Kentucky Chapter
The Healthcare Financial Management Association FALL 2014

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Awards & Recognition

ACA Premiums Increase 8.2 Percent
Meaningful Use: CEHRT Changes
Medicaid Appeals Worth Millions

Obligated Groups: When Breaking Up Is Right For Your Nonprofit

KY HFMA Member Spotlight:
Bobby Rumer
Dear HFMA Members:

The weather has started turning cooler and leaves will begin changing their colors soon. Football season is upon us, although for those of you who know me well, you know that it’s still baseball season to me. The kids are back in school, and in my school district, we’re already about to receive midterm grades. There’s always seems to be a ton of homework, which for one of my kids, takes a lot longer than it should and always requires having erasers nearby. Both of my kids are involved in extracurricular activities. My daughter Taryn, age 12, plays the viola for her school orchestra and for the Northern Kentucky Youth Orchestra, while my son, Mason, age 11, stays busy with baseball and basketball.

Needless to say, it’s busy. To add to the list, we got a puppy back in July. Her name is Penny. I’ll be honest…I wanted nothing to do with getting a dog. For a family of four that is always on the go, I knew that adding a puppy into the schedule was going to be challenging. How would we fit this in? It just wasn’t a priority to me. However, when my wife told me we were getting a fence, I knew we were getting a dog too.

We already have a cat, Tickle, but she, like most cats, is self sufficient and mainly wants to be left alone. Penny, well, she is a different matter. For example, it’s never been a huge deal for my daughter to leave a hair band lying around or for my son’s socks to end up on the floor where they don’t belong. That’s not true anymore. In both cases, my wife was worried sick when Penny quickly swallowed them whole. Luckily, both items were “found” the next day, with Penny no worse off. The kids quickly learned that they can’t have stuff lying around like that if they actually want to keep it.

There have been so many changes, such as playing with the dog even when you’re dead tired, going to PetSmart way too often, and planning all activities and trips around whether Penny can go or how long we’ll be gone. Many of you are likely used to these things. For a family that’s never had a dog before, this has been a big lifestyle change for us.

For me, I have a new routine and it’s all because of Penny. Once we got her, I started getting up a half hour earlier than before. Almost every weekday morning, Penny and I are out the door at 5:30 for a 30 minute walk. In my area, there is rarely anyone out at that time of the morning. It’s good for Penny to get time outdoors to start her day, but it’s been great for me too. I’m enjoying the fresh air and starting my day off in a positive way. I’m getting to take time to think clearly about things, early in the morning when my mind is fresh and there aren’t any distractions.

Three months ago, I would have told you that we didn’t have time for Penny. However, I wasn’t giving consideration to how I prioritize my time, or to the benefits that I’d receive from making the time. Now I realize that we need time for Penny, probably more for us than for her.

In healthcare, we’re challenged with finding ways to do more with less. And, by the way, you must do it better as well. It’s easy to reach the conclusion that with all of that going on, we can’t take time to get away for an HFMA event, to volunteer, or to network with others. I want to challenge you to think about that differently. Hopefully you don’t have to get a fence or a dog to see how beneficial it can be for you to find a little time for HFMA.

Consider coming to the Fall Institute in Lexington and get plugged into what everyone is talking about across the state. If that doesn’t fit your schedule, there are a number of other terrific events in the months to come. The fall list of upcoming events can be found at www.hfmaky.org. Go ahead and mark your calendar now, and make it a priority to come out to see us.

If you’re looking for a specific topic and don’t see it on the agenda for the Fall Institute, it is quite possible that we’ll have it at one of the upcoming events. With that said, we’d love to have your input on potential topics and speakers. I encourage you to email Shelley Gast, VP of Education, at Shelley.Gast@nortonhealthcare.com to share your input.

I hope that you’ll make the time to be a part of what’s going on in the Kentucky HFMA Chapter. If you have questions or feedback to share with the chapter, reach out to me or any chapter volunteer and we’ll be happy to help.

Yours Truly, Don Frank
President 2014 - KY HFMA
president@hfmaky.org
(859) 578-6858
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EDITORIAL POLICY
Opinions expressed in articles or features are those of the author and do not necessarily reflect the view of the Kentucky Chapter, the Healthcare Financial Management Association, or the Editor. 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 for publication unless otherwise indicated.

