Oregon Chapter of HFMA

PIPELINE

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In this issue

President's Message

If you dream it and believe it, you can achieve it

I had the opportunity to attend ANI in Orlando the last week of June, and to visit Disney World while I was there. Walt Disney World opened in 1971 (happy 40th!), covers more than 30,000 acres (it's *not* a small world after all), has over 62,000 employees (the largest single-site employer in the U.S.), and welcomes approximately 46 million visitors annually (and I think all of them were there during the last week of June). Everything about Walt Disney World is big. But it all started with a dream, and the belief that if you dream it, you can achieve it.

Oregon HFMA was established in 1954, has over 500 members (40 of them in chapter leadership positions), assisted in providing nearly 9,000 education hours to its members in 2010–11 (earning a gold award from National), helped 39 members take the certification exam, reaching 10.9 percent certified (another gold award), and earned 100 percent on our chapter balanced scorecard from national. We may not be as big as Walt Disney World, but we sure can dream big and achieve big!

Strategic plan

Our strategic plan has been updated for 2011–12, and we will remain focused on three key areas:

First and foremost is **education**. We will work hard to continue to provide the best speakers and the most relevant topics at our meetings. We will continue to use feedback from our member surveys and meeting evaluation forms to develop our topics. We will continue our tradition of strong chapter support for certification education. By doing all of these things, we believe we will again increase our meeting attendance levels and overall education hours.

Our second area of focus will be **member recruitment, involvement, and retention**. We will continue to welcome and reach out to new members. We will continue to provide networking opportunities and encourage active participation in chapter events. We will continue to recognize our volunteers and our sponsors. By doing all of these things, we believe we will again increase our membership levels.

Our third area of focus will be **communication**. We will continue to keep our members informed of chapter activities, as well as other industry news, through our website, *Pipeline*, our social media accounts (LinkedIn, Facebook, Twitter), as well as live and in person at chapter meetings. By doing so, we believe we can keep members informed and connected.

In addition to continuing the great traditions

continued on page 2

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STEP Up

President's Message, *continued from page 1*

of our chapter, we are also working on a few new ideas and initiatives. We are planning an HFMA 101 session, a couple of fun new social activities, a special certification event, a student discount policy, and a few others. Details to come!

Five challenges

At our first 2011–12 leadership planning session in February, I challenged all of our chapter leaders to do five things this year, and I would invite all of you to participate as well:

- Ask someone new to participate on your committee (if you are not on a committee, join one!).
- Ask someone that you work with, either inside or outside of your organization, to attend a chapter meeting.
- Consider getting certified (you won't regret doing it!).
- Greet new members and "new-to-you" members at chapter meetings.
- Last, but not least, have fun!

By working together, I believe we can achieve these strategic goals and challenges. After all, Walt Disney started with a mouse. We are starting with a great chapter and great members. All we have to do is: Dream. Believe. Achieve.

Respectfully,
Megan Underwood, FHFMA
2011–12 Oregon Chapter President

HFMA 2010-11 Chapter Awards

Gold Award of Excellence for Membership Growth and Retention

Gold Award of Excellence for Certification

Silver Award of Excellence for Education

C. Henry Hottum Award for Educational Performance Improvement

Helen M. Yerger Special Recognition Awards for:

- Membership
- Member Services
- Certification
- Going Green
- Region 11 (multi-chapter award)

UPCOMING EVENTS

Summer Conference
July 20–22 (11 hours CPE)
Mt. Bachelor Village, Bend, Ore.

Fall Conference
Oct. 19–21 (11 hours CPE)
Hood River Resort, Hood River, Ore.

National HFMA Virtual Conference
Dec. 13–14
Detailed information at **www.hfma.org/virtualconference**

Region 11 Healthcare Symposium
Jan. 29–Feb. 1, 2012
Please note the date change for this symposium.
Las Vegas, Nev.

Winter Conference 2012
Feb. 15–17 (11 hours CPE)
Salem, Ore.

