hfma healthcare financial management association

first illinois speaks

A Newsletter from HFMA's First Illinois Chapter

May/June/July 2007

Courage IN LEADERSHIP

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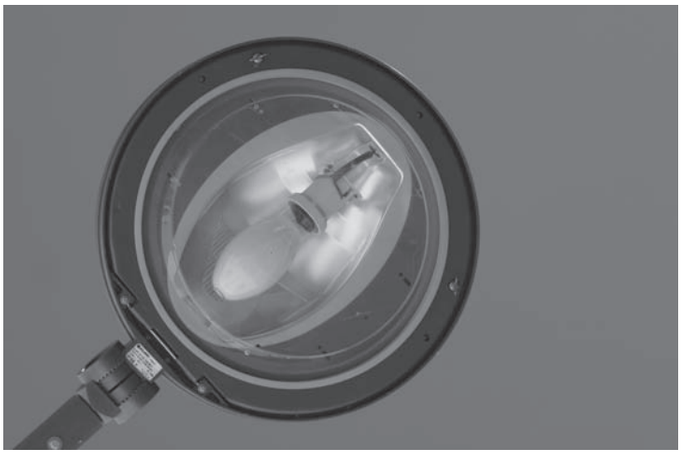
Financing Hospital Energy Services Projects

BY JIM THOMA, GEOFFREY R. CULM, AND JEFFREY K. HOLLISTER; REPRINTED WITH AUTHORS' PERMISSION

Capital allocation on mission critical investments is a challenge for many hospitals and health systems. Many hospitals have chosen to minimize or defer capital investments in non-core competency assets such as central utility plants and other facility infrastructure assets. Properly developed and financed energy services projects can help hospitals reduce and manage energy costs, while funding important facility infrastructure renewal.



A recent Healthcare Financial Management Association publication entitled "How are Hospitals Financing the Future?" reported that half of the surveyed healthcare chief financial officers believe their infrastructure is deteriorating faster than they can make capital improvements. Statistics for average age of plant support these beliefs. HFMA concludes: "These findings suggest that deteriorating plants are likely to demand significant capital investment in the next five years."

Deferring energy efficiency and facility improvements leads to unfunded or even unrecognized capital expenditures and higher operations and maintenance costs for utilities, labor and repairs. This results in a subtle but steady decline in facility performance, financial performance and environmental stewardship. Increasing energy costs

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Inside This Issue

President's Message

Courage
IN LEADERSHIP

All good things must come to an end, and so is the case for my year as President of the 1st Illinois Chapter of HFMA. This has been both a challenging and a rewarding experience.

Hopefully, you have noticed that we tried to bring more value to the membership this past year in both education and networking opportunities, both of which the numbers would indicate we were successful in accomplishing. Our Chapter's education hours increased by over 30% this past year. We held numerous social networking events ranging from a White Sox outing, Casino Night and several receptions after education programs.

The Chapter's accomplishments didn't stop there; we also had 19 members become certified, the highest number in our history. Formed a partnership with St. Francis University to not only attract student members, but also provide our membership with the ability to further their education at a preferred discounted rate. Finally, we initiated a scholarship program for our members and their children. A program that was very well received and allows 1st Illinois to invest into future leaders that are associated with our chapter.

All of this could not have been achieved without the outstanding support of my fellow officers, board members, committee chairs, committee members and the complete membership that provided the time and effort necessary for 1st Illinois to continue the success we have had throughout the years. The volunteer support we receive from individuals who already have full time jobs is extraordinary. The results we achieve are a tribute to this volunteer spirit and I cannot thank everyone enough.

So I leave my position as President of the 1st Illinois with two thoughts. First, the people within our chapter are what make it work and I will always cherish the friendships that I formed and the support they have given me this past year. Secondly, I want to thank everyone for the opportunity that has been afforded me in our chapter and I feel confident the future looks bright for our chapter.

It has been a pleasure to serve 1st Illinois HFMA, I look forward to seeing everyone at our Recognition Dinner on July 19th to toast our volunteers and another successful year for our chapter.

