hfma healthcare financial management association

first illinois speaks

A Newsletter from HFMA's First Illinois Chapter

August 2004

beyond the numbers

Hospitals Wrestle with Provider-based Status for "New" Clinic Operations

By Allwyn J. Baptist, CPA, FHFMA and Lawrence A. Manson, Esq.

INSIDE:

Hospitals opening new clinic operations, moving outpatient operations off campus, relocating clinics to new locations, or acquiring new clinic operations are required to comply with the August 2002 Medicare regulations if they wish the clinic operations to qualify for Medicare provider-based status.

In addition to such new clinic operations, the regulations require that any significant change in existing clinic operations be reported to CMS as potentially affecting provider-based status determinations.

Qualifying for provider-based status allows two bills to be submitted for clinic services – a physician bill for the professional component and a facility bill for the technical component – and the result is typically higher Medicare reimbursement for the clinic operations. Hospitals making these changes in their clinic operations are encountering the following issues in analyzing compliance with the complex Medicare regulations.

Should Compliance Attestations be submitted to the Fiscal Intermediary and CMS?

Yes. The Medicare regulations do not require that attestations of compliance be submitted for provider-based clinics. However,

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Inside This Issue

President's Message

Welcome to HFMA First Illinois Chapter. We look forward to a professionally rewarding year for all our members.

The national theme for HFMA this year is "Beyond the Numbers". It means going beyond the obvious, looking deeper. To provide real financial and strategic guidance, we must focus on leadership, relationships, networking and customer satisfaction. HFMA is more than just numbers. We need to think strategically as to what drive the business, patients, their caregivers; to understand what attracts providers, quality orientation and patient focus.

At the Chapter level, the strategic plan developed by our Governing Board will direct the Chapter activities for 2004-2005. We will focus on four main objectives:

1. **HFMA Certification:** We will encourage our members to become certified. The Certified Healthcare Financial Professional (CHFP) and Fellow of HFMA (FHFMA) designations represent high achievement in our profession. The Chapter's goal is to increase our certification by 5% over a period of 24 months. Currently, our certification rate is good at 5% of 1300 members. We want to challenge ourselves going forward to achieve a chapter goal of 10% of all members certified.

2. **Design and implement a comprehensive communication plan:** We will enhance the Chapter's website to include online registration for education programs, the membership directory and timely announcements.

3. **Emphasize the value of membership to grow our chapter size and participation.** The Chapter will explore the value of HFMA membership to job performance; provide networking opportunities for our members; contact individuals new to the market; and promote proven time-saving strategies to complex problem solving.

4. **Enhance educational opportunities:** We will continue to provide high value programs for our members. The Education Committee is exploring alternative sites for educational events. All educational programs will be reviewed based on member evaluations for feedback into future programs.

Our chapter will continue to be the leading professional resource for individuals seeking excellence in healthcare financial management. The leadership development opportunities are some of the greatest benefits of been an HFMA member. Getting involved with HFMA provides the ability to network and develop working relationships with other members.

We would like to thank you, the membership, for the trust you have placed in us as this year's Board of Officers and Directors. We would like to challenge you to make the most of what HFMA has to offer.

Martin D'Cruz
HFMA First Illinois
Chapter President

beyond the numbers

First Illinois Chapter News, Upcoming Events & Committee Updates

IT Committee Program: "IT and the National Healthcare Agenda"

The IT committee will present a half-day session on September 23 at the Aramark Learning Center in Downers Grove. Local and national IT pros will discuss how information technology (IT) can enable your organization to achieve various components of the national health care agenda. Specific sessions will address decision support, IT governance, benefits realization and the Electronic Health Record (EHR). For more information call Committee Co-Chairs Mike Cohen at (630) 653-9242 or John Roquena (312) 996-0922. You can also reach Mike at mike@mrccg.com or John at roquena@uic.edu.

Moving on – New Education Program Location

Tired of the noise level at the Carlisle? We heard you! The Facilities Oversight Committee, led by Chair David Golom, FHFMA, has been investigating alternative locations for education programs. The committee works to provide a comfortable location conducive to learning and networking with colleagues, while still keeping education program costs low. David and the committee selected the William Tell Inn in Countryside for three of this year's programs. The William Tell Inn is located at 6201 W. Joliet Road in Countryside, near I-55 and Joliet Rd. The IT program on September 23 will be at the Aramark Learning Center, a beautiful facility at 2300 Warrenville Road in Downers Grove, just off I-88, north of Ogden Avenue and east of Belmont Avenue.

We hope both facilities will provide a positive environment for 2004-2005 education programs, and look forward to your feedback.