2012 Spring Conference
May 16–18 (11 hours CPE)
Salishan Spa and Golf Resort
Gleneden Beach, Ore.

2012 Summer Conference
July 18–20 (11 hours CPE)
Location TBA

2012 Fall Conference
Sept. 26–28 (11 hours CPE)
The Heathman Lodge
Vancouver, Wash.

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Waste Not, Want Not

Tuning up the revenue cycle for health care reform

By Victoria Bergmans, MBA, CHFP

Are the people, processes and technology that make up your revenue cycle functions ready to take on health care reform?

As we are all aware, the Patient Protection and Affordable Care Act includes a mandate that requires health insurance coverage for the 30 to 40 million people who are currently uninsured. With approximately 95 percent of the U.S. population covered by private or government-administered health insurance in 2015, the revenue cycle will be strained with the anticipated growth and expansion of health care demand. At the same time, health care delivery systems will be adapting to health insurance exchanges, payment reform initiatives, increased regulation and the transition to ICD-10-CM. It is now more critical than ever that we examine and identify less-than-optimal revenue cycle workflows. Efficient infrastructure and processes — to ensure timely submission of a clean claim that is paid in full on the first transmission — will be crucial for cash flow.

Lean manufacturing (Lean) is the perfect tool to actively engage team members to seek out and eliminate waste in the revenue cycle workflow. Lean is often mischaracterized as being a cost reduction strategy when in actuality it is a continuous process improvement system that quite often reduces cost.

Early in my career I was exposed to the ideas of W. Edwards Deming, an American statistician and quality guru, whose principles became the foundation of the Toyota Production System (TPS) or Lean. Having attended graduate school in Michigan, the headquarters for furniture manufacturers Steelcase and Haworth, I had the opportunity to gain first-hand insight into process improvement methodologies. As a practice administrator working in the health care sector, I had no idea how much value-stream mapping and measurement of outcomes, as learned in the manufacturing sector, would influence my approach to providing financial leadership to health care entities.

The main objective of TPS/Lean is to provide the best possible service to the customer through the elimination of all forms of waste. We define waste as anything that adds cost or time without adding value. Defining value is more difficult, so for simplicity we will use the TPS definition of value: something the customer is willing to pay for.

The first step in eliminating waste from the revenue cycle is to develop a process map of how the current process *really* flows, starting with patient access through account resolution. Once you have a true depiction of the current process, each activity in the current process is identified as a value adding task or non-value adding task. There will be some non-value adding tasks that are necessary to meet business or regulatory requirements but do not add value. For example, submitting claims electronically through a clearinghouse is a necessary part of the revenue cycle but does not add value to the customer. Sending paper claims directly to the payor, when electronic submission is an option, does not add value to the customer or to the practice and would be considered waste.

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Waste Not, Want Not

continued from page 3

So what exactly constitutes waste? Waste is identified as a non-value added task, not necessary for business or regulatory reasons. Lean philosophy breaks waste down into 8 categories. Once team members understand the 8 categories of waste, they can begin to identify and eliminate waste from the revenue cycle workflow.

The eight categories of waste are:

- Overproduction
- Overprocessing
- Waiting
- Unnecessary inventory
- Excess motion
- Defects, errors and re-works
- Transport
- Underutilized people

Overproduction refers to producing work or providing a service before it is required or requested. Examples of overproduction include redundant work, such as entering repetitive information on forms, printing extra copies of documents, and multiple team members performing the same task due to lack of clear ownership of the function.

Overprocessing waste occurs when more steps than necessary are included in the process in an attempt to add value to the customer. Examples include excessive paperwork, gathering irrelevant information and submitting duplicate claims to the payor.

Waiting includes anything that interrupts the workflow and causes a delay in the next processing step. Examples include patients waiting to see the provider, insufficient number of software licenses and waiting for charges to be entered in the EPM/EMR. Backlogs and bottlenecks in the process are usually associated with waiting.

Unnecessary inventory includes the usual inventory items, as well as inefficient use of time. Examples include outdated forms/manuals, unnecessary e-mail/paperwork, and work in progress (outstanding encounters and discharged but not final billed claims).