Sincerely,
Vince Pryor, President
First Illinois Chapter HFMA

First Illinois Chapter News, Upcoming Chapter Events & Committee Updates

2007-08 Committee Chairs and Co-Chairs

Committee	Chair	Co-chair
Accounting & Reimbursement	Pat Moran 312-602-3549 patrick.moran@plantemoran.com	Brian Katz brkatz@deloitte.com 312-946-2605
Awards	Brian Sinclair 847-227-2268 bsinclair@dnlhealth.com	
Certification	Rob Micek 312-355-3668 rmicek@uic.edu	
CFO	Dave Nelson 708-597-5204 Ext. 5204 nelsonda55@comcast.net	Jeff Rooney Jeff.Rooney@tatumllc.com 312-259-2574
Davis Chapter Management	Jim Heinking 847-706-9200 jheinking@hfri.net	
Education	Brian Sinclair 847-227-2268 bsinclair@dnlhealth.com	Elizabeth Simpkin 773-736-5146 esimpkin@thelowellgroupinc.com
Golf	Dan Cook 312-523-6041 dcook@aimhealth.com	Ron Hennings 630-424-4016 rhennings@pellettieri.net
IHA	Tom Jendro 630-276-5515 tjendro@ihastaff.org	
IT	Linda Klute 630-258-1051 linda.klute@tatumpartners.com	John Brugioni 478-783-0200, Ext. 262 jlbrugioni@aol.com
Joint Ventures	Katherine Murphy 630-916-8818, Ext. 234 Katherine@Nebo.com	
Managed Care	Denise Cameron 773-250-1119 dcameron@neurosource.com	Grace Daigel 630-762-6898 grace.daigel@delnor.com
Medical Groups & Physicians	Elaine Scheye 773-989-9315 elaine_scheye@thescheyegroup.com	
Membership Directory	Jane Bachmann 708-383-1860 jbopil@att.net	Dave Golom 708-915-6107 dgolom@ingalls.org
Member Relations	Janet Blue 888-916-1166, Ext. 120 janet.blue@ontargetstaffinc.com	Tammie Jackson 281-296-1171, Ext. 1306 tjackson@cardonhealthcare.com
Mentoring	Pat Moran 312-602-3549 patrick.moran@plantemoran.com	
Mini LTC	Janet Blue 888-916-1166, Ext. 120 janet.blue@ontargetstaffinc.com	Guy Alton 773-962-4073 guyalton@stbh.org
Newsletter	Amanda Springborn 847-413-6964 amanda.springborn@rsmi.com	
Registration	Gail Walker 219-874-4684 gail.walker@cbcsnational.com	
Revenue Cycle	Michelle Holtzman 847-496-5740 mholtzman@emdeon.com	Elise Lauer 312-926-2784 elauer@nhm.org
Social	Janet Blue 888-916-1166, Ext. 120 janet.blue@ontargetstaffinc.com	Guy Alton guyalton@stbh.org 773-962-4073
Sponsorship	Jim Ventrone 847-550-9814 jmv@ventroneltd.com	Julie Haluska 847-328-6122 julie.haluska@search.america.com
Strategic Planning	Guy Alton 773-962-4073 guyalton@stbh.org	Jim Watson 630-928-5233 jim_watson@PBCGroup.com
Website	Athena Peterson 847-706-9200 apeterson@hfri.net	

From the Departing Editor

As we transition into the 2007-08 Chapter Year, I wanted to reflect on many of the changes that have occurred during the previous year – as we know, healthcare is not an industry that remains stationary for very long and it is very positive to see that our chapter embraced change and some different directions this year.

First Illinois tried some new approaches this year – a scholarship program to help develop the future healthcare leaders; additional educational programs to the members – our membership continually asks for more programming in order to remain updated on current issues; different vehicles for delivering education, and more social events.

First Illinois Speaks had as a primary goal to continue to bring value to our membership publishing articles and information that have relevance to today's environment; providing and promoting HFMA resources to membership; and seeking membership's input to the content of the newsletter. We believe that the range of topics covered during this past year was not only informative but represented the interests of our membership.

We were also excited to dedicated a portion of the newsletter to update the membership on HFMA events, both locally and nationally, as well as how to locate other information through HFMA's resources, including the revamped HFMA website – www.hfma.org and our own First Illinois chapter website – www.firstillinoishfma.org.

We could not have produced the newsletter this past year without the support of both our sponsors and our membership and we continue to be appreciative for all the input and support that the editorial staff receives.

First Illinois Speaks will continue to be the member newsletter – and although I will be stepping down to pursue other healthcare related opportunities and regroup, I am confident that the incoming editorial team, lead by this year's **Newsletter Editor, Amanda Springbom**, will continue to represent you the member to the best of our capabilities. I encourage you to become involved in providing additional support and direction for these initiatives.

Please free to contact any of us if you have any questions/comments/suggestions or if you are interested in volunteering your efforts towards *First Illinois Speaks*. We are looking forward to another great year of information sharing and education!

2007-2008 First Illinois Chapter HFMA

Jim Watson, President
Guy Alton, President Elect
Mike Nichols, Secretary
Pat Marlinghaus, Treasurer

Board of Directors (*Terms Expire 5/31/08)*
Elizabeth Hills
Eleanor Michalek
Carl Pellettieri, J.D.
Vince Pryor (Past President)

Board of Directors: (*Terms Expire 5/31/09)*
Janet Blue
Robert Maziarka
Robert Micek

Strategies for Smart Technology Acquisition

BY MATTHEW DOOLEY

In the area of Information Technology (or "IT") change is inevitable. Managing for that change is essential. Although planning for unplanned change may sound like an oxymoron, there are strategies you can employ to insulate against the vagaries of change. By understanding what drives change in your business; focusing on the potential and desired outcomes; and knowing what options are available in the marketplace, you can make smart decisions that mitigate the risk associated with change when acquiring technology equipment.

Business executives are challenged with building the most effective and efficient IT infrastructure to meet the rising demands of internal and external customers - all while trying to increase revenues, reduce costs and manage change. This can be quite a feat given the many external and internal variables at work. Forces that drive change include: the economy, growth, industry, customers, increased competition, mergers and acquisitions, divestures, internal infrastructure demands, technological innovation or lack thereof, profitability pressure, and changes in government reimbursements, methodologies, and regulations such as HIPAA and Sarbanes Oxley. Specific to IT, the need for improved healthcare provider connectivity and migrations in content management force constant change within an organization.

All of these forces may cause you to add people or downsize, increase or reduce infrastructure, change platforms or invest in new

technology. When acquiring or merging with another company, human resources, processes, and IT integration are enormous challenges that often spell success or failure for the new company. Regardless of the source, organizations need to have the ability to react quickly and make the necessary adjustments. In IT, this may mean a new platform, adding or upgrading new high tech equipment and software.

