

2006 | 2007

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## Hospital Charges And The Regulatory Environment

— John Valenta, CPA —

To the average American health care consumer, hospital pricing has historically been irrelevant. This was largely due to the fact that individuals were not personally responsible for payment of their hospital bills. A large percentage of individuals had health insurance coverage, through their employer or otherwise, and although they may have been expected to pay a deductible or copayment, the majority of their hospital bill was paid by their insurance carrier. In addition, government programs such as Medicare or Medicaid covered a large percentage of individuals, and beneficiaries under these programs typically had small cost-sharing responsibilities, if any. This left a small segment of the population that was uninsured and personally responsible for any health care services received.

Many people who have had inpatient hospital stays or received services in outpatient hospital departments have never even seen their hospital bill. They may only receive a statement of the amount that they are actually responsible for. This has contributed to the relevance, or lack of it, with respect to hospital charges. A hospital may charge \$1,000 for a procedure, and it is not uncommon for the hospital to accept \$200 or \$300 from a payer as payment in full for that service. This also contributes to the lack of understanding of what it costs a hospital to provide a service. For example, the average uninformed health care consumer may believe that hospital charges are directly related to the cost of providing a service, and may reflect a standard mark-up. However, this is generally not the

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THURSDAY, JULY 20, 2006

## CFO Roundtable Luncheon

This year's series of CFO Roundtable briefings and discussion was kicked off at the Costa Mesa office of Deloitte & Touche LLP. For those that were there, it was a great time to meet our peers and renew old acquaintances. Besides lunch, we previewed two presentations for the upcoming general education session on August 17th:

**1. Teresa Young**, Tax Partner with substantial experience in our industry provided an excellent overview of **Tax Issues for Tax Exempt Hospitals**. Topics covered included new e-filing mandates and public availability of form 990, Executive compensation, governmental compliance reviews, governance issues, UBI issues and new tax credits and exemptions.

**2. John Valenta**, Senior Manager with extensive background (public and private) in revenue and rate setting provided an overview on

**Hospital Pricing and Charity Care Issues**. (Look for his article elsewhere in this *Newsbrief*). Federal statistics were circulated establishing California hospitals averaging the second highest charge structure in the country - behind New Jersey). Given all the public concern and disclosure requirements recently developing, the CFOs were encouraged to be proactive in developing their rate setting rationale, with attention to greater public scrutiny.

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FROM THE PRESIDENT'S DESK

## Greg Labow Charges, Costs, Discounts, Charity and All That Jazz

2006 | 2007

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951-272-1694

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Lately, I have been thoroughly frustrated by all of the negative press that our industry has been receiving. It seems like it began a number of years back when a series of lawsuits were initiated on the behalf of uninsured maternity patients. The premise was that these patients were being "overcharged" as compared to those with insurance coverage.

Next came the Scruggs lawsuits. Again, hospitals were cast in a negative light. The media jumped on anecdotal stories about how patients suffered financially at the hands of hospitals. Last spring, I watched a Sixty Minutes segment that included one of our hospitals. Unfortunately, as in the past, the perspective was slanted and put us in a bad light.

Currently AB 774 (Chan) is working its way through the legislature. It mandates eligibility for charity if you are within 350% of the Federal Poverty Guidelines, or if your medical expense exceeds 5% of your income. Clearly, this will have a huge impact

for hospitals. Governor Schwarzenegger's Executive Order recently regarding balance billing, while not changing law, clearly tells us what is coming down the road in terms of legislation. You can also expect AB1455 regulations to be opened back up for review and amendment.

We continually struggle with how best to deal with public perception vs. reality. Consumer groups and others continually "confuse" the public by the lack of distinction between charges, reimbursement rates, costs, etc. As an industry, we have done a poor job of communicating our story. We have been slow to react to the changing political landscape. There was a time when we "billed your insurance as a courtesy, but ultimately you are responsible for the bill". That is no longer the case.

It is important that all of us seize every opportunity possible to tell our story. Our chapter is reviewing avenues that we can take to this end. However, I would like to encourage members to look for those opportunities within your organizations and within the general public as well.

What determines a charge, and what costs impact it, is a complex subject. The reasons for variations in payment levels are also difficult for the public to understand. Everything that we can do to shed light on this subject can only help. In a few weeks, we have our Educational Program I in Long Beach (August 17th). In that program we have sessions which will help you be better equipped to "tell the story". I look forward to seeing all of you there. Also, September 17-19, our Statewide Managed Care Conference will have sessions which also will provide you with valuable information on this topic. Please plan on joining us in San Francisco for another great program.