EDITORIAL MISSION
We support the mission of the Kentucky Chapter by serving as a key source for individuals involved in or interested in the financial management of healthcare.

PUBLICATION OBJECTIVE
This magazine is the official publication of the Kentucky Chapter HFMA and is written and edited principally to provide members with information regarding Chapter and national activities, current and useful news of both national and local significance, information about seminars and conferences and networking with colleagues, and to serve as a forum for the exchange of ideas and information.

ARTICLE SUBMISSION
We encourage submission of material for publication. Articles should be typewritten and submitted electronically to the Editor by the deadlines listed below. The Editor reserves the right to edit, accept or reject materials whether solicited or not.

DEADLINES
FALL NEWSLETTER: 1st Wednesday in September
WINTER NEWSLETTER: 1st Wednesday in December
SPRING NEWSLETTER: 1st Wednesday in March
SUMMER NEWSLETTER: 1st Wednesday in June
The report noted that the high-profile, not-for-profit Blue Cross Blue Shield plans have submitted increase requests that are typically higher than 9 percent across the country. The report also underscored the relatively low premiums and changes by the not-for-profit CO-OP insurance plans created through the Affordable Care Act (ACA). Those plans were comparably priced or cheapest in Arizona, Colorado, Connecticut, Kentucky, Maine, Maryland, Nevada, and Tennessee. Arizona’s CO-OP was the lowest-priced plan in the state, with a 23 percent proposed rate decrease from 2014.

**AFFORDABILITY IMPACTED**

The authors of the report noted that the submitted rates could still change in the 37 states that allow insurance commissioners to reject increases—at least by some insurers—if they are determined to be excessive. The second ACA open enrollment begins Nov. 15. Recent studies have warned that many existing plans may add bigger price increases than new plans of additional insurers joining exchanges for the first time. A June analysis by Avalere Health concluded that many subsidized marketplace plan enrollees will have “substantial premium increases unless they switch insurance plans in 2015.” Among the reasons: The lowest-cost plan will change in seven of the nine states Avalere examined.

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**SIMPLE HEALTHY CHILI RECIPE**

**INGREDIENTS:**

- 1½ tsp olive oil
- 1 pound ground turkey
- 1 onion, chopped
- 2 cups water
- ½ tsp paprika
- 2 (28 oz) can crushed tomatoes
- ½ tsp salt
- 1 (16 oz) can canned kidney beans, drained, rinsed, and mashed
- ½ tsp dried oregano
- 1 tbsp garlic, minced
- ½ tsp ground cumin
- 2 tbsp chili powder
- ½ tsp ground cayenne pepper

**DIRECTIONS:**

1. Heat the oil in a large pot over medium heat. Place turkey in the pot, and cook until evenly brown. Stir in onion, and cook until tender.

2. Pour water into the pot. Mix in tomatoes, kidney beans, and garlic. Season chili powder, paprika, oregano, cayenne pepper, cumin, salt, and pepper. Bring to a boil. Reduce heat to low, cover, and simmer 30 minutes.
WE WELCOME OUR NEW MEMBERS!

Bryan Bulkey  
Shawn Coffey  
Byron Gabbard  
Paul Gasser  
Bradley Harper  
Sharika Renea Hazley  
Mark Laramee  
Jiyon Lee  
Magan Lott  
Kathy McComas  
Greg Pugh

Michael Rusbasan  
James Salerno  
Pamela Schultz  
Will Seay  
Victoria Somnuk  
Stacy State  
Pamela Sutherland  
Richard Taylor  
Michael Ward  
Kenneth Wilson

HFMA MEMBERSHIP INFORMATION

The benefits of HFMA membership are many including: hfm, the number one publication among healthcare CFOs, HFMA weekly news, online forums and webinars to just name a few. HFMA National is currently reaching out to members that have not renewed their membership through May 2015. If you have not renewed your membership please go online at www.hfma.org to renew your membership to keep all these great benefits from being an HFMA member. HFMA also has a promotion for member get a member program that you can earn exciting rewards, find out how at www.hfma.org/mgam/.