Building the most efficient and effective IT infrastructure is an ongoing challenge and one that is

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HFMA Events

Healthcare Finance: Paint It (in the) Black

January 18, 2007

The joint Revenue Cycle/Accounting & Reimbursement Committees' education program, "Healthcare Finance: Paint It (in the) Black was held at the William Tell Holiday Inn in Countryside, Illinois on January 18, 2007. This year's second combined track seminar presented an additional professional development and networking opportunity for revenue cycle specialists.

As with the first such program in October, 2006, the Revenue Cycle and Accounting & Reimbursement committees organized a general session in the morning and separate Track A – Revenue Cycle and Track B – Accounting & Reimbursement break-out presentations in the afternoon. The joint seminar allowed for relevant healthcare topics for all attendees, as well as specialized information in the individual tracks.

In the General Session, repeat speaker, John Bomher, Senior VP, Health Policy of the Illinois Hospital Association provided an insightful and informative State of Illinois legislative update, which included Medicaid and charity care. Mary Rauschenberg of Deloitte Tax LLP discussed the importance of preparing for tax exempt status revocation. During her presentation, Mary discussed key points, including:

- the history and future of community benefits and charity care, the community benefit standard, legislative and State Attorney General investigations, property tax challenges, and
- the importance of calculating the amount of community benefit / charity care rendered.

Tom Luetkemeyer of Hindshaw & Culburtson LLP offered an insightful discussion on union organizational activities, providing examples of local area campaigns, current union issues, indications of union activity and ways in which hospital management has been responding to union campaigns. To conclude the morning session, our own First Illinois HFMA President-elect Jim Watson of PBC, Inc. gave a comprehensive presentation on new health care benefit plans and the impact to a hospital's bottom line. Jim's presentation included a discussion on health plan transformation, consumer-driven health plans and options, the Medicare Part D benefit and implications to consumers and providers.

Thomas Luetkemeyer

The afternoon break out sessions took participants down two varied paths:

In Track A – Revenue Cycle, the lead-off speaker Marilyn Niedzwiecki of Children's Memorial Hospital, outlined the why's and wherefore's of ensuring most complete revenue capture that goes beyond the basics of a "clean" charge description master. From there, the next two break out presentations dealt with the technology and means to improve revenue capture at the earliest point - the front end of the cycle. Bruce Nelson and George Sakelaris, of Search America and Emdeon Business Services, respectively, detailed for attendees the key advantages to be had in early patient financial responsibility assessment, from both the financial and corporate mission sides, by use of technology that works with current internal hospital systems. Patti Denham, Assistant Vice President for MedAssist, Incorporated, provided further direction, as she discussed workflow strategies and pitfalls to be avoided in dealing with the underinsured as well as the uninsured population, when helping them through the financial process.

In the Track B - Accounting & Reimbursement session, Christopher Keough of Vinson and Elkins LLP provided a thorough Medicare DSH update, including a discussion on Ruling 97-2 litigation issues, SSI fraction litigation issues, and issues related to allowable vs. non-allowable Medicaid inpatient days in the Medicaid fraction of the DSH calculation. Pete Harmon of Health Financial Systems discussed Transmittal 16 issues and provided an update on CMS 339 Transmittal 6. Alicia Faust of RSM McGladrey discussed cost savings techniques for self-funded hospital employers. Her presentation focused on an industry background, current issues impacting group health plan costs and how organizations are effectively managing health care costs.

Mary Rauschenberg

Finally, in the closing General Session of the day, Ray Swisher, Branch Manager of CMS, provided a very dynamic presentation on the Medicare Advantage Program.

Katz, Holtzman, & Moran

HFMA First Illinois Chapter was able to provide an environment conducive to l earning, exchanging ideas and networking with peers. A special thanks to the speakers and Revenue Cycle and Accounting & Reimbursement committee members who made thisanother successful program!
You can reach committee chairs Michelle Holtzman at mholtzman@emdeon.com, Pat Moran at Patrick.Moran@plantemoran.com or Brian Katz at brkatz@deloitte.com.

HFMA Events

Midwest Summit on Pay-for-Performance

April 19th, 2007

The First Illinois Chapter HFMA presented an additional educational offering to its membership this past April, sponsoring the first "Midwest Summit on Pay-for-Performance" and held at the University Club in Chicago. With consumer-directed healthcare transforming the market through demands for quality and price transparency, the impact on payers, employer, advocacy groups and consumers seeking public reporting of quality and cost measures are increasing. The day's program was designed to bring together industry thoughtleaders to address the complexity and interrelated issues. Nearly 100 participants were in attendance to hear a insightful group of speakers, including Charles Lauer, longtime editor and publisher of Modern Healthcare, and industry executives representing Premier Healthcare, Navigant Consultant and NGS.

Charles Lauer, Modern Healthcare Speaker

After an introduction by 2006-07 Chapter President Vince Pryor and overview of upcoming chapter events, Vicki Austin – Founder of Choices Worldwide – provided a brief introduction of the day's keynote speaker, Charles Lauer. Mr. Lauer is the long-time editor and publisher of Modern Healthcare, and also served as Ms. Austin's former boss and ongoing mentor throughout her career. Mr. Lauer, in addition to his significant experience in the healthcare publications industry, is also known as an accomplished public speaker and the author of the book "Soar with the Eagles".