Please do not loose sight of how important it is for us to "get the word out". Recently, the PFS Forum had a lot of discussion on this topic. I'd like to borrow an excerpt from David Hammer, an active participant in the PFS Forum and a frequent speaker for HFMA, that I feel articulates this very well:

*Somewhere along the way, hospitals have somewhat squandered our reserves of community goodwill. Let us not forget, however, that our reimbursement has been under severe pressure at least since the advent of DRGs in the early 80s, so self-pay collections have also had to grow in importance and focus. Now, with high-deductible health plans on the rise, we are entering into a potentially-perilous period.*

*As legislative efforts such as California's show, we must work hard to prevent onerous and prescriptive limits on our collection practices. As Minnesota's recent political climate also shows, ambitious politicians, particularly Attorneys General, will try to build careers on the backs of the hospital industry.*

*Perhaps the best approach would be to cultivate friendly politicians in each state, and encourage them to file competing bills and use public hearings to get the message out about the noble public service we provide, and the real challenges we face in keeping our hospitals financially viable. Apathy is not, obviously, an option!*

*Please take this seriously and do your part. Any input that you would like to provide to the Chapter also would be greatly appreciated.*

Greg Labow, FHFMA

President, Southern California Chapter HFMA

## SAVE THE DATE

# **Southern California Educational Program I**

## **August 17, 2006 / 8:00 am – 12:30 pm**

### **Airport Marriott Long Beach**

Please join us for our first education program for this year.

We have a great line-up. Register now.

For additional information, please contact Christy Thompson  
at 951-272-1694 or by e-mail hfma-socal@comcast.net.

#### **Government Programs**

##### **FY 2007 PPS Highlights**

Byron Gross, Esq. Hooper, Lundy, Bookman, LLP  
Jordon Keville, Esq. Hooper, Lundy, Bookman, LLP

##### **Rehabilitation Compliance and the 75% Rule**

Steve Duval, Duvall Enterprises  
Pamela Roberts, Manager of Rehabilitation and Neurology, Cedars Sinai Medical Center

##### **The Effects of Occupational Mix on Providers, "CMS Mix Up"**

Linda Corwin, Ernst and Young

#### **CFO Round Table**

##### **Hospital Pricing and Charity Care**

John Valenta, Manager, Deloitte and Touche, LLP

##### **Tax Law on Tax Exempt Hospitals**

Theresa Young, Partner, Deloitte and Touche, LLP

#### **Payer Relations/Compliance/Managed Care**

##### **Navigating The Shark Infested Waters of Managed Care Contracts: Observations and Tip on Protecting Your Revenue**

Thomas Jeffry, Esq., Davis Wright, Tremaine LLP  
Jill Gordon, Esq. Davis, Wright, Tremaine, LLP

##### **Who is Managing Your Black Space? Can You or Do You Monitor Your Silent PPO Activity?**

Stephen, Forney, CPA, MBA, CHFP, CFO, Fountain Valley Regional Hospital  
Bill Phillips, Tenet Management Team

Hawaii Alaska Nevada Oregon Washington California

# 9th Annual HFMA Region 11 Healthcare Symposium Sponsorship Opportunities

## CAESARS PALACE

Las Vegas, Nevada, January 28-31, 2007



Presented in Cooperation with our Symposium Partners

# Sponsorship Levels

In addition to visible on-site signage at the event, sponsors will receive the following benefits based on levels of sponsorship. The events available for Sponsorship may be sponsored by multiple organizations at the discretion of the Symposium Committee.

<b>Sponsorship Levels &amp; Benefits</b>	<b>Partner</b> \$15,000 and over	<b>Platinum</b> \$10,000 to \$14,999	<b>Gold</b> \$8,000 to \$9,999	<b>Silver</b> \$5,000 to \$7,999	<b>Bronze</b> \$2,000 to \$4,999
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Free advertising on Symposium web page	X	X	X	X	X
Marquee recognition at Trade Faire lunch	X				
4 complimentary Symposium registrations	X				
3 complimentary Symposium registrations		X			
2 complimentary Symposium registrations			X		
1 complimentary Symposium registration				X	
25% discount on up to 2 Symposium registrations	X	X	X	X	X

<b>Event Available for Sponsorship</b>	<b>Sponsorship Price</b>
Event Bags	\$10,000
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Participant Badge Holders	\$ 2,000
Unrestricted Sponsorship Minimum	\$ 1,500
Hawaii Trip	\$ 1,500

**Convention General Services Contractor**

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An exhibitor kit including forms for telephone, electrical, computer and furnishing services will be available online directly from Blaine in December.

For additional Vendor Booth questions, please contact:  
James Stewart, Sponsorship Chair  
Phone: (323) 866-8504  
Fax: (323) 866-8880  
E-mail: Stewartj@cshs.org

**Vendor Exhibit Booth**

10 X 10 Vendor Booth	\$ 1,850
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**Website:**

**[www.hfma-region11-symposium.org](http://www.hfma-region11-symposium.org)**

**Booth Fee Includes:**

Skirted table, pipe, drape, company's name, ID badge, vendor ribbon, 2 chairs, 1 waste basket, attendees mailing labels-pre & post symposium, lunch, refreshments.

