

# PIPELINE

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## President's Message

### Thank you for continuing to “Step Up” ... together!

Fall is such an amazing season, especially when the leaves begin to turn color and football season kicks into high gear! Like football coaches, health care professionals step up as well. We are all working to improve our game in efforts to ensure: optimal patient care, revenue cycle excellence, payer-provider partnering, and regulatory compliance while managing costs during these turbulent economic times!



As you are running down the field looking for support, HFMA is here to help make a difference for you.

Initiatives include:

- National HFMA (HFMA.org)
  - Health care reform webinar series
  - Online and HFM publications
  - HFMA “MAP” — Measure, Apply, Perform for revenue cycle
  - Virtual and national conferences
  - Membership survey (in progress now)
- Region XI Conference (hfmaregion11.symposium.org), Jan.23–26, 2011
- Oregon HFMA Chapter (oregonhfma.org)
  - High-quality quarterly educational meetings
  - Outstanding networking opportunities
  - Ongoing support for certification

- Online and *Pipeline* communications
- Quarterly problem solving

Everyone's talking about last week's HFMA fall meeting! Recognized author Greg Bell kicked off the event. Greg, founder of Water the Bamboo Center for Leadership, shared his profound presentation with the group. If you were fortunate enough to hear Greg, you heard the ultimate message of inspiration for individuals or teams to “water the bamboo” to remarkable results. Key take-aways included:

- Focus on the right 20 percent and focus on *people*.
- Get urgent with your values (values that count)
- Turn around negativity
- Ask “What's going *well* for you?”

Additionally, we had powerful discussions and knowledge sharing on health care reform, denial management and CFO mentoring to name just a few! Thank you Scott, Diana and Dan for sharing some of your playbook ideas with Team Oregon!

As the program committee prepares for our upcoming winter meeting, we will continue to listen to your voice! Key themes will include health care reform, professional and hospital revenue cycle excellence, in addition to a third reimbursement track.

In closing, I want to share a recent quote I

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## President's Message

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heard from OSU coach Mike Riley (OK, Duck fans, you know I'm a Dawg, so please work with me here!): "It's very possible to play better in the year, but it's *not* a given!" Therefore, we need to continue to Step Up to be the *best* leaders we can be, not only for our organizations, but ultimately for the patients and communities we serve. So go ahead, hike that ball! Have interest, get informed and be involved, so we can continue our winning streak together! Go Team Oregon!

Terrie Handy

Oregon Chapter President 2010–11

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## Ready, Set, Go Certified!

You may have heard that there is a new certification process starting in January. Now it will be easier than ever to pursue HFMA certification! So, what's changed?

- You now only need to pass one exam
- Training materials will be available online
- Certification is immediate once you pass the exam

For those of you already in process under the current system, there is still time to finish up. Just be sure to take your exam(s) by Dec. 31. If you end up needing a re-take, you will have until March 2011 to make it up.

Oregon HFMA takes certification very seriously and will continue to invest in its members by covering the new costs of the online study materials and exam. In addition, the Certification Committee will be preparing new training materials to help you develop a plan for success.

Currently, Oregon HFMA has some of the highest certification goals in the nation. Right now, 9.9 percent of our members are certified but we know we can be even better. By April 30 we want to get that number to 11 percent, an increase of about 9 certified members.

So, what are you waiting for? Your certification committee is here to help you get Ready, Set, and Go Certified! ☼

## HFMA's Virtual Healthcare Finance Conference

December 1–2, 2010

HFMA members: Free

Non-members: \$148 including special membership offer

"This is such a great idea! Programs on-demand, world-class speakers, and free!" — *Dina E. O'Leary, FACHE, manager, Health Plan Services, Northwest Hospital & Medical Center*

Don't miss the virtual event of the year! From the convenience of your office, access your choice of eight CPE-eligible live education programs and 10 on-demand sessions from industry leaders, including:

- HFMA president and CEO Dick Clarke
- HFMA chair Debora Kuchka-Craig, FHFMA, corporate vice-president, Managed Care, MedStar Health Inc.
- 2010 MAP award winner Jane A. Berkebille, vice president, Revenue Cycle, OhioHealth
- Lee B. Sacks, M.D., Executive Vice President, chief medical officer, Advocate Health Care, president, Advocate Physician Partners
- Rick Gundling, vice president of Healthcare Finance Practices; Suzanne Lestina, director, Revenue Cycle MAP; Chad Mulvany and Todd Nelson, technical directors, HFMA
- Joseph Fifer, FHFMA, CPA, vice president, Hospital Finance, Spectrum

Find hundreds of products and services in the virtual exhibit hall! While you're there, win prizes that will be raffled off daily!