WHAT ARE THE ODDS 
YOU CAN IMPROVE YOUR MARGIN BY 1.5 TO 5%?

With MedAssets: 100%

MedAssets partners with healthcare providers to improve financial strength by improving spend management and revenue cycle management strategies that help control cost, improve margins and cash flow, increase regulatory compliance, and provide better clinical productivity. MedAssets serves more than 120 health systems, 3,200 hospitals, and 43,000 practice and health system providers.
On August 29th, CMS released a final rule that allows Eligible Hospitals (EHs) and Eligible Professionals (EPs) to use 2011 Certified Electronic Health Records Technology (CEHRT) for the incentive program year 2014. Some EHs and EPs will be able to use this opportunity for program year 2014 to avoid lost payment years, to avoid penalties or to speed up the receipt of incentives by one year. Since the release of this final rule, there has been wide spread discussions and numerous instructional webinars divulging the technological details.

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In light of the above mentioned, has your organization considered the following:

- Have circumstances changed for your organization concerning incentives?
- Does your organization have the expertise to identify and appeal Medicaid incentives to assure correctness?

In many cases nuanced changes occur and the incentive payment will not automatically update. Dean Dorton has experience at dozens of facilities in multiple states, and our advisers are aware of discrepancies and other program nuances that warrant appeals. The impact of the various scenario varies but can easily be hundreds of thousands of dollars. Dean Dorton has seen instances where the impact is over $1 million at a single facility.
Unlike the Neil Sadaka classic ‘50s do-wop ditty, breaking up could be just the thing for a hospital’s or senior living provider’s obligated group.

For nonprofits, forming an obligated group allows organizations to combine multiple business lines or assets to create a single entity. (See “What Should Be In Your Obligated Group?”) In this way the subordinate units’ revenue, payor mix, cash and assets can be used in aggregate as collateral for obligations. The obligated group becomes jointly and severally liable for the organization’s debt. In doing so, the newly-combined entity can be stronger financially than the sum of its individual components. An improved credit profile for an organization generally leads to lower borrowing costs and greater capacity for future borrowing.

A common legal agreement for an obligated group is a master trust indenture (MTI), which places collateral (revenues, assets, reserves, etc.) under the control of a master trustee for the benefit of lenders and bondholders. The obligated group can then issue multiple notes (called supplements) to debtors granting security on parity with other debtors. Collectively, the debtors are secured by all of the collateral held by the master trustee.

WHEN TO CONSIDER SPLITTING UP?

There are times, however, when it may make sense strategically for an obligated group to carve off assets or exclude assets. For example, an organization with several hospitals and a few senior living facilities (independent, assisted and/or skilled nursing) could combine its hospitals into one obligated group in order to isolate the senior living facilities’ risk profile from the hospital groups’ profile. Alternatively, a borrower may seek to isolate a legacy asset in a remote location that does not meet the future needs and geographic growth pattern of the larger organization. Carving this entity out of the obligated group may enable the organization greater financial flexibility while retaining control of the independent entity.

Frequently, MTIs include specific carve-outs for nonrecourse financing. However, some nonrecourse lending options require a security interest in an asset’s revenue stream which cannot be a parity obligation. Granting a security interest in the revenues would trigger the need for the supplemental note and increase the obligated group’s total indebtedness which defeats the purpose of the carve-out. Assuming the entity severed from the obligated group is cash flowing, numerous recourse and nonrecourse funding options exist.

 BENEFITS OF BREAKING UP

The health care landscape is continually changing, so organizations must be able to adapt to these changes or risk falling behind the competition. Breaking up an obligated group may unlock greater flexibility and financial capacity for the larger organization.

The perfect candidate to be carved out of an obligated group is a cash flowing, stand-alone property. This entity has a stream of revenues and property that could be used to secure financing, either recourse or nonrecourse. The obligated group benefits from the carve-out in that its overall indebtedness decreases. Additionally, excess cash flow from the excluded entity can be directed to the obligated group increasing its liquidity and credit profile.