Please note: only 2 company representatives per booth. A fee of \$150.00 per additional representative will be charged to maximum of four per booth.

Please use this information to complete the sponsorship request form that is part of this brochure. Please also direct any questions or requests for additional information to the Symposium Committee Members.

Our room block sold out early last conference, so make reservations soon. Don't forget to mention "HFMA" to receive our conference rate.

## Hospital Charges and the Regulatory Environment

*Continued from page one*

case, and an unsophisticated hospital finance department without a cost accounting system may struggle to determine the cost of an individual service.

Currently, there is much talk about hospital pricing transparency and consumer driven healthcare. This is because health care consumers have been required to assume a larger share of the cost of their health care coverage. This, in turn, has led to consumer driven healthcare products, such as Health Savings Accounts, which may feature a large deductible amount.

Consumers have become better informed and more interested in the prices hospitals charge for services because the money is coming out of their own pockets much more so than had historically been the case. In addition, the ranks of the uninsured have been growing significantly and a great public debate has begun over who should be able to receive health care services and who should have to pay for those services, with some advocating for a one-payer system.

Hospitals now need to be concerned with health care consumers' requests for transparent pricing and the increasing leverage these consumers have on what hospitals are paid for the health care services they provide. However, hospitals may be even more at risk with respect to governmental forces that regulate health care. The regulatory scrutiny started during 2002 when The Centers for Medicare and Medicaid Services (CMS) began to review hospital claims for outlier reimbursement and was followed shortly thereafter by the Department of Health & Human Services Office of Inspector General (OIG) pursuing a number of investigations into inappropriate claims for outlier reimbursement. This was followed by a proposed rule from the OIG that would provide for the OIG's exclusion authority to address claims that were submitted to government programs that included excessive charges. CMS and OIG had claimed that hospitals had significantly increased their charges in order to inappropriately inflate outlier reimbursement, which was driven by the level of charges of individual cases.

The impact of increasing hospital charges on Medicare outlier reimbursement also caught the eye of advocates for the uninsured. Some of these advocates claimed that hospitals had a responsibility to provide charity care to the uninsured population. A number of trial lawyers took this to another level and filed a number of class action litigations against hospitals and health systems across the country alleging that these hospitals had failed to fulfill their obligations to provide charity care to uninsured individuals. Fortunately for the hospitals, the majority of these lawsuits were dismissed. But hospitals were on notice that their pricing was under scrutiny.

More recently, the House Committee on Energy and Commerce has been conducting a comprehensive review of hospital billing and collection practices and their impact on the uninsured population. Among items requested by the

Committee were patient billing records, hospital chargemasters, and other related financial information. The Committee believed that providers were generating a disproportionate share of profit from self pay patients that are receiving bills that are much higher than patients with insurance for the same services. This has evolved into a review in some cases of the tax-exempt status of hospitals and whether a specific level of charity care should be required for hospitals to maintain their tax-exempt status.

Hospitals are now in a position that requires action on their part. Pricing structures need to be analyzed to determine the basis for the current charge structure and whether there is any relationship between the charge for a service and its cost. In addition, charity care policies need to be revised, if they haven't been already, to reflect recent guidance and clarification from CMS and the OIG as well as to reflect the needs of the community.

Historically, hospitals have determined charges based on one or a combination of a few different options. The most unsophisticated approach has been to update existing charges by a fixed percentage, applied across all services. The problem with this approach is that no one really understands the original basis, so applying a fixed percentage increase to existing charges just further distorts the relationship between costs and charges. Another approach hospitals have utilized has been to compare their charges for services billed with a CPT-4 or HCPCS code to specific competitors along with regional and/or state averages. However, the market data that is available is typically one to two years old and since the majority of the industry does not have a solid basis for their charges, a comparative assessment is not very meaningful.

One of the more sophisticated approaches utilized by hospitals to determine price increases has been to conduct a strategic pricing assessment. Whether conducted internally or performed by an outside firm, the objective is typically to maximize net revenues. This is achieved by increasing charges for services that have a high utilization by patients whose insurance reimburses the hospital on a percentage of charges for those services and decreasing charges for other services that are not highly utilized by these price sensitive payors. Strategic pricing was also utilized by some providers to maximize Medicare outlier reimbursement prior to the change in outlier payment policy. However, strategic pricing has probably done more to decrease the relationship between a hospital's costs and its charges than the other alternatives discussed previously.

A more appropriate approach to determining the prices a hospital charges for the services that it provides is to align the costs of these services with the charges for these services.