Roger Jones, FACHE, MBA, RD provided some perspective on the Quality and Cost debate as it related to Premier's Hospital Quality Incentive Demonstration (HQID). The shift in quality has moved from a singular individual being in charge of quality to a more widespread organizational adoption of "everyone in a hospital is responsible for quality". Key findings addressed by the HQID centered about hospital costs, mortality, compliciations, readmissions and the length of stay – huge opportunities exist for industry in terms of cost savings, avoidable deaths, unnecessary readmissions, and avoidance of complications.

Kathy Connolly, RN of Premier Healthcare presented the audience with a case study in "Quality and Cost in Obstetrics". Key elements of this case study centered around the need for standardization of terminology, partnering with select hospital systems in order to gain measurable results, the need for the complete alignment between physicians and administrators and an overall focus on the trends and results based upon employing quality and cost measures.

Kathy Connolly & Roger Jones, Premier, Inc.

Dan Yunker, Metropolitan Healthcare Council

Dan Yunker of the Metropolitan Chicago Healthcare Council was featured as the day's lunchtime speaker, providing the audience with an up-to-date ticker on legislative issues, particularly related to charity care and property tax threats, despite the fact that there is a continual shifting of issues on the legislative front. Included in his presentation was a focus on the current state of the uninsured crisis, the need for universal coverage and proposed healthcare savings, community benefit initiatives sponsored by local healthcare systems in response the charity care debate, and the current state of unionization activities.

Michael Nugent of Navigant Consulting focused his presentation around the long term plans and solutions as they relate to management of the pricing and contracting aspects of Pay for Performance. Some of the key topics discussed centered around the industry's willingness to actually do P4P, versus what is actually being accomplished. Among Mr. Nugent's key takeaways were the personalization of transparency, the need to consider an overhaul or rethinking of pricing, budgeting and contracting strategies to more aligned with transparency and quality and the need for Pay 4 Performance to really have an influence on an organization's decision making.

Liz Simpkin, Education Committee Chair

Brian Sinclair Education Committee Chair

Michael Nugent, Navigant Consulting

Michael Davis of the NGS Midwest Region closed out the day's providing an overview of the steps that the United States government is taking with regards to adoption of Pay for Performance methodologies, including barriers such as plan and NPI issues as well as value based purchasing initiatives, including the challenges of moving Medicare from a passive payer role to an active purchaser. Mr. Davis' program concluded with an on-line demonstration of some of the tools available.

Overall, the program was well received by the participants – after the close of the day's educational program, attendees hade the opportunity for some fellowship and informal network at a post-program cocktail hour at the University Club. The First Illinois Chapter HFMA wishes to thank all the program speakers for their contributions to a innovative educational program; additionally, special thanks to Brian Sinclair and Liz Simpkin, Chapter Education Co-Chairs for their coordinated efforts in program planning and to Mike Nichols, Chapter Treasurer, for his efforts in securing ideal space at The University Club of Chicago.

Michael Davis, NGS Midwest Region

HFMA Events

Joint Venture – Partnership for Perfection!

BY KATHERINE MURPHY, NEBO

Recently I was sent information about the original Illinois "Admitting" professional organization, dating back to 1975! What a treasure trove that was for a Patient Access junkie like me! These historical Hospital Admitting Manager's Association (HAMA) documents will now be safely kept in the archives of aIPAM.

Curiously, as I read through the papers, meeting minutes and pamphlets I noticed that in some regards, many issues have not changed! On the agendas for meetings of that bygone era was:

- The Uniform Billing Project (UB-16)
- Discharge Planning
- The changing Role of the Admitting Officer
- Cost Containment
- HMOs
- Establishing Polices for Charity Care
- A Five-Step Approach to Avoiding Excessive Uncompensated Care
- "Computerization", Hospital Information Systems
- The Launching of NAHAM – the National Association of Healthcare Access Management

We have ALWAYS had a revenue cycle, uninsured and under insured patients as well as requests for price quotations (transparency). Surely, these are not entirely new concepts.

What has changed is how these issues are managed! By identifying the stakeholders and partners needed to buoy healthcare initiatives collaboratively we are experiencing a maturation of healthcare financial intuitiveness

It delights me and the aIPAM constituents that the support and partnership from First Illinois Chapter HFMA has been strong and consistent. Participating in and co-sponsoring our conferences such as Access Floats Your Boat, Access Gone Wild and Access Sets the Stage have helped our "new" Illinois Access organization succeed to higher levels. It's my dream come true at last – the right brain and the left brain waltzing together!

Access Gone Wiild Attendees

We look forward to many more exciting healthcare adventures as Access and Finance work together Next on our aIPAM calendar is the October 4th event: Knights of Shining Access. Come join in the fun and along the way, please count on the Patient Access Professionals in aIPAM to reciprocate by jointly supporting and sponsoring HFMA events too!

Katherine Murphy is Director of Access Services for NEBO Systems, Inc. and is an active member of HFMA and aIPAM. Katherine is a frequent contributor to HFMA events and will be serving HFMA during the 2007-08 Chapter Year as the Chairman of the Joint Ventures Committee. She can be reached at Katherine@Nebo.com

Access Gone Wiild Attendees

Access Gone Wiild Participants

Access Gone Wiild Attendees

12th Annual CFO Committee Education Session/GOLF OUTING

Thursday, May 10, 2007

The 12th Annual CFO Committee Education Session/ Golf Outing was held on Thursday May 10th at Medinah Country Club. The education session focused on Executive Leadership and Mentoring and was attended by over 70 healthcare executives.

Former CFO and Chapter President Steve Berger, now President of Healthcare Insights opened the education session with an overview titled "The Leadership Imperative". As always, Steve got everyone focused – this time on what leadership is all about.

