

ON THE COVER

Autumn flowers at
Itasca State Park

VIKINGLAND VIEWPOINT

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REPLACEMENT/RENOVATION PROJECTS SIMPLIFIED

By Doug Montgomery and Allison Lunde, EideBailly

Today's environment is rich with hospitals from the Hill-Burton era in need of replacement or renovation in order to continue to provide quality care in their communities. These projects are often the most important development project the community will undertake and for the Hospital, it is often the most significant investment since opening its doors. Engaging in these projects unprepared and with inappropriate planning can create undue costs for the Hospital from added consultative fees and extended timelines to loss of community support. The following approach represents a best practice work plan for engaging in a successful re-

placement or renovation project which maximizes the Hospital's resources of time, financial, and human capital.

The first step in the process, debt capacity study, serves several purposes. First, it establishes a baseline for the amount of debt the facility has capacity to serve over a future period of time. The exercise utilizes both financial and operational assumptions to forecast the profitability and cash flows with varying levels of debt. This information provides invaluable information for the next stage of the process, the design. It sets a ceiling to ensure that the facility is right-sized not only for the community but

also for the Hospital's financial strength, and eliminates multiple stages of redesign and corresponding fees. The debt capacity analysis provides a window into operational inefficiencies, service line strengths and potential areas of concern for financing institutions. The Hospital should utilize this time in the process to focus on addressing these areas before moving forward, thus eliminating potential for future delays. Finally, the debt capacity study serves as the foundation for the feasibility study. By utilizing the same financial services firm for the future feasibility study, the Hospital is able to leverage work today for future requirements.

Continued on page 2



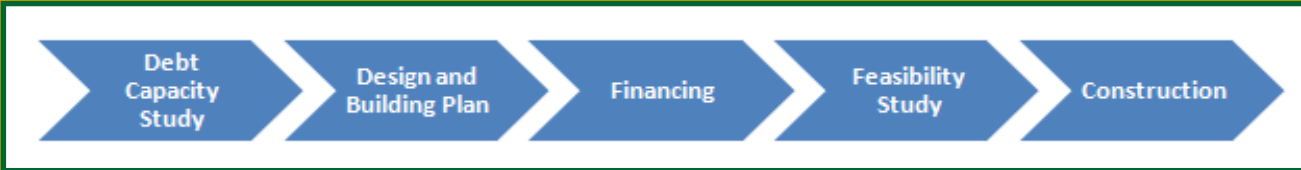
DO WE JUST BID FAREWELL TO QUALITY?

By Ray Costello, CHCS

You might guess this is about the impending storm over national health care in the provider world, and in one way it is. Those of you in Hospitals will need to tackle the problem to reduce costs while still maintaining the high quality of healthcare to which we all have become accustomed.

I suppose we might all agree there was fat in the provider world, and once the fat is taken away only decreases in quality will remain. But I'm really not qualified to address the issues in the provider world; I am here to address accounts receivable collections - my world. Receivable collection has been my industry for 30 years. And back then there were plenty of fat profits in collections. What old time agency owner doesn't long for the days of 40 percent collection rates?

Continued on page 3



Step two, the design and building plan, should include addressing the operational inefficiencies through the layout and patient / staff flow patterns. While the design should use the debt capacity results to drive its size and scope, the plan can be developed to fit the needs of the community today and provide avenues for future expansion. Additionally, the design must consider all opportunities to maximize the reimbursement for the facility. This step is often missed in unsuccessful projects.

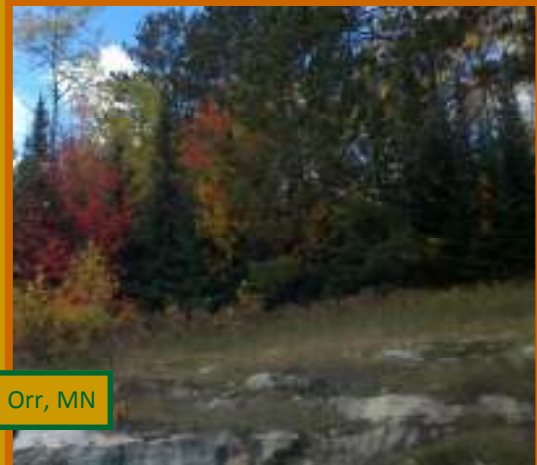
In Step three, a lending institution or investment banker typically outline the financing options available and provide the expertise on the current debt market. Working with the Hospital, they will weigh options such as government programs and revenue bonds to ensure the Hospital is securing the most sensible product for its financing needs while considering the associated risks. The due diligence of the debt capacity study provides significant assumptions as the starting point for investment bankers in identifying the right product for the Hospital.