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## Hospital Charges and the Regulatory Environment

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This begins with a current state assessment of the hospital's charge structure and the relationship of current costs to charges on a line item and departmental basis. The results of this assessment should be utilized to refine the hospital's future pricing strategy, which should include a position on the relationship of costs and charges as well as any desired constraints on the impact that charge increases may have on projected net revenues. Once an organization has determined their pricing strategy, appropriate policies and procedures need to be developed to direct the revisions to hospital prices and the ongoing maintenance of hospital prices, including a transition plan to the new pricing structure.

In addition to addressing pricing strategy and implementing policies and procedures that will direct how prices are established and maintained, the increased regulatory scrutiny and legislative attention as well as public perception requires that hospitals also focus on revising their charity care policies and their relationships with the uninsured population in their community. Charity care policies and procedures should be revised to reflect the needs of the community and what the hospital can afford. An assessment of the hospital's service area and the community demographics will allow the hospital to better align their policies with their mission.

Revisions to the charity care policies should go further than just addressing who qualifies for charity care. A best practice in this area would be to develop a broader policy that covers not just the qualification criteria for charity care, but also up-front discounts to be provided to uninsured patients as well as any additional discounts that may be provided for point-of-service payments. In addition to the provision of charity care and

discounted prices, hospitals also need to consider collection practices in place, both internally and through outside collection agencies, and whether these practices are consistent with the hospital's mission. Finally, once developed a clear communication policy should be adopted so that the public clearly understands the hospital's policy on charity care, financial assistance and collection practices. The hospital should also educate their board, employees, medical staff and members of the community on these policies and the benefits the hospital provides to the community.

Hospitals and health systems are constantly faced with a number of competing priorities. However, pricing of hospital services, and specifically how it relates to the uninsured, along with a comprehensive charity care policy, should remain at the top of their prioritized list. This is not only to demonstrate the hospital's commitment to providing services to those in need in the community and to comply with CMS and OIG guidance, but also because this is an appropriate business strategy that reflects the underlying mission of the health care industry, which is to provide the health care services that patients need.

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*John Valenta, CPA / Senior Manager, Deloitte & Touche  
Health Care & Life Sciences Practice*

*EDITORS NOTE: John Valenta will be speaking on rate setting at the education session on August 17.*

*FACTOID: Did you know that, in relation to costs, California hospitals have the second highest charges in the Country? New Jersey is the highest.*

### HFMA SO. CALENDAR

#### 2006 EVENTS

- August 17** CHAPTER EDUCATIONAL SEMINAR I Long Beach Airport Marriott Hotel
- Sept. 17-19** ANNUAL CONFERENCE ON MANAGED CARE Hyatt Union Square, San Francisco
- October 12** GEOGRAPHIC PROGRAM St. Bernardine Medical Center, 2101 N. Waterman Ave., San Bernardino
- October 19** CFO ROUND TABLE Deloitte and Touche, 1500 Rosecrans Blvd., Manhattan Beach
- November 15** CHAPTER EDUCATIONAL SEMINAR II Location TBA
- December** ANNUAL HOLIDAY PARTY Date and location TBA

#### 2007 EVENTS

- Jan. 28-31** NINTH ANNUAL REGION 11 SYMPOSIUM Caesars Palace, Las Vegas
- March 15** CHAPTER EDUCATIONAL SEMINAR III Location TBA
- April 19** CFO ROUND TABLE Deloitte and Touche, 1500 Rosecrans Blvd., Manhattan Beach

*Details on all events can be found on the chapter's web site [www.hfma-socal.org/](http://www.hfma-socal.org/)*

*CERTIFICATION EXAMS are scheduled for 8:00 am on the third Friday of each month at Cedar Sinai Financial Services, 6500 Wilshire Blvd 8th floor Training Room (Corner of Wilshire and San Vicente)*

## 2005-06 HFMA FOUNDERS MERIT AWARD PROGRAM : OVERVIEW AND POINTS

# “Recognizing the Volunteer in You”

Updated November 21, 2005

The Healthcare Financial Management Association (HFMA) recognizes that its strength lies in volunteers, who contribute their time, ideas, and energy to serve the healthcare industry, their profession, and one another. Active participation in HFMA at the national, regional and/or chapter levels provides members with numerous opportunities for professional development, information, networking, and advocacy. Established in 1960, the Founders Merit Award Series acknowledges the contributions made by HFMA members. These awards are part of a merit-rating plan in which specific activities are assigned a range of point values.

The Founders Merit Award Series was revised in April 2004, returning to its core purpose of "Recognizing the Volunteer in You". Point categories were adjusted to reflect volunteer activity only - eliminating the accumulation of points for membership and educational attendance. Corresponding point allocations and award levels were simultaneously adjusted.

HFMA encourages continuous active participation at the local and national levels. Therefore, the point system and award levels have been established to promote continuous active participation in HFMA.

## The Awards

The **William G. Follmer Bronze Award** is awarded after an individual has earned 25 (*formerly 100*) member points. This award is named after William G. Follmer, who is credited with the creation of the American Association of Hospital Accountants (AAHA) (now HFMA).