The most common ways to divert cash flow from the assets excluded from the obligated group are management fees or operating leases. With a management fee, the obligated group provides management oversight of the carved-out project and charges a fee which is typically a percentage of the revenue generated by the excluded asset. With an operating lease, the obligated group will carve off an asset as a standalone legal entity to own real estate. A typical example is an organization carving out and creating an operating lease for a nursing facility. The obligated group then will operate the facility and make a lease payment to the real estate company. The lease payment is generally equal to the debt service payment plus any impounds like insurance and possibly real estate taxes. Any cash flow above and beyond the lease payment is then captured by the obligated group. In general, the management fee is typically easier to establish and also yields an additional benefit of isolating the obligated group from litigation since it is not acting as the operator of the facility.

FUNDING OPTIONS

When considering breaking up an obligated group, one should also assess how the group has accessed debt in the past and financing vehicles that will be considered in the future. There are multiple funding options to the parent that exist for health care providers depending on their lines of service and geographic locations that provide great benefits.

continued on page 8
to borrowers, but these options have different rules and regulations which must be considered.

**AGENCY AND GSE FINANCING**

A summary of potential nonrecourse funding options is included below. It is noteworthy that agency (HUD/FHA and USDA) financing options feature nonrisk-based pricing. This means that all borrowers, regardless of their individual credit profile, access capital at comparable pricing levels. Additionally, all borrowers are subject to the same, published underwriting requirements.

**HUD/FHA**—The U.S. Department of Housing and Urban Development/Federal Housing Administration offers mortgage insurance programs for construction, substantial rehabilitation, expansion, acquisition and refinancing of senior living facilities (with limited independent living components) and hospitals. These mortgage insurance programs offer borrowers the opportunity to issue debt at an AAA-equivalent rating with fixed interest rates. The term and amortization of the loans match, thereby eliminating refinance risk. HUD financing requires the creation of a single asset mortgagor entity that will have ongoing limitations to distributions of surplus cash as well as regulatory restrictions, which will need to be considered when modifying the structure of an obligated group.

**USDA**—The U.S. Department of Agriculture’s Business and Industry (B&I) and Community Facilities (CF) loan programs offer construction, rehabilitation and limited refinancing for senior living and hospitals in rural communities subject to certain population thresholds. The programs offer long-term financing at very competitive rates and are fully-amortizing. The CF program is limited to public and nonprofit entities and the B&I program gives preference to nonprofit entities; therefore, the tax status of various components should be considered when pursuing USDA financing.

**Fannie Mae and Freddie Mac**—These government-sponsored enterprise (GSE) programs provide funding for the acquisition and refinancing of senior living facilities with limited skilled nursing beds. Both feature risk-based pricing. Unlike HUD/FHA, the term and amortization period are not coterminous, so a refinancing event will occur. However, both Fannie Mae and Freddie Mac allow owners to extract equity that could be used to further the organization’s mission elsewhere. It’s important to note that neither program offers funding for hospitals and both have limited appetite for skilled nursing facilities.

**BANK LOANS, PRIVATE PLACEMENTS, UNENHANCED BONDS AND BANK-QUALIFIED BONDS**

Unlike agency financing, bondholder and/or lender acceptance is entirely based upon the credit profile of the borrowing entity. Additionally, these funding options will be recourse to the borrowing entity. The financial health of an organization is the most important factor in determining the cost of capital, whether for a stand-alone asset or an obligated group. Bondholders and/or lenders are typically provided collateral in the form of a first mortgage and lien on property assets and a pledge of the borrower’s revenues. The stronger a borrower’s credit profile is, the lower the interest rate on the financing.

Considering banks usually have less regulatory limitations in regards to asset types and ongoing covenants, the structure of a financing can be negotiated and possibly provide more flexibility.

**PUTTING IT ALL TOGETHER**

For an obligated group subject to a MTI, the rules and requirements governing the withdrawal of an obligated group member are established in the covenants of the obligated group. In the case of a carve-out, the member being withdrawn secures alternative financing in order to generate the proceeds necessary to retire its outstanding obligations. Then, the MTI generally requires calculation of various financial covenants like debt service coverage and debt-to-capitalization. Upon the withdrawal of a member from the obligated group, all liability of the withdrawn entity to the obligated group ceases to exist. Likewise, the obligated group is no longer beholden to the endeavors of the withdrawn member.