WLS-TV personality and Bill Campbell inspired attendees through his message of being Positive on Purpose. He focused on how we all can make a difference in people's lives by formal and informal mentoring.

Michael Doody, Senior Vice President of the professional search firm of Witt/Kieffer held everyone's attention with a presentation on Exceptional Leadership – What is it? and How to practice it. Mike's message of team development and succession planning (or lack thereof in healthcare) led to much discussion later during the panel discussion.

Steve Gravenkemper, Ph.D. of Plante & Moran PLLC did a wonderful job of reminding us of the human side of the business we are in, and focused on Building a Culture of Excellence. His presentation left us all with tools to use and pitfalls to avoid to take home with us.

All of the speakers participated in a great panel discussion with insightful questions from the audience regarding leadership development and mentoring. We would have gone on forever, but for a beautiful day outside and a lovely golf course. Medinah Country Club was a wonderful setting for the education session, golf, and reception afterwards. Our thanks to Carl Pellettierri for arranging the outing.

Guy Alton, Co-Chair CFO Committee

Bill Campbell, Julie Haluska, & Dan Johnson

Program Attendees

Mentoring & Coaching Panelists - Michael Doody, Bill Campbell, Steven Berger & Steve Gravenkemper

Billing in Today's Healthcare Environment

BY ROBERT V. JACOBS, CPAM

The management of accounts receivable continues to be one of the most important issues within the healthcare community.

As we know, there are many factors that affect the patient accounts department ability to manage the receivables. Billing continues to be one of the most important elements within the revenue cycle.

As we all been told at some times in our careers, " If the hospital bill does not go out the door, then the money does not come in the door ".

What does this mean ?

Billing depends upon a number factors that does not always come within the billing area. The admitting and medical records department are two (2) of the departments that accurate and correct information needs to be obtained.

ADMITTING / REGISTRATION:

The process of obtaining and capturing the correct demographic/ financial information must start at the port of entry, or at the time of pre-registration.

If these important times are not utilized timely then the information must be obtained while the patient is in-house at the hospital.

Accurate and concise information gathering is the key to a successful registration program and will assist the billing department. The major items to address is as follows:

- Make sure the information is given timely
- Make sure the information is complete
- Make sure the information is consistent
- Insurance verification must be done quickly and be accurate, and
- a tracking system must be in place to allow for all of the accounts tobe verified.

CHARGE PRODUCING DEPARTMENTS:

It has been shown both the medical records and the charge producing ancillary departments has a direct effect on the billing process. The charges must be timely and not have delays in getting the bills produced within the set time period established by the hospital. A major hold-up can be attestations coming from the physician side. Also late charges will cause a delay in the process, and most hospital facilities have set up policies to deal with this issue. Standards and reports are to be reviewed on a weekly basis in order to maintain
a good level in the Discharge Not Final Billed category.

BILLING PROCESS:

For hospital bills to be paid within the set time determined within eachfinancial class then the bills must be accurate. Any billing errors must be corrected and with the number of hospitals using a scrubber base vendor system the bill should reach the insurance carrier as a clean remittance.

The billing office should be staffed with experience billers that will allow them to concentrate on the billing task. Any follow-up duties need to take place following the initial daily billing cycle.
You need to stay away from paper billing, as this will delay payment processing up to a four (4) week period.

Standards should be established and the billing staff must understandthese goals. Quality is one of the key elements to successful billing and payment reimbursement. Having a production oriented department will allow you to get the results you are looking to obtain.

Most hospitals are doing a better job on the "re-billing process," but you must stay focus on accounts that the insurance company claims never receiving and the number of re-bills that take place at your facility.

Listed below are some of the items that will help you lower any re-billing problems you might have occurring:

- Use pre-registration to improve the billing information
- Train your registrars on billing requirements
- Keep insurance update on the master file
- Learn and understand your 3rd party requirements
- Use a good electronic billing system
- Track reasons for rejections and rebills
- Develop a good solid re-bill policy
- There is a number of ways to set up your Billing Department. The "best way" is the way that will work for you and your staff.
- Billing spilt by alpha
- Billing and follow-up combined
- Billing by payer specific

IN CONCLUSION:

The complete billing process is one of the key components to successfully managing accounts receivable. I suggest that all patient account directors should review their billing process for both inpatient and outpatient in order to determine they are using all the necessary steps to have the bill be is as clean as possible.

ABOUT THE AUTHOR:

Robert V. Jacobs has over twenty (20) years of healthcare experience. He began his healthcare career at a large inter-city unionized medical center.

While working in a Catholic Hospital, his success for the financial turnaround was featured in a healthcare magazine. He had worked at a behavioral health hospital before joining a hospital consulting/revenue cycle agency, which incorporated process improvement at over thirty (30) hospitals in Indiana. In 2000, he joined one of the largest hospital chains and was highlighted in a leading receivable magazine as having one of the ten best hospitals in revenue cycle practices in the U.S. Currently, he is working for a large hospital chain as Director of Revenue Cycle Services.

He is an active member of the HFMA, AAHAM, and NAHAM health state organizations.

Financing Hospital Energy Services (continued from page 1)

compound these challenges for energy-intensive healthcare institutions with around-the-clock operations.

Energy services projects require significant design, engineering and development efforts to create projects that are technically and economically compelling for the hospital's facilities and financial executives.