The **Robert H. Reeves Silver Award** is awarded to an individual who has earned 50 (*formerly 200*) total member points. Reeves, an organizing member of the AAHA, was elected president of AAHA in 1956 and was instrumental in creating the structure of AAHA.

The **Frederick T. Muncie Gold Award** is presented to a member who has earned a total of 75 (*formerly 300*) member points. This award honors Frederick T. Muncie, an organizing member of the AAHA, and the first president of the association (1947-1949). Muncie also assisted in the organization of the first AAHA chapter (First Illinois).

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## FOUNDERS AWARD POINT CATEGORIES AND ALLOCATIONS

Literary Contributions	Points entered by HFMA National	Points entered by chapter	Definition
Write Articles – Local Chapter		2	Write and publish an article in local HFMA chapter publication ( <i>points awarded for each time published</i> )
Write Articles - National	2		Write and publish an article in an HFMA national publication: <i>HFM, Notes from National</i>
Article Review - National	1		Review for HFMA National any of the following: E-learning/Manuscript/Self Study/Article
Book Review - National	1		Complete a book review and publish in <i>HFM</i>

**2005-06 HFMA FOUNDERS MERIT AWARD PROGRAM : OVERVIEW AND POINTS**

**Founders Award Program** *Continued from page eight*

The Founders Medal of Honor was added in 1986 and is conferred by nomination of the Chapter Board of Directors. This prestigious award recognizes an individual who has been actively involved in HFMA for at least three years after earning the Muncie Gold Award, has provided significant service at the chapter, regional and/or national level in at least two of those years, and remains a member in good standing. A chapter may nominate members for this award at any time during the year.

**Note:**

• Points earned by members during the prior fiscal year are reported by the Chapter's Founders Award Chairperson to HFMA National by the tenth of August each year. Member points are totaled and an award list is generated for each chapter. The Chapter's Founders Award Chairperson verifies the list, and the awards are then ordered.

- Although HFMA National and the chapters track most member points, it is ultimately the responsibility of the individual member to report points earned to the Chapter's Founders Award Chairperson, who serves as a liaison to HFMA National.
- Member points are automatically transferred from one chapter to another. Retroactive scoring of points for all categories is permissible if appropriate documentation is provided.
- No points are earned for serving terms of office of less than one-half of a chapter's fiscal year for any category; services a member is paid to perform; or for chapter participation prior to HFMA membership.
- Chapter members can view their Founders points on the HFMA National web site under activities in their personal profiles in the membership directory area at: [www.hfma.org/access\\_eseries.cfm](http://www.hfma.org/access_eseries.cfm)

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**FOUNDERS AWARD POINT CATEGORIES AND ALLOCATIONS**

<b>Chapter Committees/Titles</b>	<b>Points entered by HFMA National</b>	<b>Points entered by chapter</b>	<b>Definition</b>
Chapter President	8		Serve as Chapter President
Chapter Officers/Key Committee Chairs	5		Chapter officers include: President-elect, VP, Treasurer, Secretary, Sec/Tr. Key committee chairs include: Newsletter Chair, Program Chair, Certification Contact, Founders Contact, DCMS Contact, Membership Chair, Sponsorship Chair and Membership Directory Contact
Chapter Board of Directors	3		Participate as a member of the Chapter Board
Other Committee Chair	4		Chair of any chapter committee- excludes key committee positions <i>Chair of regional committee- officer positions NOT excluded</i>
Co-Chair	3		Co-Chair of any chapter committee <i>Co-Chair of regional committee- officer positions NOT excluded</i>
Committee Member	2		Member of any chapter committee - excludes Chapter Board Member of regional committee- officer positions NOT excluded

## 2005-06 HFMA FOUNDERS MERIT AWARD PROGRAM : OVERVIEW AND POINTS

<b>FOUNDERS AWARD POINT CATEGORIES AND ALLOCATIONS</b>			
<b>National Committees</b>	<b>Points entered by HFMA National</b>	<b>Points entered by chapter</b>	<b>Definition</b>
National Chairman	12		Serve as National Chairman
National Officers	8		Includes- Chair-elect and Secretary/Treasurer
National Committees	4		Serve on a National Committee. Includes: P&P Board, Executive Committee, BOE, Standing Policy, Cat Consultant, Forums, NAC Governance Committee, RE Council Chair and Co-Chair
National Board of Directors	6		Serves on the National Board of directors
National Task Force	2		Serves on a National Task Force or National Judging Committee
Regional Executive	6		Serves as primary liaison for the region at the National level, participates in RE Council meetings
<b>Miscellaneous</b>	<b>Points entered by HFMA National</b>	<b>Points entered by chapter</b>	<b>Definition</b>
Regional Executive-elect	4		Serves as liaison for the region at the National level, participates in Fall President Meetings
Mentor		1	Serve as a mentor for a one-year term, complete any chapter required activities
Proctor	1		Serve as a Proctor for an HFMA Certification Exam (It is 1 point total no matter how many exams are proctored)
Speakers - 4 speaking hours or less		1	Participate as a faculty member in a formal HFMA National or chapter program
Speakers - More than 4 speaking hours		2	Participate as a faculty member in a formal HFMA National or chapter program
Event Volunteers	2	2	Participate in a chapter or national meeting in a volunteer role. Includes: ANI Floor Manager, ANI Course Coordinator, Chapter meeting/event set up