Careful review of the MTI is required. In fact, some forms of financing, like nonrecourse agency financing, may not require the MTI to be dismantled. Bond counsel is particularly helpful in successfully navigating the intricacies of the MTI and should be consulted early and often when contemplating a withdrawal of a member.

Given the pace of change in health care delivery and other state-specific challenges, the decision to break up an obligated group should not be made hastily. Leadership needs to think strategically about the organization’s mission, now and in the future, and how best to deliver upon its mission. In certain circumstances, breaking up an obligated group may yield beneficial outcomes. Thankfully, for organizations facing this difficult decision, there are financing alternatives and guidelines to follow to help determine if the outcomes will be beneficial.
Fannie Mae and Freddie Mac—These government-sponsored enterprises offer various financing options for senior living facilities, hospitals, and other healthcare providers. USDA financing is another option that offers long-term financing at very competitive rates and is fully-amortizing. The CF program is limited to communities subject to certain population thresholds. The B&I program gives preference to nonprofit entities, and both have limited skilled nursing beds. Both feature risk-based pricing.

While HUD/FHA offers mortgage insurance programs for construction, substantial rehabilitation, expansion, and acquisition, the term and amortization period are often not coterminous, so a refinance event will occur. However, unlike HUD/FHA, the term and amortization period are limited to five years. The CF program is limited to communities subject to certain population thresholds. The B&I program gives preference to nonprofit entities, and both have limited skilled nursing beds. Both feature risk-based pricing.

The term and amortization of the loans match, thereby eliminating refinance risk. USDA financing requires the creation of a single asset mortgagor entity that will have ongoing limitations to distributions of surplus cash as well as restrictions on the loss of control of the project. Additionally, all borrowers are subject to the same, nonrisk-based pricing. This means that all borrowers, regardless of their individual credit profile, have access to capital at comparable pricing levels. USDA financing options feature nonrisk-based pricing.

A summary of potential nonrecourse funding options is provided underwriting requirements. Keeping in mind the intricacies of the MTI and its potential impacts, it is essential to consult early and often when contemplating a withdrawal of a member. For an obligated group subject to a MTI, the rules and requirements governing the withdrawal of an obligated group member are established in the covenants of the MTI. The withdrawing member secures alternative financing in order to be able to participate in the obligated group. In the case of a carve-out, the member upon its mission. In certain circumstances, breaking up an obligated group may yield beneficial outcomes.

Thankfully, for organizations facing this difficult decision, there are financing alternatives and guidelines to follow to ensure a smooth transition. Leadership needs to think strategically about the organization's mission, now and in the future, and how best to deliver upon its mission. In certain circumstances, breaking up an obligated group should not be made hastily. Leadership must consider the health of an organization is the most important factor when modifying the structure of an obligated group. In fact, some forms of financing, like nonrecourse agency financing, provide more flexibility.

Careful review of the MTI is required. In these situations, it may not require the MTI to be dismantled. Bond counsel can help determine if the MTI can be updated to accommodate the needs of the withdrawing member. Upon the withdrawal of a member, the MTI generally requires calculation of debt-to-capitalization. Upon the withdrawal of a member, the MTI generally requires calculation of debt-to-capitalization. The MTI must be updated to reflect the new member's financial strength and ongoing covenants. This will help ensure that all bondholders and/or lenders are comfortable with the new member's ability to pay.

Unlike agency financing, bondholder and/or lender acceptance is entirely based upon the credit profile of the withdrawing member. Unlike agency financing, bondholder and/or lender acceptance is entirely based upon the credit profile of the withdrawing member. The financial health of an organization is the most important factor when considering a withdrawal of a member. Keeping in mind the intricacies of the MTI and its potential impacts, it is essential to consult early and often when contemplating a withdrawal of a member.
4 FALL FITNESS TIPS
By SHERRI McMILLAN, active.com

This is a great time of year to enjoy exercise outside. The sun, mild weather, and cooler evenings are perfect for a walk, run, or bike ride. Soon, we will start to lose sunlight and warm days, which means many people will find it hard to squeeze in a workout.