Excess motion is any movement that does not add value or reverses the process flow. Examples include patient registrars walking to the copy machine to make copies of patient information, looking for misplaced documents and inconsistent changing between computer screens when inputting data in EPM/EMR.

Transport waste in the revenue cycle involves less than optimal flow of data and people. Examples include re-entering data between incompatible systems (EPM and clearinghouse); work being passed back and forth for clarification and outdated procedures/lack of clarity.

Defects, errors and re-works are mistakes that were not corrected at the source, and require additional attention. Examples include not obtaining the correct patient demographic information, not setting up payors in the clearinghouse and submitting claims to the incorrect payor.

Underutilized people are those not using team member skills to their potential. Lean work teams are seen as a resource to be developed and well trained in their functions.[1] Examples of underutilization include the supervisor correcting patient insurance information in EPM, management not including the team members responsible for a task when evaluating process improvements opportunities and supervisor not training team members to use the functionality of EPM.

Teamwork and a common focus are essential elements to streamlining your revenue cycle workflow. Lean helps you look at your revenue cycle workflow from a holistic point of view, as opposed to individual steps. By mapping out your current process, you are able to see the interaction between all activities and identify where insufficient processes result in delays, duplication of efforts and errors or "waste." Applying Lean to your revenue cycle workflow will eliminate waste, which will accelerate cash conversion and liquidation of accounts receivable.

For more information, contact Victoria Bergmans at 512-517-5074 or victoriab@austin.rr.com.

[1]Dibia, I. and Onuh, S. (2010). "Lean Revolution and the Human Resource Aspects." Proceedings of the World Congress on Engineering 2010 Vol III WCE 2010, June 30 - July 2, 2010, London, U.K.

Multi-tracking

The simultaneous pursuit of diverse financing options can save time and money

By Aaron Becker and Steve Kennedy, Lancaster Pollard & Co.

Borrowers have recently experienced numerous and varied reasons to change capital funding routes in mid-financing. From the sudden collapse of the auction-rate bond market to major increases in bank letter of credit pricing, formerly viable funding options have been derailed on the way to the closing table.

On the flip side, whatever shifts the capital markets make against one option, there is often an alternative financing option coming into its own at the same time. In 2009 and 2010 Build America Bonds, and the other temporary provisions created by the American Recovery and Reinvestment Act, rose up to provide solutions. Many borrowers who were aware of and willing to switch to newly created options were able to secure financing at lower rates than those who did not.

This year brings possible elimination of certain federal loan programs and the likelihood of more bank failures. Coming years also offer the possibilities of economic improvements, potential for changes in corporate tax rates that would impact the appeal of taxable and tax-exempt bonds, and the resurgence of financing options that have lately been considered off the table for many borrowers.

Multi-tracking can both help borrowers mitigate closing delays and other problems and capitalize on new - or newly appealing - financing options.

Multi-tracking options

To multi-track a financing is to research and pursue more than one financing option simultaneously. Borrowers and their lenders/investment bankers will submit certain finance applications and complete various financing requirements, such as financial feasibility studies and other third-party reports, to fulfill the needs of multiple solutions. Every financing option has different underwriting criteria, but by understanding what solutions are viable (or could become viable), borrowers can take the steps to ensure, for example, that a financial feasibility study will both fulfill the needs of FHA-insured financing and provide the information necessary to complete a letter of credit solicitation package.

The steps toward selecting the end financing solution could be summarized as:

1. Due diligence
2. Pre-application/indication of interest
3. Firm application/commitment

By the time the investment banker has completed the due diligence queries and requested reports on behalf of the borrower, the team should have a good idea of which option would be most preferred, and what market changes it would take for any other alternatives to take the top position. The borrower should also consider whether the agreement it uses to engage its investment banker/lender covers the pursuit of multiple options, and whether the financier is qualified to objectively evaluate and offer multiple solutions.