# CHA Payer Relations Meeting

— Greg Labow, FHFA / San Diego / July 21, 2006 —

The following summarizes the most recent CHA Payer Relations Committee in San Diego.

We have two officers that are members of this committee. If you have any questions, please contact either Greg Labow | glabow@roi-corp.com or Rick Lash | rmlash@gmail.com.

**Juliette Chenian / Medicare UGS** Juliette went over educational plans for FY 2007. Subject areas included Hospital, SNF, IP Rehab, IP Psych, CAH, FQHC, RHC, CORE, ESRD, HH, Hospice, Hospice Brown Bag, DDE, FISS Updates, RTP/Rejects Brown Bag and "Ask the Contractor". Also available is Computer Based Training for hospitals (hospital, SNF, FQHC, Home Health, Hospice, RHC and ESRD).

**Frank Camozzi / CMS** Frank will be retiring in January. Mary Ann Grandlich is taking over the Policy Branch. There will be a major shift in the physician fee schedule of \$4 Billion. There will be a \$4 billion infusion into E&M codes but there will be an offsetting impact on surgical codes. The impact on hospitals will be on therapy services (PT/OT/Speech Pathology). The Outpatient rule should be out in the next couple of days.

**Kathy Montoya / NHIC** She announced there are new 855 forms for Enrollment. Provider enrollment going-forward will need to show evidence of NPI enrollment. The Deficit Reduction Act limitations will place a hold on payments that would pay 9/22 – 10/2. The revised HCFA 1500 will be effective 10/01 can be purchased from "Bookstore.gpo.gov." Either form will be available through 01/31/07. The new forms must be used as of 2/1/07, and it includes the NPI (see CR 4293). The RAC is currently reviewing 2002-2003 claims and providers will have to be mindful of response time requirements (60 days).

Kathy went on to discuss the Notice of Exclusions for therapies, that Medicare doesn't pay beyond the \$1,740 cap. If your anticipated reimbursement is greater than this cap, secure an ABN. Duplicate claims are a big problem. Claims with MA 130 can be resubmitted electronically and others cannot. When resubmitting, you need to ensure that resolved lines are excluded. Furthermore, there will be a \$4 billion shift into E&M codes, with reimbursement moving out of the surgical codes. The impact on the PT/OT/Speech Pathology Outpatient rule should be out in the next couple of days. As of October 1, they will accept up to eight (8) diagnosis codes.

**Colleen Zickgraf / Blue Cross State Sponsored Programs** In September on-line claims/eligibility status will be available. The Operations Manual has been revised and is currently in DHS review. Health Management Services (HMS) has been awarded the contract for COB review and providers should be looking for contact from them. For CMSP, they have heard that there is a problem with the Sin#s and SS #s and they are

working with DHS on a solution. However, in the interim, they are looking for a telephone solution, basically to use the SSN for AEVS.

**Nancy Reno / Blue Cross** A detailed handout was provided. You need to be register the NPI with Blue Cross- the Bulk process will be initiating soon. Between next January through April, Blue Cross will be reaching out to providers regarding conversion to NPI; it will be a staged approach.

Nancy brought up a significant issue that impacts providers nationally. Apparently, GHI, the national contractor for COB, has significant issue impacting Medicare cross-over claims. There has been a significant drop in claims automatically crossing over due to system issue at GHI. They have dropped enrollees who are eligible for crossover claims and reported claims crossing over that never make it to the secondary payer despite reports to the contrary. It is clear there is a problem, but it is not clear when the issue will be resolved. In the meantime providers are waiting two weeks from the date indicating a cross-over and then billing hard copy if payment has not been received. Again this is a national issue and not unique to Blue Cross. Other payers are impacted.

**Debbie La Mantain / Blue Cross** Debbie reported that there have been problems with Medicare Advantage Freedom Blue with paying claims. They are working on the issue and hope to have resolution in the near future. She will research the Revenue Code "510" issue and report back next session.

**Olivia Hahn & Jim Joey / Blue Shield** They would like to schedule on-site visits with the providers. Schedule these visits through your Network Administrator. They have Customer Service Units in Manila. There are issues there and Blue Shield is working on them. They have an Enhanced Claims reporting feature on the website. They also mentioned that some providers are a direct connect. HDX is ready to go. They should have other vendors up by the end of the year.