This live virtual event has the look and feel of a traditional conference. Attendees will also have on-demand access until Feb. 28, 2011. ☼

## Access to multiple health plan sites now available through one portal

Working with multiple health plans just got easier in Oregon! Now you can access health plan websites through a single, secure Web portal, with one password.

In cooperation with the Oregon Health Leadership Council, Oregon health plans have arranged with OneHealthPort, Inc., to launch OneHealthPort Oregon. This new Web portal provides free, secure access to all participating Oregon health plan and other payer administrative websites through a single login process. All you need to do is register, create your unique password, and log in. Facilities will have access to the information needed to conduct most day to day admission and patient accounting tasks efficiently and quickly.

### Current participating health plans

- Aetna
- CIGNA
- First Choice Health
- LifeWise Health Plan of Oregon.

### Health plans joining Nov. 1

- PacificSource Health Plans
- Regence BlueCross BlueShield of Oregon

### Health plans joining in 2011

- HealthNet
- CareOregon
- UnitedHealthcare
- Providence Health Plan
- Samaritan Health Plans

To register for OneHealthPort Oregon simply visit [www.onehealthport.com/oregonindex.php](http://www.onehealthport.com/oregonindex.php) and click the register link.

Some health plans may require you to register with their respective websites prior to using OneHealthPort for access. However, once the registration process is complete you may use your OneHealthPort login and password.

If you already participate with OneHealthPort, you will not need to register again to access OneHealthPort Oregon.

This new single-source Web portal is one of many initiatives made possible through the collaborative efforts of the Oregon Health Leadership Council. Composed of physicians and representatives from health systems, hospitals and health plans, the council was formed to identify and implement initiatives to reduce the rate of increase in healthcare costs and premiums. For more information about the council and its purpose, visit [www.onehealthport.com/oregonindex.php](http://www.onehealthport.com/oregonindex.php). ☺



# Joining Forces

## Acquiring or affiliating with another hospital

*By Mike Johns, vice president, finance practice, Quorum Health Resources, and Tanya K. Hahn, senior vice president, Lancaster Pollard*

**T**he economic downturn and resulting restricted access to capital have caused many hospitals to consider a partner or other affiliation strategy. Declining volumes and the deteriorating payer mix, a result of high unemployment rates, are further forcing these discussions — as are the seemingly countless opportunities for capital-rich hospitals to acquire struggling, undervalued hospitals.

Recent health care reforms signed into law may have a further impact on hospital affiliation. In fact, a recent Moody's report predicts that "as governmental auditing and oversight of revenue are tightened, hospitals will be pressured to operate more efficiently, forcing spending cuts and mergers among smaller hospitals after 2014." In layman's

terms: as reform legislation reduces Medicare reimbursement and disproportionate share funding, and with higher costs, less efficient hospitals could see further Medicare reductions under the law's efficiency provisions.

Affiliating or acquiring may be the right thing to do, but before taking such a step, there are some considerations for both parties. From the perspective of the facility that needs a partner to survive in the long term, the executive team and board of directors need to carefully consider the type of affiliation needed, i.e., what objectives need to be achieved through the affiliation, and the type of partner needed.

From the perspective of the hospital needing a partner, there is a continuum of control that the board wants to consider — how much control and independence they want or are able to retain. At one end of the spectrum is an affiliation arrangement that simply calls for cooperation



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between the hospitals for some mutual benefit and virtually all control is maintained. At the other end of the spectrum is an acquisition of one facility by the other and all control is surrendered to the acquiring facility. In between are management agreements, clinical affiliations, lease transactions, and more formal partnerships with legal and financial commitments by each party.

Consideration should also be given to the benefits provided by the other party. For example:

- If capital needs are driving the decision, then the strength of the balance sheet of the acquiring facility should be evaluated. Will they be able to provide the capital needed for the coming years?
- If expanding the hospital's market is the objective, will the partner provide the complementary service lines, the brand name and reputation that will enhance the ability to increase market share?

Another consideration is whether the acquiring hospital or system has had experience with successfully acquiring other facilities. The merging of two cultures and achieving the synergies planned are not always easy or successful. Those facilities with a successful track record of achieving these objectives are more likely to be successful again. Does the acquiring facility have the management staff depth to assume the assimilation of another hospital into the organization's structure?

Does the acquiring facility have the ability to recruit physicians in a different way? If so, they may be able to bring physicians who can facilitate strategic growth initiatives.

Achieving synergies through elimination of duplicate services and departments seems rather simple on paper, but are often met with failure due to poor execution or cultural conflicts. Do not underestimate the cultural differences between two organizations.

And what are the capital needs of the acquiring facility? Are they capital-starved? If so, they won't have the capital to fund your capital needs either.