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New Officers and Board Members

The 2004 - 2005 First Illinois Officers and Directors are

Officers:
Martin D'Cruz - President
James Heinking - President Elect
Vincent Pryor - Secretary
James Watson - Treasurer

Directors (Terms Expire May 31, 2005)
Mary Ann Klis
Michael Nichols
Steven Perlin
Paula Wilke

Directors (Terms Expire May 31, 2006)
Richard Stewart
James Ventrone
Alexis Washa

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

Calling All HFMA Members – It's Time to Get Certified!

HFMA certification – at the Certified Healthcare Financial Professional (CHFP) designation or ultimately the Fellow of the Healthcare Financial Management Association (FHFMA) level – helps prepare you for increasingly responsible positions in the healthcare industry and demonstrates your dedication to professional development.

The First Illinois Chapter won the Silver Award of Excellence for Certification Growth this past year and we can continue our chapter on this path of excellence! We want to make it as easy as possible for members to attain their HFMA certification goals.

During the Region 7 Symposium in Chicago on October 21st and 22nd, we will provide a coaching class for anyone interested in pursuing certification. In addition, we will schedule time onsite and provide a proctor for those who have completed their studies and are ready to take the exam.

Take the plunge! Put the dates on your calendar and commit to becoming certified. If you are interested, please contact Suzanne Lestina, Certification Chair, at 815.397.0078 or s_lestina@gustassoc.com.

Region 7 Fall Symposium

The Region 7 (First Illinois, McMahon Illini, Southern Illinois, Wisconsin and Indiana Presslar Chapters) Fall Symposium will be held at the Hyatt Regency in Chicago on Thursday and Friday, October 21st and 22nd. The theme for the program is: "Setting the Pace". Our keynote speaker is Richard Clarke, CEO, HFMA who is one of the top 100 most influential people in healthcare.

The symposium will cover a wide range of healthcare topics related to Strategic Planning, Reimbursement Issues, Understanding the Medicare Charging Rule, Consumer Driven Health Plans and HSA's. There will also be a core course preparation for those who want to be certified. We look forward to a great program and should be receiving the brochures by mid- August.

REGION 7

Oct 21-22, 2004
Hyatt Regency Chicago

Founders Merit Award Winner

Steve Berger, FHFMA, was awarded the HFMA Founders Medal of Honor at the May 7th CFO program and golf outing at Seven Bridges Golf Club.

Steve has been involved with HFMA at both the national and chapter levels for many years. Steve has held Chapter offices, including Chapter president in 2001-2002, and was the Regional Executive for HFMA Region 7 in 2003-2004. Steve currently serves as Co-Chair of the First Illinois Chapter CFO Committee.

The First Illinois Chapter officers and directors extend their congratulations and appreciation for Steve's long-time support and participation with the Chapter and National HFMA. Congratulations Steve!

2004 ANI – Nashville

Joyce Zimowski (National Chairman); Paula Wilke (past president); and David Canfield (Past National Chairman)

President's Dinner – ANI Convention

Paula Wilke gets ideas about how we all need to go "Beyond the Numbers" from the new national chair, Joyce Zimowski, while past national chairman David Canfield remains steadfast in his belief that "HFMA: "It's Personal".

Quality: Are you getting your money's worth?

By Holly Sova

Is your organization fully leveraging its quality programs? As the industry marches on toward the inevitable expansion of pay-for-performance, financial managers should always be on the look out for opportunities to maximize the value of quality. Quality can pay much more than the 0.4% differential in CMS revenues that hospitals submitting National Voluntary Hospital Reporting (NVHR) data will enjoy in a few months. Excellent quality can help secure favorable payer rates, greater market-share, improved prospects for partnership alliances, even lower liability insurance costs. The key is for financial executives to collaborate with colleagues in Quality Assurance, Information Technology, Marketing, and Risk Management, and when necessary be able to influence Board members to make strategic changes as required to maximize the value of quality as a competitive advantage.

Be proactive with payers

In negotiating contracts, lobby for quality-based incentive payments centered on the measures your QA department favors. Advertise to generate consumer awareness and push demand for those quality measures your organization values. Invite payer contracting representatives to meet with your quality assurance department to better understand the value of the measures being negotiated. Astute providers know they must initiate and establish quality programs lest by default they cede control to payers, who are all too likely to downplay quality differentiation, and focus on price differentiation. Progressive providers investing now in their own quality programs will be better able to demonstrate quality as a competitive advantage in negotiations. Mr. Brent Estes, President and CEO of Rush Health Associates, believes doing so means providers will be less likely to have outside measures and programs imposed on them. Use quality incentive payments as a way out of stand-offs over traditional contract terms. A recent article in Healthleaders found that such incentive payments can equal up to one percent of a hospital's revenue. (DeWitt, P. 2004)