Getting Started

There are typically three parties involved in an energy-services project transaction:

- the hospital or health system (end use obligor)
- the energy services company (ESCo)
- the lender or investor representing the broader capital markets.

The first step in developing an energy services project is a thorough assessment of the existing energy and operational costs, supported by a detailed engineering analysis of infrastructure assets and systems. This process, commonly referred to as an investment grade audit, is normally conducted by an independent third party ESCo or engineering firm working in partnership with the hospital. The objective is to identify opportunities for greater efficiency and to suggest a mix of facility improvement investments, energy conservation measures and operational changes to produce savings.

In many cases, projects are developed to be self-funded, meaning the savings achieved are greater than the cost of the project, with the savings guaranteed by the ESCo contracted to do the work. Other times, projects are developed to satisfy acute technical needs, such as additional heating and cooling capacity for facility expansions or improved conditioning of existing space such as operating rooms or patient towers. Such projects might not be self-funding, but are usually developed to achieve maximum energy efficiency and lowest lifecycle cost with the ESCo assuming guaranteed performance obligations.

Healthcare executives are faced with varying financial objectives for facility renewal. The energy services market offers a wide range of technical and financial solutions.

Private Placement, Tax-Exempt Financing

The most common solution that results from an investment grade facility audit is an energy performance contract (EPC) project. EPC projects are developed to be self-funding, meaning the project costs, including financing and ongoing service, are less than or equal to the savings developed during the investment grade audit. The scope of work in an EPC project is dictated by the amount of savings identified. The larger the savings opportunity, the broader the mix of asset renewal, energy conservation and facility improvement measures that can be funded by the guaranteed savings.

Tax-exempt private placement debt is the most common financing solution for EPC projects. Tax-exempt debt is normally issued through the same financing conduit as the hospital's bonds and is typically structured with amortizing terms of seven to ten years or longer. By documenting the transaction as a tax-exempt lease or loan, the hospital is able to access attractively priced tax-exempt capital with significantly lower cost and greater ease than a public bond financing. Because the issuance, underwriting and documentation of private placement financing is highly standardized, transactions can be completed in as little as two months from origination to closing. The overall efficiency of private placement financing enables borrowers to issue tax-exempt debt as small as $2 million or less and still achieve significant savings over commercial rate debt financing.

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Financing Hospital Energy Services (continued from page 11)

Off-Balance-Sheet Financing

For institutions concerned about adding leverage to their balance sheet, off-balance-sheet financing is available.

The most common approach to achieving off-balance-sheet accounting treatment is to structure the energy project financing as an operating lease. To do so, the lease must satisfy the lease classification criteria of Statement of Financial Accounting Standards No. 13 (FAS 13) which governs lease accounting. To obtain such off-balance-sheet treatment, operating leases are usually structured with relatively short terms, ranging from three to seven years.

Off-Credit Financing

For many healthcare institutions, the key structural objective is actually off-credit financing of their energy services projects. This objective may be driven by internal capital policies, balance sheet impact, credit capacity concerns, external credit analyses and strategic interest in outsourcing non-core competencies such as facilities management and central plant operations. In this case, the structural solution is a highly customized transaction wherein the customer pays for energy services under some type of long-term contract, such as an Energy Services Agreement, Utility Services Agreement or Shared Savings Agreement. In order to gain off-credit treatment, these contracts must be truly executory, requiring ongoing performance by the parties and not containing a mandatory payment obligation based upon the passage of time. The customer's payment obligation is based upon outcomes, such as actual energy savings or the provision of thermal power.

Structuring an off-credit energy services transaction requires close collaboration among the three key parties: the customer, the ESCo and the lender or investor. Although the parties share the objective of achieving an off-credit transaction for the customer, each party also has their own requirements and limitations to consider. Therefore, it is essential for the parties to work closely in good faith negotiation to achieve a successful result, the basic framework of which would include a contingent "pay-for-service" payment obligation for the customer, a clean sale of the project assets by the ESCo in conjunction with an ongoing services agreement and a bright line separation of performance and credit risk for the lender or investor.

Summary

By being aware of investor solutions and working collaboratively with a knowledgeable and experienced financing partner from the earliest stages of project development, hospitals and their ESCo partners can avoid delays and develop compelling financial solutions. The capital markets have an unlimited capacity to fund creditworthy, properly structured energy services transactions. Whether the concern is cost of capital, balance sheet impact or credit exposure, there are numerous solutions available with experienced capital providers.

Jim Thoma is Senior VP, Bank of America Energy Service Finance; Geoffrey R. Culm, is Senior VP, Bank of America Energy Service Finance and Jeffrey K. Hollister is Senior VP, Bank of America Healthcare Finance.

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Coming in the August/September First Illinois Speaks"

Presidents Welcome
Committee Updates
Recap of May 2007 Chapter Golf Outing
News from National
National Officer Announcements
Feature article on Bad Debt
Member spot – Medal of Honor Recipient Linda Klute

New Members

(continued from page 15)

Kristi Rote
Director of Finance
FVO Administrative Services, S.C.
Monica Rusu

Mary Ryberg
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Illinois College of Optometry

Jerry Schissler
Assistant Budget Director
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Lake Forest Hospital

Tara Tesch
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Kathleen Thomas
Senior Vice President
Oppenheimer & Company, Inc.