Step four begins during or after Step 3, the Hospital should re-engage the financial services provider that conducted the debt capacity analysis. While assumptions and historical information may require updating based on the time lapse from the original analysis, the Hospital is able to leverage the previous work conducted and complete a full feasibility study in a

more efficient manner, utilizing the same team of consultants and ensuring minimal re-work.

The success of these projects is dependent on several critical factors. First, the project must include consideration for the community needs versus community desires. Changing demographics and population should drive the services to be provided in the updated facility, with the flexibility to change with future growth. Second, team members on the planning committee should include clinical and financial knowledge leaders to ensure the Hospital design is maximizing resources, providing efficiency and is cost-effective. Finally, the successful integration of all parties involved (architects, financial consultants, investment bankers, etc) should occur early in the process with one common goal of providing the best facility for the Hospital and the community it serves.

A Hospital replacement or renovation project is a long and necessary process for many facilities that are often one of the largest employers and only health care provider in their communities. We must continually emphasis, serving the needs of the community in the most efficient manner possible, while maintaining financial stability for the Hospital must be the driving force throughout the Project. The process outlined above will assist a Hospital in reaching its goal of a successful project.



Autumn on the Range. Orr, MN

Collection fee rates started to decrease with computer efficiency in the 1980s, but the fat got a trimmed as well. Some agencies knew how to work the systems better, and some supporting software companies had superior ideas. Although some still do know how to tweak their systems, most software companies have similar products. 40% was a common collection rate 30 years ago (before the computer age) and the technologically advanced agency briefly experienced rather large profit margins. In the early 90's competition and less expensive software reduced those margins and 33% became the new common rate as we all became computerized. Next came what may be considered advancements in the form of predictive dialers, and the common collection rate went from 28% to 25%; margins were disappearing and quality started to suffer.

Although technology generally makes us more efficient, it is not always for the better. One of the examples for efficient technology is in the area of phone calls to your patients. Many collection companies now use predictive dialers. Results from my own personal survey show that most people simply hang up before the connection is made. Speaking to a patient is still THE best way to resolve an outstanding balance, and non-dialer personal calls still produce a higher connection percentage.

And then there's skip tracing. The old fashion way to find information is a real person would take the time to call neighbors, or develop contacts at utility companies or other organizations that may have access to records within a local community. Agency staff may have requested a full credit report and from "inquiries" or credit card information, legally contact those sources for recent information. The information was current and agencies would generally be able to contact the person that owed the bill. This was legal and "need to know" information was not shared with anyone else outside of the credit world. Then along came privacy laws. Skip tracing is now reduced to batch processing accounts, or the information we can legally obtain has been commingled into large independent databases that, once mixed together, produces "recent" information that may be years old. Although agencies can legally contact sources within a community, the sources have been legally barred from providing any useful information - think HIPAA, FRCA, FDCPA. Collection personal have been warned about being sued over disclosing anything to anyone other than the person that owes the account. It's funny and sad at the same time when someone asks me how I obtained their Social Security number. Although it can't be published, agencies still have the right to that information from public sources, but not directly from the government (wouldn't THAT be sweet!). Unless a client provides us with employment information it is very difficult to obtain that at a reasonable cost.

In the collection agency world, you can either love or hate Requests for Proposals (RFPs). It seems as though RFPs are all about the lowest rate even though the potential client will ask all kinds of seemingly meaningful questions about the agency, trying to find a quality firm. From an agency's prospective there are only two types of agencies that win RFPs; the lowest rate agency, or the agency with an "in" with the provider. Oddly the most acceptable to me is the latter since at least theirs was not necessarily the lowest fee but "quality" may have been a factor.