Boasting can boost demand

Partner with your organization's Quality and Marketing departments to maximize the impact of your quality investments. Population segmentation is a key both to comparing outcomes and to targeting consumers. If you can boast of community-leading outcomes matching local market opportunities, then advertise loud and clear. Or, keep it simple, as Decatur Memorial Hospital did when they published their NHVR data in a local newspaper. Educate your community about your quality systems. Collaborate with your staff physicians to associate your organization with their individual recognitions for excellence, such as those for diabetes care, cardiac care, and/or their use of electronic medical records awarded by the National Committee for Quality Assurance (NCQA). Plan together how to best cooperatively highlight the full spectrum of "scorecard" ratings which the Care-Focused Purchasing initiative plans to issue on individual physicians as well as hospitals in coming years. More than twenty-eight large employers are sponsoring this initiative and will be encouraging their employees to consult these scorecards when choosing providers. Consider how your organization will attract and maintain patients from among these over two million employee-consumers.

Even careful drivers get discounts

If your organization can demonstrate exceptional and deeply systematic quality assurance practices, over and above individual incident measures like NHVR data, then work with your risk management colleagues to negotiate better liability insurance rates. Next year's rate negotiations may be less nerve-racking if you act now in support of Risk Management and Quality Assurance to determine and implement deep and broad quality assurance systems. London market insurers certainly do factor in the existence or absence of such systems when determining premiums.

Quality not only pays, it saves

April's issue of HFM, the Journal of HFMA, highlighted the potential cost-saving rewards of implementing care-based cost management (CBCM). CBCM is one example of how hospitals can focus less on budget constraints and better control costs by cultivating a quality-centered culture. The keys to CBCM include executive priority and strategic backing, active physician buy-in, and far-sighted financial managers. Also, under CBCM's systematic approach, each initiative is to be coordinated by an outcome manager focused on a specific population. (Davis, K. et al, April 2004)

The proof is in the data

Partner with your CIO to factor in quality when assessing ROI on your IT investments. Upgrading IT provides data; data allows for outcomes management; outcomes management promotes improved quality of care; and improved quality of care leads to cost savings and income expansion. Before embarking on an initiative to make quality pay, do a cost benefit analysis on the administrative costs of tracking and reporting. The data collection involved in reporting outcomes

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Quality: Are you getting your money's worth?

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is highly manual. Consider farming it out to or having it audited by a third party.

Stay abreast of QA program options

In Spring of 2004, the Illinois Hospital Association produced a comprehensive guide to required and voluntary quality demonstration projects. It's a great resource for financial managers who may want an overview of the quality measures and programs available to leverage. See the guide at http://www.ihatoday.com/public/patsafety/guide.pdf. Financial managers can survey pay-for-performance programs available around the country on a new Incentive & Reward Compendium available at www.Leapfroggroup.org. In Illinois today, Blue Cross Blue Shield of Illinois is the only payer listed as having systematized quality incentives as part of their provider contracting.

Strategy and collaboration are key

Opportunities to reap the financial value of quality multiply as an organization's overall culture of quality develops. Uncovering and exploiting such opportunities will require the Finance Department to support and collaborate with colleagues to reinforce that culture. In light of this industry's expanding pay-for-performance reality, integrating department perspectives around a focus on quality has become a strategic necessity. The intensity of attention to health care quality is widely expected to explode in next five years. In the overall battle among industry players for influence, the party that can deliver and communicate quality will wield significant leverage.

References:

DeWitt, P. (2004) The new incentive plan. HealthLeaders. 5:3 (36-41)

Davis, K., Otwell, R., and Barber, J. (2004). Managing costs through clinical quality improvement. Healthcare Financial Management. 58:4 (76-82)

Holly Sova is a member of the First Illinois Chapter of HFMA. She recently completed her Masters Certificate in Managed Care at St. Xavier University. She can be reached at (847) 226-9087 or hollymariesova@msn.com .

HFMA Events

2004 HFMA CFO Symposium:
Consumerism and Hospital Finance

By Steve Berger, CPA, FHFMA, Committee Chair

The First Illinois Chapter's CFO Committee held its annual symposium and golf outing on a chilly May 7, 2004 at Seven Bridges Golf Club in Woodridge. The theme of this year's 10th Annual conference was The Impact of the Consumerism Movement on Hospital Financial and Delivery Systems. Speakers at the symposium addressed the current and future influence of the approximately 75 million Americans born between 1946 and 1964. Labeled the Baby Boom Generation, this group has led sociological, educational, political and cultural changes throughout their lifetime. As the oldest Boomer approaches 60 years old, the healthcare industry is beginning to respond to the consumer-driven needs of this enormous group, with its increasing list of requests. The Boomers are requiring new diagnostic and therapeutic tools, better outcomes, and better satisfaction while utilizing more resources within the age cohort and dealing with greater out-of pocket financial exposure through higher copayments and deductibles and increased self-pay responsibilities.