Strategies for Smart Technology Acquisition (continued from page 4)

inherently full of risk - business risk and technological risk. Mitigating risk in today's healthcare environment is imperative to success. You can no longer separate IT from an organization's overall business strategy. Organizations depend on technology to reduce costs and increase productivity. It is a mistake to view IT merely as an expense or a percentage of revenue as opposed to a strategic tool. The idea that software and equipment should be utilized as long as possible and budgets should be reduced regardless of possible opportunity costs ignores the realities of today's competitive healthcare environment.

Therefore, when building your infrastructure, give thought to the best way to acquire the needed technology. Consider the unique characteristics of the technology under consideration, including rapid depreciation, short useful life, and unpredictability. Manufacturers are constantly introducing new generations of technology that often cost less and perform better. Conversely, old equipment costs more to support and maintain over time. Costs are absorbed through loss of productivity, extended maintenance contracts, low morale, and poor service. Eventually, an organization must determine its tipping point.

When acquiring technology equipment or any asset, you have numerous options including: ownership, traditional forms of leasing and a "use model". If ownership is important, using cash or credit facilities, such as bank lines or bonds, are viable solutions. Organizations that choose to own, usually do so because they have access to cash and a low cost of capital, they think the asset will have a long useful life, or they believe that ownership gives them more control over unplanned change.

A second strategy is to use a traditional form of leasing. Organizations use traditional leasing to conserve cash, have a predictable payment, combat obsolescence, or to take advantage of accounting benefits. Generally speaking, ownership and traditional forms of leasing make sense when acquiring long-term assets with a predictable life and no need for change.

A third strategy specific to technology is a "use model". If IT's objective is to create the most effective and efficient infrastructure at the lowest overall cost on an ongoing basis, a "use model" should be considered. Specifically in instances where the organization is growing and acquiring technology equipment they plan to use for less than five years, this model can result in a true competitive advantage. Because technology equipment is volatile and obsolescence is a concern, a "use model" enables organizations to acquire the right equipment at the right time – while only paying for what it uses as it uses it.

Under a "use model" the technology is put into an environment of freedom and flexibility where equipment can be swapped out, upgraded or changed to support IT's objectives at any time, without penalties or fees – resulting in the lowest overall cost to acquire and use technology. By creating an environment of freedom, both business and technological risks are reduced. IT can make needed changes while avoiding financial resistance in the form of a book loss or a negative ROI. As a result, the "use model" eliminates the risk you will be stuck with a sub-optimal technology environment.

Understanding which strategy is right for your organization depends on a number of variables such as the type of equipment, useful life, resale value, appreciation or depreciation, cash flow, leverage, growth, costs of making a change or holding on too long. The impact of outside forces on the asset or your organization also needs to be considered. For instance, if you own technology equipment and need to make a change to your infrastructure as a result of a government regulation, competition, or a change in the economy, how will you react and how will it impact the organization?

When you are ready to invest in IT and medical technology ask what could cause change, can we prepare for it, and how will we react? Take the initiative to understand all of your options and you will make better decisions for your organization. Specifically, when it comes to IT, employing a "use model" could save you money while maintaining the needed flexibility to mitigate the risk inherent with technology and unplanned change.

Matthew Dooley is a member of HFMA and a manager with Winmark Capital Corporation. Winmark Capital is a financial integrator that provides tailored lease finance solutions for acquiring and using technology. For more information on use based models, please contact Matthew763-520-8653 or at mdooley@winmarkcorporation.com.

New Members

The First Illinois Chapter would like to welcome the following professionals who joined the chapter since January 2007:

Crystal Allison
Director of Internal Audit
Advocate Healthcare

Robert Andrews
Director
Houlihan Lokey Howard & Zukin
Director

Chelle Arends
Executive Recruiter
Cfs, An Affiliate Of Crowe Chizek

Denys Ashbyt
Sales Executive
Eclipsys Corporation

Peter Asmuth
Senior Consultant
Navigant Consulting

Michelle Banks
Director Revenue Cycle Management
Regent Surgical Health

Scott Baruch
Regional Manager
Bidshift

Sharon Basinger
Manager
Provena Mercy Center

Jeffrey Bauer
Partner
ACS Healthcare Solutions

Brian Beck
Senior Associate
RSM McGladrey

David Becker
Accounting Director
MedHQ

Ryan Bell
University of St. Francis

Wayne Berscheid
Manager, Managed Care
Edward Hospital

Tadas Birutis
Vice President, Business Development
Strategic Sourcing Results

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Professional Business Consultants

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John Bodin
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LeMonte Booker
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Uhlich Children's Advantage Network

Karen Bottorff
Director, Decision Support
Provena Health

Jim Boyly
Account Executive
GRM

Tammy Bremer
Senior Accountant
Centegra Health System

Susan Brenkus
Vice President, HR & Facilities
HFMA

Toyis Brister
Manager, Financial Counseling
Northwestern Memorial Hospital

Elisa Brown
Assistant to the CFO
Adventist GlenOaks Hospital

Anne Chappuie
Vice President
Maximus

Carol Chavez
Regional Director of Business Development
Amerinet

Tony Chen
Director, New Business Development
Evanston Northwestern Healthcare

Clayton Ciha
Director, Business Development
Alexian Brothers Behavioral Health Hospital

Nicolle Cioffi
Associate
Mercer Human Resource Consulting

Lauren Clemons
Senior Healthcare Consultant
RSM McGladrey

Lori Conway
VP, Finance and Integration
Cardinal Health

Marta Corral
Supervisor, Patient Accounts
Provena Mercy Center

Margot Cowan
Director of Finance
Northwestern Medical Faculty Foundation

Danika Davis
Sales Coordinator
AHA Solutions, Inc.