Now it's appropriate to bring in the subject of quality of effort. The "fat" from the effort has been reduced or eliminated. Clients' volumes can make some difference as well as the average size of the accounts. *A collection agency can make a profit no matter what rate they charge*; a bold, but true statement. What will suffer however is quality. So what can an agency do in the effort to preserve a profit margin? Low rate agencies will sell you their version of a 12 step program:

1. Use predictive dialers. Less people answer but it looks good in an audit.
2. Use offshore "right party" programs.
3. Lower quality of collection staff by hiring cheap inexperienced labor.
4. Reduce the number of phone attempts and send more letters
5. Set high minimum balances that would receive any effort
6. Shorten talk time by only asking for payment in full.
7. Avoid payment plans.
8. Ignore anything regarding insurance.
9. Ignore ALL disputes past the required 30 day FDCPA period.
10. Gloss over charity care possibilities.
11. Reduce customer service back to the client's staff.
12. Batch skip trace regardless of inaccurate data results.

The more a client requires lower rates, the more the quality must decrease. You have a choice in your facility, either obtain the lowest rate that will produce the least result, or select a fair rate that allows your collection agency to maintain a quality effort. There is no "silver bullet" in the collection of self pay receivables. It takes a personal effort by a skilled medically oriented collector who can speak to your patients intelligently, has knowledge to resolve insurance or other issues, can set up reasonable/affordable payment plans when payment in full is not possible, and can identify and channel those that are truly in need to your charity care programs.

And those RFPs? Remember, it isn't all about the lowest rate; it's the value added service that will produce the results that flow to your bottom line.

Ray Costello, CHCS is the CEO of Colltech & Business Office Solutions, a 20 year old Minnesota based collection agency and outsourcing company.



PRESIDENT'S MESSAGE



Kicking the Can Down The Road

Another election season has passed – although it appears that we in Minnesota will have an extension again this year to see who will emerge as the winner in the gubernatorial race. As I went to the polls to cast my vote last week, I couldn't help but think what the next two years might bring. Legislative changes in the last two years alone have been monumental – perhaps the most significant among them the Dodd-Frank Wall Street Reform and Consumer Protection Act, the American Reinvestment and Recovery Act, and the Health Care Reform Act of 2010. Empowered by the voice of the electorate, the new majority is seeking to use their power to bring change to Washington or the statehouse – whether to overturn past legislation or introduce new initiatives.

I also can't help but think that the polarization (and money) that exists in (or drives) our two party system today poses the greatest threat to undermine the longevity of our great democracy. While I respect the different perspectives of Democrats and Republicans on the issues, I quickly lose respect for the system when I fail to see the two parties work together to compromise on legislative initiatives that urgently need attention – especially on such important issues as health care reform, an aging population, education, a comprehensive energy policy, and reducing the deficit. As a result, those in power are typically unable to do any more than perpetuate the status quo by kicking the can a few more feet down the road – sometimes down the left side – sometimes down the right.

The elected officials of this country and our state need to work together to do the work of the people. We need a greater show of bi-partisanship to get things done for the betterment of our country. We need to run our government like most responsible Americans run their own household finances – by spending prudently – by balancing our wants and our needs against the sources of income that are available to us, and by doing our part to share in our responsibility to better the world around us. We don't need more government – we need more efficient and cost-effective government. We don't need higher taxes - we need to live within our means. This type of grassroots legislative activism requires that we citizens get more involved in the legislative processes to help our elected officials solve our most urgent problems. We need to help our elected officials see that the best solutions to our problems don't necessarily always lie on the left or the right or some distance farther on down the road, but quite likely lie somewhere in the middle – in that part of the part of the road where tires traveling both directions have packed the surface hard and smooth. And furthermore, when we come across the inevitable bump in the road, we need to meet it head-on as we go – rather than seeking to avoid it and leaving it to someone else to fix.

I hope that each of you will take time following this election to visit with your elected officials about the important health care issues that affect your community and our country in the hope that our past and future efforts at reform can and will make a difference in an industry that has many financial and operational challenges. For our part, your chapter is committed to keep you informed about legislative developments through education and networking events. We hope that you will be able to join us at the Winter Institute to be held on January 27, 2011 at the Radisson in Plymouth.

Regards,

Jeff

Jeffrey.Gendreau@bakertilly.com



NEWSLETTITORIAL

My guess is the first thing you're wondering is how does one become a newsletter editor if they can't proofread? I mean really, Newslettitorial? Well, even though I love to make up new words, I can't take credit for this one; I've plagiarized it from its unintentional inventor, a newsletter editor from one of the chapters represented at the HFMA Leadership Training Conference last April.