Stephen Jenkins, Vice President with SG2, LLC in Evanston presented a comprehensive overview of the consumerism issues locally and throughout the country. Following Mr. Jenkins, Andrea Rozran, a Principal with Diversified Health Resources, Inc., gave a detailed update on Certificate of Need issues in Illinois and particularly in the Chicagoland region where several hospitals have applied to build new hospitals in the Northern and Southern suburbs. Finally, Tom Lerche, Senior Vice President with Aon Employer Benefits Consulting, presented a number of ways to deal with employer and employee based insurance changes, particularly related to Healthcare Reimbursement Accounts and Healthcare Savings Accounts. This is an issue at the forefront of the consumerism movement. At the conclusion of the formal presentations, David Nelson, CFO of St. Francis Hospital in Blue Island, moderated a panel discussion among all speakers. The panelists expanded on their formal comments and answered questions from the audience.

Many of the participants then took advantage of the location to participate in the golf tournament immediately following the program. And, like previous symposiums, the participants – primarily CEOs and CFOs from local hospitals – were able to take away practical and theoretical knowledge to apply at their organizations. It was another successful conference for the participants and the chapter.

HFMA ANI 2004, Nashville

Sharing Ideas That Work!

By Mike Nichols, CHFP, Photos by Carl Wilke

First Illinois members who made the trip to Nashville in June for HFMA's Annual National Institute gained professional knowledge, made great contacts, and shared good times. They were also on hand to see our chapter win four prestigious Chapter Awards:

Yeager Award for Membership Communication (Newsletter)
Henry Hotter Award for Educational Improvement
Silver Award for Membership Growth and Retention
Bronze Award for Certification

Congratulations and thanks to all the committee chairs and members who contributed to these achievements.

President's Dinner/History in the Making!
Martin D'Cruz, Jim Heinking, Ethel Shelton, Paula Wilke and Suzanne Lestina celebrate our chapter's success with Mrs. Ethel Shelton (Mrs. "Mr.HFMA"). Suzanne can't stay out too late, though, the traditional Fun Run was the next morning. Suzanne finished third in that event (Sorry, no pictures available) Chapter leaders were thrilled and honored to share the beautiful evening with Mrs. Shelton. With continued growth and overall chapter success, we are well positioned for the Shelton Award in the next two years.

Sunday Reception
Martin D'Cruz (president) and Paula Wilke (past president) share ideas about chapter leadership and the great turn out for the Sunday reception in the Delta Atrium. The Nashville ANI was the largest attended ANI to date.

Wednesday reception
Larry Appel recounts many years of ANI experiences to Ross Stebbins and Marilu Sroka as Mike Nichols (new CHFP) looks on.

Hallway ANI/Great Minds Think Alike!
The true meaning of the "Hallway ANI"! David Canfield and Mike Nichols enjoy a shoeshine compliments of HFMA while relaxing between sessions. "Hallway, ANI, What a Great Idea!

Always working on new ideas
Athena Peterson and Paula Wilke exchange ideas about improving chapter communications through the chapter's website. Her first task might be to get all the pictures from ANI on the website, since there are many more pictures than we have room for.

Sunday Reception/Sweet Treats
Mike Choi of SRC software and Patt Marlinghaus patiently waiting for free ice cream at Ben & Jerry's to cap off an evening of delightful appetizers and spirited camaraderie! The free ice cream ran out after they went through. Hmmm

Sharing ideas across the Region
Steve Berger, past regional executive shares ideas about the upcoming Regional Symposium with Sarah Hull, our new regional executive and other members from the Wisconsin Chapter. Once again Steve takes the cake for having the largest number of roles at ANI. From faculty, to exhibitor, to goodwill ambassador for HFMA, Steve wore many hats from Saturday to Thursday in Nashville.

2004 HFMA Managed Care Conference
Innovations

By Jim Watson, Committee Co-chair

Jim Watson and Paula Dillon, Co-Chairs of the 2003-2004 Managed Care Committee

HFMA's 2004 Managed Care Conference was held on March 25th at the Carlisle in Lombard. The theme this year was "Innovations", providing examples of best practices in managed care. Once again attendance was strong, and the agenda was packed with informative speakers sharing their insights on today's managed care issues in the marketplace.

The day began with a keynote address from Jeanne Scott, a nationally renowned healthcare writer and speaker, and regular contributor to HFM's "Eye on Washington" column. Jeanne's talks are always lively, and this one was no exception.

Jeff Rooney, CFO Rush North Shore Medical Center

Embedded in her discussions are sometimes cynical, often humorous commentaries on today's healthcare environment. Kudos to Committee Chair Paula Dillon for convincing Jeanne Scott to come to Chicago in March!