Decision points and costs of multi-tracking

Multi-tracking generally costs more than pursuing a single option, but substantial costs are generally not incurred until the borrower reaches step 3. At this point, FHA/HUD and USDA require that hospital new construction projects provide examined financial feasibility studies compliant with the agencies' respective scope of work guidelines. A bank or unenhanced bond buyer may also require a more formal feasibility study before closing. Senior living borrowers working on new construction projects will not need this examined financial feasibility study for HUD (though other third-party reports, like an appraisal/market study, will require the borrower to incur costs at this

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Multi-tracking

continued from page 5

point) but they will need it for USDA programs. If pursuing FHA/HUD financing, the borrower is required to pay a firm application (or exam) fee when submitting the firm application. While this fee is ultimately mortgagable assuming the deal closes, it totals .3 percent of the proposed loan amount and is not refunded should the deal not be funded through the agency mortgage insurance program. And no matter what funding mechanism is selected, attorneys become more involved during step 3 as documents are drafted or reviewed and legal due diligence is completed.

Given the above, the decision points during the multi-track process will vary depending on whether the borrower is a hospital, senior living provider, or housing developer. The financier will identify the points at which additional costs would be incurred, which are logical times for a go/no-go decision to be made.

Conclusion

Multi-tracking enables a borrower to actually test the market and confirm the most cost-effective and term-favorable funding solution for its own unique project and credit profile. Additionally, it enables a project to move forward while retaining flexibility to select the best funding option at a particular time in a dynamic capital markets setting. Finally, multi-tracking also helps borrowers learn what is available in case they need to combine options to create a custom structure. For example, a hospital might choose to refinance using taxable bonds enhanced by an unrated local bank's letter of credit with the additional support of a AAA-rated Federal Home Loan Bank's letter of credit wrap. Or a senior living project may choose to finance an acquisition via a local bank loan, but use FHA-insured financing to provide permanent financing down the road.

Market factors shift constantly, affecting the appeal of the various financing options. Know your backup plans, and know what changes would make your backup plan your No. 1 option. Borrowers that multi-track their financing options can switch tracks more quickly, lose less time and spend less money than those who must start over if the initial option fails or if another more affordable option becomes available during the funding process.

Multi-tracking success stories

Putting fallback options in place early in a financing search saved these providers time and money in 2011.

Aviv Centers for Living, a Boston senior care provider, sought to replace its skilled nursing facility and centralize its campus. FHA-insured financing had excellent potential for a low, fixed interest rate, but it was determined during the due diligence phase that FHA's limit on the amount Aviv could borrow was too low because of the appraisal's Medicare/Medicaid projections. Aviv was simultaneously soliciting bank letters of credit. While its loan amount was too much for a single bank to enhance, Aviv was able to combine two banks' letters of credit to cover the entire $50 million tax-exempt bond issuance.

Antelope Valley District Hospital had funded $25 million of an expansion project with privately placed tax-exempt bonds, and in fall 2010 they sought another $18 million in financing to complete their capital improvements. The hospital and Lancaster Pollard evaluated Build America Bonds (BABs) and tax-exempt revenue bonds simultaneously, knowing that with the tight time constraints, they might have to switch options because it was unclear whether Build America Bonds would expire or be renewed at the end of the year. Interest rates for BABs became less affordable at the end of 2010 when supply increased as numerous borrowers tried to close before the program expired, and BABs were not renewed. Antelope Valley was able to switch quickly to its backup option and issue tax-exempt revenue bonds instead. Having the backup option in place enabled the hospital to close on its financing within the tight timeline it had set.

Millennia Housing Companies needed to close quickly on a financing that included five different funding sources. FHA financing was considered as part of the solution but was deemed too lengthy a process, and Millennia needed a single bond issuance that would cover three properties. The best option, given the timing and issuance requirements, was to secure credit enhancement for the senior bonds through the Fannie Mae direct pay credit enhancement facility. The ability to structure an immediate funding meant Millennia was able to lock in a lower interest rate.

Snapshots

…from Salishan!

Snapshots

...from Salishan!

Snapshots

…from this year's Annual National Institute (ANI)

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Save the Date!

14th Annual HFMA Region 11 Healthcare Symposium

Las Vegas, Nevada
Jan. 29–Feb. 1, 2012

Keynote speakers:
Mike Huckabee and Lee Woodruff

For general information visit
www.hfmaregion11symposium.org