Alliance Corp. will host a brand-new series of TRICARE educational seminars for health care providers and staff throughout TRICARE's 21-state West Region. The fall 2007 seminars, which begin after Labor Day and will go through mid-December, are packed with information and resources for TRICARE providers and staff.

TriWest's TRICARE experts will present an interactive, 2½ hour session, which covers the latest information about the TRICARE program and outlines the many resources that are available to providers. Providers will be among the first to receive the new *TRICARE Provider Handbook* and *TRICARE Quick Reference Guides*, which contain the latest information about TRICARE programs and benefits. They'll also see new, informative video clips with tips to help improve business office workflow and improve productivity when navigating the TRICARE system.

Providers that register online at www.triwest.com for a seminar will:

- receive immediate registration confirmation by e-mail
- receive a reminder by e-mail two weeks and again three days prior to your seminar
- be eligible for a small prize drawing

For questions regarding the content of provider seminars, contact your local representative at providerservices@triwest.com or call 1-888-TRIWEST (888-874-9378).

EMPLOYMENT OPPORTUNITIES

SENIOR REIMBURSEMENT ANALYST

Kaiser Foundation Health Plan is looking for a Senior Reimbursement Analyst to work as part of a team dedicated to Medicare and Medi-Cal cost reporting for Kaiser's 28 hospitals and two California cost-reimbursed HMOs.

This position will lead the preparation of the hospital cost reports for the 11 Kaiser hospitals in Southern California. There will also be participation in wage index audits, cost report reserves, cost report audits, and other reimbursement-related activities. Our team has a collegial atmosphere with emphasis on cooperation and teamwork. The successful candidate must be able to work both as part of a team and independently. Salary is commensurate with abilities and experience, and there is an outstanding benefits package.

To inquire about this opportunity, please call **Jane Moore** at 626-405-6496 or e-mail your resume to Jane.C.Moore@kp.org.

A Second Opinion?

Continued from page eleven

It was finally agreed that the value of the minority shares was \$950,000.

LESSON LEARNED: It isn't sufficient to state an amount that a buyer is willing to pay for your practice. How much are other buyers willing to pay for your practice? Fair Market value is the amount agreed upon between a willing buyer and a willing seller, both having knowledge of all relevant facts, and neither being under any compulsion to buy or sell.

Conclusion

Any appraisal of a practice should utilize several methods to create a range of values that provides a reality check for the conclusion. Your clients may have an idea of what it would cost to create their practice today, and what practices like theirs are selling for, but in the final analysis, if they are not satisfied with a potential acquirer's valuation of their practice, it may be prudent to advise them to hire an appraiser and get a second opinion on the value of their practice.

*Medical Development Specialists is experienced in providing certified, fair market valuations to its hospital, medical group, and physician clients. You are invited to call **Kenneth E. Avery, CPA, Vice President** of Medical Development Specialists at 310-531-8228, with your questions regarding fair market valuations of medical groups, solo practices, imaging centers, surgery centers, and other types of healthcare organizations.*

MEMBER-GET-A-MEMBER CONTEST

HFMA MEMBERS CAN WIN A FREE TRIP TO LAS VEGAS OR PUERTA VALLARTA

Being a member of HFMA has many benefits. It is an excellent way to learn the latest regulatory changes, it also provides ample opportunities to network with your fellow healthcare finance professionals.

The Healthcare Financial Management Association ('HFMA') is the number one educational resource to Healthcare finance professionals. Membership in HFMA makes one a member in the largest network of healthcare finance professionals. HFMA, the monthly magazine published by HFMA keeps members abreast of the latest industry news, along with legislative and regulatory updates. It is filled with articles that go into in depth analysis of current industry issues. There are always insightful stories on how someone has improved an industry process or procedure.

The Southern California chapter of HFMA provides educational sessions either on a half day or full day basis several times a year. In addition to the formal education sessions our chapter has various committees that you can join that align more specifically with your interest. For instance if you work in the managed care industry there is a Managed Care committee that meets on a monthly basis that you can join. During these meeting you can discuss industry trends or listen to an invited guest speak on a successful project that they implemented.

For more information on joining a committee that is more aligned with your specific interest, please visit the chapter website www.hfma-socal.org/chapter to obtain committee chair contact information.



MEMBER-GET-A-MEMBER CONTEST DETAILS

The Southern California Chapter of HFMA is currently sponsoring a membership drive. All members are encouraged to recruit new chapter members. The member who recruits the most new members can win their choice of two fantastic trips. The first trip is to Puerto Vallarta for a week. If that does not appeal to you, then you can choose a trip to HFMA's ANI in Las Vegas Nevada.

For any questions on the Membership recruitment contest please refer to the information posted on the Chapter web site at www.hfma-socal.org/membership_drive08. If you still have questions, contact our membership chairperson Valeria Ruggeri at valeria@asap-staff.com.

PRIZES*

- 1. Trip to Puerto Vallarta, Mexico*** with all expenses paid. Included are 7 days and 6 nights in a beach front Condo in Puerto Vallarta and \$1,000 for airfare and spending cash.
- 2. Trip to 2008 ANI in Las Vegas*** The Healthcare Finance Conference - June 23-26, 2008 at the Mandalay Bay Resort and Convention Center. Included are event registration plus \$500 towards hotel.
- 3. Free Southern California Chapter Educational Seminar**

*First place winner can choose prize #1 or #2

CONTEST DRAWING ENTRY POINTS

- **2 Entry Points** – When you bring a potential member to the Membership table at a SoCal Chapter event.
- **5 Entry Points** – For each new member who actually joins our organization. If someone signs up at an actual educational session or during one of our chapter social events, you will receive 5 entry points, plus 2 points for the on the spot sign up, giving you a total of 7 entry points.

Each new member will be required to provide your name and HFMA member number at the time of joining our chapter. We encourage you to have them join via the National HFMA website at www.hfma.org/membership. The contest begins on May 1, 2007 and ends on April 30, 2008 when we will total the entry points. We will announce the winner of the trip give away at the chapter's Annual Awards dinner. In the event of a tie, we will place the names of these individuals in a drawing.

Please take advantage of this trip give away. You'll be introducing your friend or colleague to the finest healthcare financial management organizations in the country while helping our local Chapter to grow a win-win situation for all involved.