Following our national keynote speaker was David Grant from the State of Illinois Department of Insurance. We can always count on Dave to fill 45 minutes with a year's worth of information to digest. He reviewed all the current and proposed legislation being debated and considered in Springfield, including the highly controversial move by insurance companies to radically change out-of-network benefit provisions. We can't wait until next year to hear from Dave again (on second thought, maybe we can).

The day also featured two panel discussions; one on "Technology and its Impact on the Healthcare Delivery System", and the other on "Quality – The Movement Towards Pay for Performance". Presenters included executives from Amicore, Adventist Health System, Blue Cross Blue Shield of Illinois, Summit Management Services, The Tiber Group, and Valence Health. The complementary nature of these topics demonstrated growing recognition of the importance of adequate technology to be able to measure, manage, report and improve the quality of healthcare.

We concluded the day with a discussion on "Integrating Managed Care Contracting with the Revenue Cycle", presented by Jeff Rooney, CFO at Rush North Shore Medical Center. Jeff's presentation provided a hands-on, tactically-focused approach to managing managed care contracts with a revenue cycle management discipline.

The conference also featured 10 exhibitors from various segments of the healthcare industry, many of whom provided product demonstrations. The exhibitors were a valued addition to an agenda focused on innovations in technology, process improvement and revenue maximization.

The 2004 HFMA Managed Care Conference demonstrated HFMA's commitment to member education by providing a chance to hear contemporary leaders sharing their best practices. Thanks to all of our speakers, guests, sponsors, exhibitors and committee members for making this year's program a successful one!

Jeanne Scott, Keynote Speaker

Sally Allred, Susan Berquist, Pam Williams and Kurtis Kossen

Peter Karahalios accepts his award for the Longest Drive, Men, at St. Andrews from Greg Wimbrow, Golf Outing Chairman

Greg Wimbrow presents Tom Stitt with his award for Longest Drive, Men, at St. Andrews

Greg Wimbrow congratulates Paula Wilke, Closest to the Pin, Women

First Illinois Chapter Visits the Golf Links

The 28th Annual First Illinois HFMA Golf Outing was held Friday, May 28, 2004 at St. Andrews Golf Club and Klein Creek Golf Club. We had a great day as Mother Nature really cooperated.

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

This year's gifts were a Ben Hogan Golf Glove, a HFMA Logo Golf Towel, and a Callaway Six-Ball Valuables Pouch. Raffle prizes included TVs, Stereos, DVD Players, Golf Clubs, and Cubs' Baseball Tickets.

Putting on an event like this would be impossible with our corporate sponsors who give an additional donation to help this event. We thank them for their additional generous gifts!

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

I hope everyone who attended the 28th Annual Chapter Golf Outing enjoyed the entire day's activities. It has been a pleasure and an honor to serve as this year's chairperson.

Sincerely yours,
Greg Wimbrow
Golf Committee Chair

Golf Committe

Bob Belke - OSI Support Services
Kevin Ellis - Great Lakes Medicaid
Michael Grady - Healthcare Financial Resources
Julie Haluska
Ronald Hennings - Pellettieri & Associates
Richard Meyer - Medical Recovery Specialists
Kay Rovner - University of Illinois at Chicago Medical Center
Al Staidl - OSI Support Services
Charles Stanislao - University of Illinois at Chicago Medical Center
James Ventrone - Ventrone, LTD.

Also, a special "THANK YOU" is given to those persons who helped at the registration table:
Janet Blue - CSI Staff
Mary Grady
Mary Okel
Marianne Staidl

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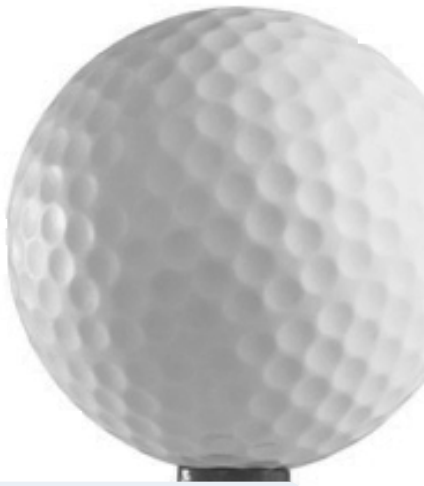

Award Winners:

William Costello Memorial Award
low gross score for a HFMA member who played the regulation course at Klein Creek

David Black (76)

Low Gross Score at Klein Creek

Kieran Brown (75)

Scramble Team Winners

Paul Batt
Rich Burruss
Brian Foster
David Rivers
from the Illinois Hospital Association

(11 under par at St. Andrews Lakewood Course)

Winners of the hole events played at St. Andrews and Klein Creek:

St. Andrews:

Closest to the pin, Women:	Beth Buttliere, Paula Wilke
Closest to the pin, Men:	Mike Englehart, Chris Hoffman
Longest drive, Women:	Linda Peterson, S. Locsmandy
Longest drive, Men:	Peter Karahalios, Tom Stitt

Klein Creek:

Closest to the pin	Kieran Brown
Longest drive	Tim Caveney

And a special "THANKS" goes out to the following sponsors for:
The halfway house at all 3 courses:
Healthcare Financial Resources, Inc.
Beverage tents on the St. Andrew's courses:
Jacobsen Group, Revenue Production Management

Thanks to our corporate sponsors for their generous gifts throughout the year:

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R&B Solutions
United Collections Bureau, Inc.
Van Ru Credit Corporation
Ventrone, LTD

CFO Survey

ROI on IT Investments Survey Results Confirms there is "money on the table" but how much and what to do about it?

By Mike Cook

In the January 2004 issue of First Illinois Speaks, author Mike Cook reviewed the difficulties healthcare organizations face in measuring and achieving Return On Investment for IT projects. In this article, Mike reports the results of a survey of local healthcare CFOs soliciting their perspectives on achieving ROI on IT investments.

The purpose of the survey was to get First Illinois chapter's CFOs perspectives on delivering ROI from IT investments. And help answer the question: is there credence to senior executives and board frustrations over the lack of measurable ROI from costly IT investments?

SURVEY FINDINGS

The survey profile: a 20% response rate (19 responses); over 95% of the respondents were CFOs or Vice Presidents; there was an even distribution of organization size ranging from $100M to over $500M in gross revenue; and hospital providers, including health system corporations accounted for over 90% of the responses.

Key Findings:

- ***CFOs do not have confidence in the accuracy of the ROI results.*** Figure 1 shows CFO confidence in the ROI numbers. The confidence rating is defined as the percentage of CFOs surveyed who both use the measure and have confidence in the accuracy of the results. The average confidence rating is only 40%.

- ***Tangible benefits are not adequately quantified and measured to calculate actual ROI results.*** The top 4 benefits categories were quantified 65% of the time, and quantified benefits were measured for results 70% of the time. Figure 2 shows the percent of benefits that are quantified and measured – both required for calculating actual ROI results.

- ***Governance practices needed to deliver ROI scored low.*** Never/Rarely scored 39%, Sometimes 43%, Frequently 15% and Always 3% across all categories. Figure 3 below shows scoring for nine practices associated with achieving ROI.

Other Findings:

- ***A smaller percent of IT investments are subject to the ROI process.*** Over 70% of respondents selected "less than 20%" as the preferred choice. Figure 4 shows the response breakdown.
- ***There was no dominant reason that triggered the ROI process for IT investments.*** Figure 5 depicts the popular ROI triggers.

- ***Indirect or subjective benefits averaged 40% of the total ROI value.*** The percent of ROI that is strategic (indirect or subjective) rather than economic is slightly below industry trends that range up to 50%. Not surprisingly, IT infrastructure received the highest score, where it can often be difficult to show direct quantifiable benefits. Figure 6 depicts the results for IT investment classes.

Major Conclusions

As a result of our survey, we were able to group key findings into a profile that helps to predict ROI success. We have coined this the ROI profile. This dominant ROI profile is not encouraging:

- CFOs have low confidence in the ROI numbers
- A large percent of benefits are not quantified and measured
- Low scores received for deploying governance practices designed to deliver ROI

This ROI profile shows lack of faith in the business case, limited accountability to deliver ROI and difficulties measuring actual ROI – a tough combination ROI results, especially if the business value is largely dependent on difficult business process changes.

If your organization fits this ROI profile, it is leaving "money on the table". And while probably not surprising, the actual dollar amount is more than thought, likely much more for costly, high profile clinical IT investments that frequently fit the criteria of business value largely dependent on many difficult business process changes.

In summary, this ROI profile helps confirm and begins to explain why ROI is elusive and senior executives are frustrated with the lack of measurable ROI from IT investments… at least in the healthcare industry but I suspect in many other industries.

Making Changes

While not easy, breaking away from the ROI "pack" offers clear strategic advantages over competitors and reduces the growing risks and recriminations of not delivering measurable ROI on costly IT investments. The solution is to start building a culture of accountability for delivering ROI - economic and strategic business value.