Follow these simple steps to avoid the time change blues:

1 - PLAN AHEAD
Decide on your indoor or outdoor exercise in advance. Decide which time of day is best for you and plan accordingly. If morning is when you want to exercise, for the morning have your clothes ready to go. For evening workouts, bring a change of clothes with you.

2 - WILLINGNESS TO CHANGE
Be willing to change your routine depending on the seasons. Changing your routine can help the body burn more calories and avoid boredom.

3 - WORKOUT DVD
Have an efficient and effective DVD at home. This can come in handy if the day got away from you, it’s dark or you have no desire to go to the gym.

4 - FUEL YOUR BODY
Lots of fruits, vegetables, and water will help your body stay energized longer.
You don’t have to let your fitness go through the winter. Start planning today and maintain your fit body.

Sherri McMillan, M.Sc., is the owner of NW Personal Training and has been inspiring people to adopt a fitness lifestyle for more than 20 years. Contact McMillan via email at: sherri@nwpersonaltraining.com.
scenarios varies but can easily be hundreds of thousands of nuances that warrant appeals. The impact of the various discrepancies and other program payment will not automatically update. Dean Dorton has identified and appeal Medicaid incentives to assure correctness?

- Does your organization have the expertise to determine if Medicaid incentive payments within the required appeal time frames. Ehs and EPs need to consider filing appeals on all years of incentive payments. Many Medicaid state specific plans are not set up to maximize incentives for providers and have very short time frames in which to appeal payment amounts. All appeals need to be made within the time frames required to assure the EHs/EPs appeal rights are protected, or increased Medicaid incentive payments could be lost forever. It is also important to note, the incentive amount increased Medicaid incentive payments could be lost if appeals are not filed in a timely manner.

Meaningful Use:

By ADAM BLACKWELL, Dean Dorton Allen Ford, PLLC

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What are the greatest challenges of your job? Sometimes it's difficult to stay ahead of the curve. Healthcare is constantly changing and making sure I'm cognizant of all the healthcare trends, shifts and changes can be a little overwhelming at times.

What is the most fulfilling aspect of your job? I am energized when we are able to provide our clients outstanding service, proven results and long term solutions to their revenue cycle needs.

Professional Memberships and Associations:

- Healthcare Financial Management Association
- The Association of Credit and Collection Professionals
- American Association of Healthcare Administrative Management
- Kentucky Rural Health Association
- Central Ohio Patient Account Management

Community involvement activities or associations:

I'm an active member of Crossroads Christian Church where I participate in several community projects including, Habitat for Humanity.

What was your first job? The first job I took was for a place called Steinberg's. I worked in the warehouse.

What are your top three passions?

- Family, Work and helping others. I've been blessed with an awesome family, a great job and I love helping others achieve their goal(s) whether it's something as simple as building a shed or meeting a career goal that I can help in some way.
- Cats or CARDS? I bleed blue. I'm a true Wildcat!
- Favorite Restaurant: Malone's, well actually Harry's. It's a great place.
- Favorite Vacation destination: Just about anywhere warm. I love going to the beach with my family.

What is one interesting fact about you that most people don't know? I was one of 90 applicants accepted into the College of Architecture in 1990 and qualified in the top 25%. More than 300 people took the admissions test that year.

What are your hobbies or favorite activities? I thoroughly enjoy riding my Harley, restoring furniture and/or clocks, detailing my cars, watching UK Basketball and playing golf.

What would your fantasy job be - whether qualified for it or not? Simple, A Top Gun Flight Instructor.

Do you use social networking: Facebook, Twitter, etc? Yes, I use Facebook mainly to stay in touch with friends from High School and College. I am also on LinkedIn and use this venue to remain connected to those in our Industry Profession.

Do you have any shopping weaknesses? Yes, I never have enough money for the things that I want.

What do you do for stress relief? When I was younger I stressed over many things. It wasn’t until I got older that I realized nothing is as chaotic as it seems and that I have a choice in how I respond. When those moments creep around and stress finds its way into my life, I usually take a step back, evaluate the situation and ask myself -“Can I deal with the proposed outcome?” If the answer is “No”, I will usually pour myself a Maker and Diet and magically I’m no longer stressed.