**Donna Naessig / PacificCare** Pacificare is offering two HMO deductible products. They are issuing new ID cards to Commercial and PPO Signature Option Plans. They started a new program for bariatric surgery. However, there is a mandatory six-month weight-loss program.

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## Payer Relations Meeting

*Continued from page eleven*

**Cynthia Garrett / EDS** She mentioned that the Department is working on a revised plan and process for dispute resolution. Cynthia reported that Medi-Cal is scheduled to convert to the National COB process August 28th, but given the information regarding the COB issues, she will be taking back a message to reconsider the implementation date. There are also changes in the Family PACT program (see website). Effective 8/15/06, they are introducing a new page on the website dedicated to NPI. They will have a FAQ link. It will also include a survey in part to assess readiness. You will need to register your NPI(s) with them, hopefully in an electronic manner, but they will also offer a paper option. The UB-04 and the new CMS-1500 will have a dual use period for 2007, from 2/1/07 through 5/22/07. Then they are mandatory. There was additional discussion on crossovers, and they are working to resolve several issues to make it more user-friendly for the providers. They currently link attachments via paper, fax and imaged copy. They are currently working with three vendors to test newer methodologies.

**Sherreta Lane / CHA Finance** Sherreta updated the committee regarding the Deficit Reduction Act and the plan for a January 1st implementation date for non-contracting facilities using the average tertiary rate, which California does not have. CHA is working on clarification and getting this changed but most states actually feel this is a good thing. The other big issue is the requirement for Medi-Cal recipients to provide proof of citizenship. The good news is that DHS is not ready to implement and therefore this has been delayed. Otherwise, it could have meant that 10% of the current Medi-Cal beneficiaries could have fallen-off the rolls. Another issue mentioned was that Los Angeles has more problems with TARs than any other county in the State. DHS needs to investigate sampling and TAR-free days.

**Dietmar Grellmann / CHA Managed Care** Dietmar reported on the Reasonable and Customary Workgroup related to AB144 and how claims from non-contracted providers will be paid and the fact that not much progress has been made. It is based on a Workers Comp case called the Gould case. The DMHC has to have a plan to Senator Machado by 7/1/06.

Dietmar discussed balance billing and the fact that the State Supreme Court has agreed to hear the appeal on the "Prospect Case." In appeal the court had sided with providers that underpayments from non-contracted payers could be passed on to patients, as the Court of Appeals ruled there is no contract. The fact that the Supreme Court has agreed to hear the case is not a positive sign, and it will take several years

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## Don't Miss Out

*Debby Chanen*

Register now for the Northern & Southern California HFMA Chapters 16th Annual Conference on Managed Care, **Healthcare Grand Prix - Race for Reimbursement**. This longstanding popular conference will be September 17-19 at the Grand Hyatt San Francisco (Union Square).

Hear keynote presentations by futurist Ian Morrison; George Halvorson, Chairman & CEO, Kaiser Permanente; Jeff Flick, Regional Administrator of CMS; Jeanne Scott of healthpolitics.com and Pricewaterhouse Coopers – discussing their research on **Healthcare 2020: Creating a Sustainable Future**. Additionally, Kim Belshe, California Secretary of HHS, is invited.

There are 16 other sessions on topics such as "What keeps CFOs Up at Night", Consumer Driven Healthcare, the latest Contracting issues for IPA, Hospitals and Payors, Updates on SB260 and AB1455.

Don't miss the excellent education opportunities and networking opportunities at the fabulous afternoon receptions. You should be receiving a brochure in the mail but if not, please look at [www.hfma-mgdcare.org](http://www.hfma-mgdcare.org) for all of the details.

## CFO Roundtable Luncheon

*Continued from page one*

The CFOs took advantage of this opportunity to ask questions and provided a great sounding board for some important topics. Look forward to the full presentation on August 17. Finance departments in particular should join this presentation as we evaluate approaches to rationalizing our rate setting processes.

### Mark Your Calendars Now

The next CFO Roundtables will be hosted in the offices of Deloitte & Touche in Manhattan Beach, located at 1500 Rosecrans Avenue from 11:30 to 1:30 on

**October 19, 2006 and April 19, 2007.**

I look forward to meeting many of you there and "reminiscing". Steven R. Blake, Chairman CFO Roundtable

CFO, Integrated Health Care Holdings, Inc.  
1301 N Tustin, Santa Ana, CA 92705  
714.953.3536 / 714.745.6092 cell / 714.953.3384 fax  
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## Payer Relations Meeting

*Continued from page twelve*

before a decision is reached. Additionally since this meeting, Governor Schwarzenegger issued an Executive Order "banning" balance billing. More to come.