1. Compare your organization to the ROI profile…while not a substitute for evaluating the ROI track record (see next step), it should be a reasonably good predictor of results. In fact, if your

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Figure 1

CFO Confidence in ROI Numbers

Top Rated ROI Techniques	Confidence Rating
(Savings-Revenue)-Costs	42%
Net Present Value	36%
Payback Period	50%
Strategic/Indirect Value	30%
Internal Rate of Return	33%

Figure 2

Benefits Quantified and Measured Calculation

Top Rated Benefits	Calculated Result
Cost Reductions	47%
Staffing Levels	47%
Productivity	34%
Revenue	53%

Figure 4

Percent of IT projects subject to ROI process

% of IT projects	% of Responses
Not Used	11%
<20%	61%
20-40%	22%
40-60%	0%
60-80%	0%
>80%	6%

organization closely fits the profile, it's likely difficult to compare planned vs. actual ROI results.

2. Perform a ROI Assessment… to compare the track record of planned vs. actual ROI for major IT investments. If most of the actual ROIs equal or exceed planned, congratulations and keep up the great work. If not, calculate the potential opportunity i.e. "money on the table" and determine if change is justified. As previously mentioned, if the organization fits the ROI profile, it's likely difficult to complete a comprehensive ROI Assessment.
3. If change is needed, involve senior executives in evaluating options... getting buy-in for more accountability will be difficult unless senior business sponsors and champions have confidence that it's possible to deliver successful results with new accountability. Depending on history, trust and credibility issues may be significant and need to be overcome.
4. Consider a multi-phased approach…to increase business sponsors' and champions' trust and confidence with the new accountability. There is also an advantage starting with smaller or non-mission critical IT investments - it gives everyone experience with the new approach before tackling more complex mission critical investments. You may want to consider incorporating a pilot in this step.
5. Apply to opportunities not subject to ROI… although IT investment opportunities may follow the 80/20 rule (i.e. 20% of projects consume 80% of IT capital dollars), consider using this new accountability for projects not previously subject to ROI measurement. Besides increasing actual ROI, it's difficult to foster a "culture of accountability" if only a small portion of IT investments is subject to the new accountability.

Figure 3

Governance Practices

Practice	*Never/Rarely*	*Sometimes*	*Frequently*	*Always*
Senior management champion accountable for ROI delivery	29%	57%	0%	14%
All related projects to deliver the ROI treated as single master project	36%	29%	29%	7%
ROI economic and strategic outcomes measurable and quantified	29%	57%	14%	0%
ROI Measurement System used to track monitor and report progress	50%	29%	21%	0%
Initial baseline assessment performed for proposed ROI outcome metrics	21%	57%	21%	0%
ROI assumptions and outcomes validated by benchmarking	43%	43%	14%	0%
ROI delivery process linked to compensation and incentive systems	86%	7%	7%	0%
ROI outcomes tied to the budgetary process	21%	43%	29%	7%
Detailed change management plan to deliver business process changes	36%	64%	0%	0%

Figure 5

Reasons projects subject to ROI

Triggers	Score
Costs exceed threshold	53%
Business value not obvious	53%
Part of strategic business initiative	41%
Requested by senior executive	41%

Figure 6

Indirect Benefits by IT Investment Class

Investment Class	Score
IT Infrastructure (i.e. networks, Desktops)	48%
Mandatory (i.e. HIPAA)	41%
New IT/business opportunity (i.e. CPOE)	38%
Sustain/enhance solutions (i.e. accounting)	33%

Michael Cook is a Principal of Cardinal Consulting Inc. (CCI). Mike can be reached at: mikecook@cardinalconsulting.org or (630) 832-8206

In their own words …. CFOs respond

I want to share some CFO comments when asked to describe the challenges in delivering ROI for major IT investments:

1. IT investment projects are difficult to measure for value/return
2. Quantifying and measuring benefits is difficult
3. Accurately measuring IT benefits
4. Changing staff behavior to capture benefits savings and efficiencies
5. Getting ROI as a key factor in IT investment decisions plus making sure ROI is achieved

such submissions provide important financial and legal protection for the hospital if subsequent audits determine that the clinic operations do not meet all the regulatory requirements and therefore would be deemed to be freestanding from the date of inception. There is no downside to submission. If CMS has issues with the submission, it will typically work with the provider to make the changes necessary to comply. Equally importantly, the process of reviewing clinic operations under the regulations will allow the hospital to correct any operational shortcomings before submitting the attestations.

Should Clinics bill as provider-based before receiving CMS approval?

It depends. The regulations do not require that clinic operations receive CMS approval before billing as provider-based. Currently, the CMS approval process is not typically completed within 60 days, so hospitals have to make careful decisions about whether to bill as provider-based. The decisions should be specific to each clinic operation and determined by a careful analysis of factual compliance with the on-campus and off-campus requirements. If the decision to bill as provider-based is incorrect, the hospital faces the problem of refunding excess coinsurance amounts to all Medicare beneficiaries.

Can clinics be identified with a health care system rather than a specific hospital?