## **Debt factors must be considered**

Most debt structures have broad provisions for mergers and acquisitions, and they often require bondholder or lender

approval prior to such a transaction. Reviewing the debt documentation is a key first step in proceeding with any affiliation/merger discussion.

Hospitals must understand what corporate entity is obligated in the outstanding debt of the hospital being brought in, usually known as the "obligated group." For example, a debt obligation may be supported by both a hospital and its physician practice group — two separate entities. The merger/affiliation, however, may be desired with the hospital only. Understanding the assets or collateral the hospital owns and the debt it can support without the physician practice group is important to knowing how it might be able to refinance or restructure existing debt. In addition, the acquiring hospital/system may have limitations on its ability to restructure its obligated group and must understand current refinancing limitations on its own debt before proceeding with the merger/affiliation.

## **My debt is your debt**

A hospital with outstanding letter-of-credit-enhanced debt may see its debt structure improved by affiliating with a partner that brings a stronger financial position or banking relationship to the table. The LOC may be able to remain in place, saving both hospitals the time and cost of refinancing. Further benefits can be realized if the acquirer has a significant banking relationship with the letter of credit provider, which may prove cost beneficial.

HUD/FHA Section 242 mortgage-insured loans are assumable by acquiring hospitals, with approval from FHA, and they remain non-recourse to the affiliation/acquiring hospital. It is important to understand the limitations of transfers among affiliated entities when assuming such a financing structure, but the current limitations on transfers are not overly burdensome and should not be viewed as a deterrent to the affiliation/merger. FHA-insured loans can be assumed by either nonprofit or for-profit hospitals.

USDA direct loans may be assumable depending on the acquirer or affiliation partner. USDA financing is limited to nonprofit hospitals that are rural and that cannot access other means of capital. If an affiliation changes any of these



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features, then the USDA financing would most likely have to be refinanced. If the partner is a similar-sized rural non-profit, then assuming the debt may be negotiable.

If a hospital is considering a new debt instrument and is also considering a future affiliation/merger, it should proactively consider future flexibility in creating its financing documents. Potential negative implications of a merger/affiliation can be minimized or eliminated through active management of debt covenants and prepayment requirements within the financing documentation.

Lastly, as organizations consider a merger/affiliation, they need to evaluate the impacts of such a transaction on the investment portfolios of each as well as any interest rate mitigation contracts such as swaps, caps or collars on

the new combined entities. Often these contracts will also include provisions related to mergers/affiliations, which may impact the ultimate decision and/or timing of the transaction. A comprehensive balance sheet analysis needs to occur along with the evaluation of the debt instruments of both parties. ☺

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HFMA's online membership directory is located at [www.hfma.org/login/index.cfm](http://www.hfma.org/login/index.cfm). When you select "HFMA Directory," not only can you search for members of our chapter, you can also search for all of your HFMA colleagues by name, company, and location, regardless of chapter. The online directory ensures that you always have the most up-to-date contact information.

While online, you can view your current contact information and make edits to your profile. You can also view any products you have ordered, events you have registered for, your CPE credits, your Founders points and more.

Please take a moment to review your record and make sure HFMA has your correct information, so HFMA can continue to provide you with valuable information and insights to further your success.

## Job Postings

To support the professional development of our members, HFMA Oregon Chapter encourages you to post job opportunities on our website at [www.oregonhfma.org/Default.aspx?tabid=53](http://www.oregonhfma.org/Default.aspx?tabid=53). This is a free service for employers and recruiters.



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## UPCOMING EVENTS

### Winter Conference

February 16–18, 2011  
Marriott Downtown  
Portland, Ore.

### Spring Conference

May 18–20, 2011  
Salishan Spa and Golf Resort  
Gleneden Beach, Ore.

### Summer Conference

July 20–22, 2011  
Mt. Bachelor Village  
Bend, Ore.

### Fall Conference

October 19–21 or 26–28, 2011  
Hood River Resort  
Hood River, Ore.

### 2012 Winter Conference

February 15–17 or 22–24, 2012  
Portland area – TBD

### 2012 Spring Conference

May 16–18, 2012  
Salishan Spa and Golf Resort  
Gleneden Beach, Ore.

### 2012 Summer Conference

July 18–20, 2012  
TBD

### 2012 Fall Conference

September 26–28, 2012  
The Heathman Lodge  
Vancouver, Wash.

*Pipeline* is the official newsletter of the Oregon Chapter of the Healthcare Financial Management Association. 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. Opinions expressed in articles are those of the authors and do not necessarily reflect the view of the Oregon HFMA Chapter or its members. The editor reserves the right to edit material and accept or reject contributions, whether solicited or not. All correspondence is assumed to be a release of information for publication unless otherwise indicated.

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