Attending the leadership conference last spring provided me not only piles of information on publishing newsletters (like using catchy titles and including as many pictures as possible), but also a great lesson on the value of networking with other professionals within a common industry. Although each state has its own legislative issues when it comes to healthcare delivery, as a whole we all face similar challenges; and through networking with other healthcare financial managers can at the very least avoid reinventing the wheel from time to time.

You've already taken the first step toward easing your workload by joining HFMA. The network now awaits your active participation—Attend the conferences, webcasts, and other educational opportunities, begin the certification process if not already certified, and also Step-Up by becoming actively involved in your local chapter. It was through certification that my professional network began to grow, and becoming actively involved with the MN Chapter was to my network as water and fertilizer are to grass. No matter what challenge pops up in my day, I know there are dozens of healthcare professionals willing to offer advice, tactics, contacts, and lessons they've learned through the school of hard knocks. They are there for me, and I am there for them.

Open the doors, let your future enter— contact a MN HFMA committee chairperson and step-up your career!

Vera Schumann
Vikingland Viewpoint Editor



Mississippi River Headwaters - Park Rapids, MN



Mississippi Creek?? Itasca State Park, MN

Committee Updates



Certification

BIG NEWS in Certification!! A summary of the changes to the Certification program effective January 1, 2011 are as follows:

- One certification test compared to the two (Core and one specialty) currently required
- Test is broad based covering numerous topics within healthcare finance
- Tests are taken at testing centers— proctors are not necessary
- On-line study guides available – MN Chapter in process to develop criteria to make the study guides available to members
- No change in maintenance requirements

The Chapter will offer a webinar in early January 2011. Watch for further details.

If you have any further questions, please contact Bill Fenske at fenskeb@rice.willmar.mn.us or 320-231-4009

Education

The MN Chapter has had a busy past couple of months regarding education offerings. There have also been many free webinar offerings through National HFMA. In addition to the monthly Region 8 webinars, the MN Chapter co-hosted with the MN Hospital Association a 1 ½ day conference in Plymouth titled “Understanding the Future of Health Care Finance”. The conference led off with an entertaining and insightful presentation by Mike Max titled “Five Reasons People Succeed”. The agenda was excellent with a variety of speakers covering numerous topics including break-out sessions for PPS hospitals and for Critical Access hospitals. 149 people attended this conference!

On October 18th, the Chapter hosted its annual Medicare Cost Report seminar. The Regulatory Committee organized the seminar and Allina hosted the day-long session. 58 people attended this seminar.

As an FYI, the Regulatory Committee meets on a regular basis. If you are interested in attending these meetings which are available via conference call, please contact Jackie Hinderks at jhinderks@rice.willmar.mn.us or call 320-231-4425.

In addition to the upcoming educational offerings listed on page 9, the Chapter is looking to start a series of webinars. Stay tuned for further information.

The Chapter’s Education Planning Task Force is looking for new members. Please contact Bill Fenske at fenskeb@rice.willmar.mn.us or 320-231-4009 for further information.



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UPCOMING EVENTS

Region 8 Webcast

Second Tuesday of Each Month

National HFMA Virtual Conference

December 1 - 2, 2010

www.hfma.org/virtualconference

Winter Institute

January 27, 2011

Certification Webinar

January 2011

(Exact Date TBD)

Concordia Institute

April 7 - 8, 2011

CFO Conference

TBD

Watch for Email announcements for more details on upcoming events

CHAPTER CONTACTS

Chapter Officers

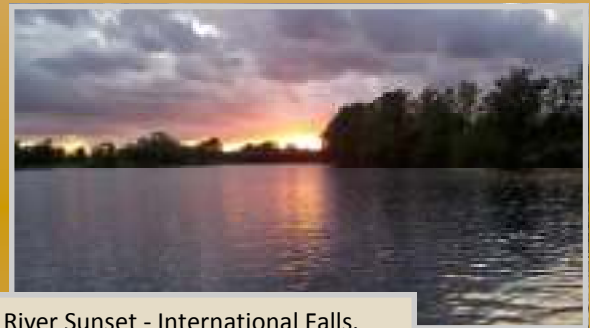
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Rainy River Sunset - International Falls,

Our objectives are to provide members with information about chapter and national HFMA activities and to provide a forum for reporting state and national issues relating to the healthcare industry.

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Vera Schumann, CHFP

VP of Communications, Newsletter Editor

vschumann@rainylakemedical.com

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