No. The regulations are clear, and repeatedly emphasize, that provider-based status is determined with respect to the integration of a clinic's operations, finances, and public perception with a specific hospital –rather than with a health system generally. Clinic signage, brochures, yellow page advertisements, web sites, and other marketing materials should label the clinic as a hospital operation. The clinic can also be identified with a health system (secondarily and for "branding" purposes) but ads and signage must be reviewed for each clinic operation in the context of the "public awareness" requirement of the regulations.

Does the ABN (Advanced Beneficiary Notice) meet the beneficiary notice requirement for provider-based status?

No. The provider-based regulations require a new beneficiary notice that alerts the patient to the fact that he or she will receive two bills for the outpatient service and indicates the likely dollar amount of coinsurance charges. Clinics offering limited services will need to set forth those charges; facilities offering many services will have to explore – and justify to CMS – alternative methods of disclosing the financial impact to the patient. The beneficiary notice obligation is one of the biggest problems for hospitals and is frequently mishandled in attestations submitted to the fiscal intermediary and CMS.

Can clinic space be owned by the health system or other non-hospital entity?

Yes. The hospital is not required to own the clinic space, and it may lease the space from another component of its health system as well as from an unrelated entity. It is necessary, however, for the costs of the lease (which must be a written lease) to be specific, included in the trial balances of the hospital, and reflected in the hospital's cost report. Muddled operational and financial entanglements between the hospital and health system with respect to clinic operations will likely disqualify a clinic for provider-based status.

Do clinic medical records have to be kept in the hospital?

No. The regulations require that the medical record information for clinic patients be available to the hospital personnel in a common retrieval system with other hospital patient records. Typically, a common information system for medical records covers both the clinic and the hospital, and the direct patient care staff has equal access to information from both. The physical location of the records is not definitive of the issue.

Can an off-campus clinic have separate staff for billing, A/R, and data processing?

No. The regulations require that for off-campus clinics, the administrative personnel handling billing, records, human resources, purchasing, and other administrative services must be the same employees or group of employees as those at the hospital. While such administrative staff may be located within the clinic, from an organizational and operational standpoint, they must be part of the group of employees performing the same functions at the hospital.

Conclusion

Newly acquired or start-up clinics, as well as any significant changes in existing clinic operations, should be reviewed carefully (in advance of commencing operations if possible) for compliance with the provider-based status regulations, with submission of attestations of compliance an expected outcome.

Allwyn J. Baptist, CPA, FHFMA, is President of Baptist Consulting, Inc. He currently serves as the Chapter Historian, and is a past President of the First Illinois Chapter of HFMA. He can be reached at (847) 797-0614 or ajbaptist@attbi.com .

Lawrence A. Manson is engaged in the private practice of health law in Highland Park, Illinois. He is a former board member of the First Illinois Chapter of HFMA. He can be reached at (847) 681-8734 or lmansonlaw@aol.com .

New Members

The Chapter welcomes the following new and transferred members:

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Danielle R. Wall
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Roy W. Walters, III
Infohealth Management Corp.

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Publication Information

Editors 2004-2005
Elizabeth Simpkin.....(773) 736-5146 esimpkin@thelowellgroupinc.com
Pete Melcher.....(219) 886-4843 pmelcher@methodisthospitals.org
Advertising
Jim Ventrone.....(847) 550-9814 jmv@ventroneltd.com
Design
Jody Simons.....(312) 226-2227 jody@pubsol.net

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Style

Articles for *First Illinois Speaks* should be written in a clear, concise style. Scholarly formats and styles should be avoided. Footnotes may be used when appropriate, but should be used sparingly. Preferred articles present strong examples, case studies, current facts and figures, and problem-solving or "how-to" approaches to issues in healthcare finance. The primary audience is First Illinois HFMA membership: chief financial officers, vice presidents of finance, controllers, patient financial services managers, business office managers, and other individuals responsible for all facets of the financial management of healthcare organizations in the Greater Chicago and Northern Illinois area.

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

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Healthcare Financial Management Association First Illinois Chapter

2004-2005 Calendar

9/23	Information Technology	Half Day	Aramark Learning Center Downers Grove
11/18	Revenue Cycle	Full Day	William Tell Inn Countryside
1/13	Accounting and Reimbursement	Full Day	William Tell Inn Countryside
2/17	Medical Groups and Physicians	Full Day	Location TBD
3/24	Managed Care	Full Day	William Tell Inn, Countryside
5/27	Annual Golf Outing	Full Day	Location TBD

Note there is no Chapter meeting in October due to the Midwest Regional Meeting in Chicago.

The First Illinois Chapter

The First Illinois Chapter wishes to recognize and thank our sponsors for the 2004-2005 Chapter year. Thank you all for your generous support of the Chapter and its activities.

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