Dietmar also discussed the Efficiency Work Group formed by CalPers. They created a technical advisory committee with a one month time frame to come up with solutions. The short time frame did not allow for adequate dialogue. Major payors will be submitting to Milliman data to be aggregated and then made available to the public. The financial analysis being performed is unusual in that CalPERS defines cost as "what they pay," not the costs of the providers to render the services.

**CAPG** wants to get rid of charge-based formulas used by DMHC and petitioned to rescind and reopen AB1455 regulations.

**AB 774 (Chan)** failed last year but has come back this year. It mandates a charity or discount process for providers that is onerous and dictates mandatory charity at 350% of the federal poverty guidelines. It now carves out rural hospitals. This includes "underinsured" such as patients with FSAs and HSAs and has numerous problems. The political climate points toward passage and the only hope is a veto by the governor. The bill is now in the Senate Appropriations Committee.

SAVE THE DATE

**October 12, 2006**

## HFMA will be coming to San Bernardino

The Geographic Committee of Southern California Chapter, in order to provide our outlying membership with an opportunity to attend their own Educational Seminar, will be presenting:

A HALF DAY SEMINAR

OCTOBER 12, 2006

St. Bernardine Medical Center

2101 North Waterman Avenue, San Bernardino 92404

Presentations will include:

### **Are you ready for the UB-04**

Presented by Rob Stucker / Data Systems Group

### **Self-Pay Strategy**

Presented by Jeff Bartholomew / Perot Systems

Stay tuned for updates

## How To Locate Your Founders Points on the HFMA National Web Site

Updated August 2005

### What information is available?

- **FNDRAWARD** Any Founders awards received.
- **FNDRS\_HIST** Founders point history through May 31, 2004 (This information may still be needed for those members maintaining certification).
- **FOUNDERS** Founders point conversion detail – both Old and New totals.
- **FOUNDR\_PTS** Current Founders Points beginning June 1, 2004 (through May 31, 2005). Includes points added by HFMA National and Founders Contacts through the on-line system.
- Past 4 year totals are listed under the personal profile main page.

### How do I locate my Founders point details?

- Go to the HFMA web site: [www.hfma.org](http://www.hfma.org)
- Click on **Membership** then **Membership Directory**
- Log in as normal with your username and password. A screen will appear with the following text: "Your username and password have been verified and accepted. Click on the 'Next' button to continue".

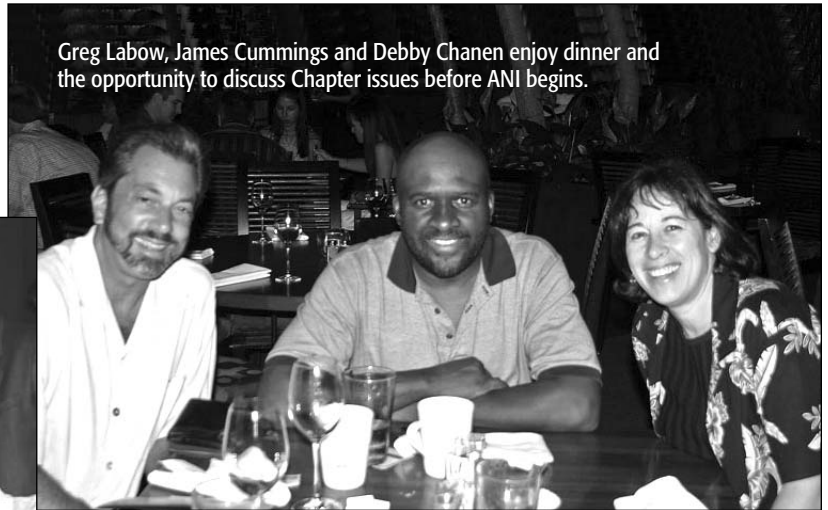
- A screen will appear with the following text: "Your personal information is being accessed. This may take a moment. Please wait".
- Click on **Founders Points** in the **Profile** box where your name and ID are listed.
- To view details of Founders points for all past years, click on your Name in the Profile box. Then click on **Activities** (just above your personal information) at the top of the page.
- Scroll down the category you wish to view.
- Once you go to the area you wish to view, you can then click on "**FOUNDERS**" under "Type" to see the description of the Founders points.

Need assistance or have questions?

Please call Beatrice Rusu at 800-252-4362, ext.357 or email her at [brusu@hfma.org](mailto:brusu@hfma.org)

# Your Chapter at ANI

Greg Labow, James Cummings and Debby Chanen enjoy dinner and the opportunity to discuss Chapter issues before ANI begins.



▲ Rick Lash, Vickie Morgan, Ira Alexander, Greg Labow, Debby Chanen, Wayne Knecht, Bobby Kinsey and Chris Kinsey enjoy their time before the Annual Awards Dinner.

Vickie Morgan, Greg Labow, Ira Alexander, Rick Lash and Meagan Mouw enjoy some networking before the ANI Banquet.



Our own James Stewart is installed as a National Director at ANI.