Robert Delucia
Consultant
Advantage Medical Solutions

Jean Dewinski
Director, Managed Care
Mt. Sinai Health System

Kimberly Dickens
Marketing Association
GE Healthcare Financial Services

Edmund Dietrich
VP of Finance & CFO
American College of Healthcare Executives

Anthony Dipenti
Client Executive
McKesson

Robert Downing
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Joint Commission

Michael Eaton
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Global Health Direct

William Epcke
Sr. Account Executive
Experian

Robert Ernst
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Alliance Imaging

Sarah Escareno
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Provena Mercy Medical Center

Richard Ferraro

Christina Finkle

Charles Fischer
Managing Director
RSM McGladrey

Lou Fragoso
Assistant Controller
Children's Memorial Hospital

Jeannette Garber
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Advocate Lutheran General Hospital

Stuart Girk
Account Executive
The Midland Group

Kathleen Goryl
Associate Director
Joint Commission

Barbara Graf
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Professional Business Consultants

Keith Grispo
McKesson Provider Technology

Robert Guenthner
Partner
Sonnenschein, Nath & Rosenthal, LLP

Mary Ann Hamer

Shawn Hamilton
Manager, Finance
Advocate Healthcare

Christine Hanover
Managing Director
RSM McGladrey

Maura Harrison
Controller
Maryville Academy

Susan Harrison
Student
University of St. Francis

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Grace Howell

Sherry Husa
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Reema Malhotra
Commercial Associate
Fifth Third Bank

Thomas Marcet
CFO
Prism Consulting Services, Inc.

Delora Marshall
Territory Sales Representative
HCFS, Inc.

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Brian Masterson
Recall Total Information Management

Natasya Mathein
Manager, Financial Reporting and
Business Systems
Evanston Northwestern Healthcare

Curtis May
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Pro-Tech Search, Inc.

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Rita Michelberger
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HCSC

Shawna Mikuluk
Crowe Chizek

Robert Miller
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Earthwise Environmental Inc.

Wydell Miskell
Account Executive
AHA Solutions, Inc.

Shirley Mobley
Trainer
Evanston Northwestern Healthcare

Thomas Moran
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John Morris
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Huron Consulting Group

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Sherman Health Systems

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VP, Patient Care Services & CNO
Lake Forest Hospital

Stuart Natinsky
Regional Sales Manager
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Justin Nemeth
Regional Sales Manager
Cit Equipment Leasing

Craig Newman
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Medical Capital

Shaina Newman
Analyst
Huron Consulting Group

Jill Nobel
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RSM McGladrey, Inc.

Katherine O'Rourke
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Lloyd O'Shea
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Northwestern Medical Faculty Foundation

Mahomed Ouedgraogo
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Access Community Health Network

Esther Park
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LMS, Inc.

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Steven Pedian
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A.G. Edwards & Sons, Inc.

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John Plepel
Associate
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Senior Account Manager
Dependon Collection

Brian Prokop
Associate, Healthcare Consulting
RMS McGladrey, Inc.

Scott Pryun
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Director, Business Development and
Planning
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Bill Rodakowski
Director of Sales
Netwerkes.com

Antonio Rome
Director of Accounting
Access Community Health Network

Ronald Rooth
Chief Financial Officer
Emmi Solutions

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Publication Information

Editor 2006-2007
Amanda Springborn.....(847) 413-6964 amanda.springborn@rsmi.com
Official Chapter photographer
Al Staidl
Advertising
Jim Ventrone.....(847) 550-9814 jmv@ventroneltd.com
Design
Jody Simons.....(773)235-2002 jody@pubsol.net

HFMA Editorial Guidelines

First Illinois Speaks is the newsletter of the First Illinois Chapter of HFMA. *First Illinois Speaks* is published 4 times per year. Newsletter articles are written by professionals in the healthcare industry, typically Chapter members, for professionals in the healthcare industry. We encourage members and other interested parties to submit materials for publication. The Editor reserves the right to edit material for content and length and also reserves the right to reject any contribution. Articles published elsewhere may on occasion be reprinted, with permission, in First Illinois Speaks. Requests for permission to reprint an article in another publication should be directed to Editor. Please send all correspondence and material to either of the editors listed above.

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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 **(PDF or JPG only)** 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.

Founders Points

In recognition of your efforts, HFMA members who have articles published will receive 2 points toward earning the HFMA Founders Merit Award.

Publication Scheduling

Publication Date	Articles Received By
August 2007	July 12, 2007
October 2007	September 11, 2007
January 2008	December 3, 2007
April 2008	March 13, 2008

first illinois speaks
hfma healthcare financial management association
A Newsletter from HFMA's First Illinois Chapter

Healthcare Financial Management Association First Illinois Chapter

Chapter Education Calendar 2007-08

Thursday, August 23rd, 2007
Social Event - White Sox VS Boston Red Sox
US Cellular Field

Thursday, September 20, 2007
HFMA 101
Location TBD

Thursday, October 18, 2007
Accounting & Revenue Cycle Dual Track Education Program
Location TBD

Thursday, November 15, 2007
IT and Physician Education Program
Location TBD

Thursday, January 17, 2008
Accounting & Revenue Cycle Dual Track Education Program
Location TBD

Thursday, February 7, 2008
Winter Social Event
Location TBD

Thursday, February 21, 2008
Emerging Issues Education Program
Location TBD

Thursday, March 20, 2008
Managed Care Education Program
Location TBD

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