Favorite TV Show: Sons of Anarchy and Blacklist

What do you listen to in the car? It usually depends on my mood. I love an array of music but more times than not, I will to current Dance/Hip Hop! Rap Music.

When you were a kid, what did you say you wanted to be when you grew up? Famous! Well, actually I wanted to be an Architect.
Don’t Miss the 2014 Hospital-Owned Physician Group Study.

Dean Dorton is following its 2013 report on physician group integration with a 2014 study delving deeper into key issues, including what constitutes a true integration process, how to address underperformance, and payor mix/physician compensation issues.

Survey participants are provided with early access to the report, and are eligible for a customized review of their operations compared to overall results.

To participate, or for any questions, please contact Gary Ermers at germers@deandorton.com.
Meaningful Use: CEHRT changes grab headlines …. Potential Medicaid appeals worth millions
By ADAM BLACKWELL, Dean Dorton Allin Ford, PLLC.

On August 29th CMS released a final rule that allows Eligible Hospitals (EHs) and Eligible Professionals (EPs) to use 2011 Certified Electronic Health Records Technology (CEHRT) for the incentive program year 2014. Some EHs and EPs will be able to use this opportunity for program year 2014 to avoid lost payment years, to avoid penalties or to speed up the receipt of incentives by one year. Since the release of this final rule, there has been wide spread discussions and numerous instructional webinars divulging the technological details.

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Cats or Cards? I bleed blue. I’m a true Wildcat!

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What is the most fulfilling aspect of your job?
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Central Ohio Patient Account Management

Community involvement activities or associations:
I’m an active member of Crossroads Christian Church where I participate in several community projects including, Habitat for Humanity.

What is your first job? The first job I took was for a place called Steinberg’s. I worked in the warehouse.

What are your top three passions?
Family, Work and helping others. I’ve been blessed with an awesome family, a great job and I love helping others achieve their goal(s) whether it’s something as simple as building a shed or meeting a career goal that I can help in some way.

Cats or Cards? I bleed blue. I’m a true Wildcat!

Favorite Restaurant: Malone’s, well actually Harry’s. It’s a great place.

Favorite Vacation destination: Just about anywhere warm. I love going to the beach with my family.

Behavioral Health

Name: Bobby Rumer
Hometown: Lexington, KY
Title: Vice President of Business Development
Company/Organization: Credit Solutions
College/University attended and Degree:
University of Kentucky and Kentucky Christian University - Bachelor of Science in Business Administration
Career History:
In 2001 I accepted a position as Branch Manager of Business Development for a regional staffing firm. I covered the Central Kentucky Division and was in charge of sales, growth, P&L’s as well as developing new lines of business. In October of 2005, I joined Credit Solutions where my responsibilities included marketing and business development. I have to say, this is the first career I’ve had where I wake up every day excited to go to work.

What is your hobby or favorite activity? I thoroughly enjoy riding my Harley, restoring furniture and/or clocks, detailing my cars, watching UK Basketball and playing golf.

What do you do for stress relief?
When I was younger I stressed over many things. It wasn’t until I got older that I realized nothing is as chaotic as it seems and that I have a choice in how I respond. When those moments creep around and stress finds its way into my life, I usually take a step back, evaluate the situation and ask myself “Can I deal with the proposed outcome?” If the answer is “No”, I will usually pour myself a Maker’s and Diet and magically I’m no longer stressed.

Favorite TV Show: Sons of Anarchy and Blacklist

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4 FALL FITNESS TIPS
By SHERRI McMILLAN, active.com

Follow these simple steps to avoid the time change blues:

1. PLAN AHEAD
   Decide on your indoor or outdoor exercise in advance. Decide which time of day is best for you and plan accordingly. If morning is when you want to exercise, for the morning have your clothes ready to go. For evening workouts, bring a change of clothes with you.

2. WILLINGNESS TO CHANGE
   Be willing to change your routine depending on the seasons. Changing your routine can help the body burn more calories and avoid boredom.

3. WORKOUT DVD
   Have an efficient and effective DVD at home. This can come in handy if the day got away from you, it’s dark or you have no desire to go to the gym.

4. FUEL YOUR BODY
   Lots of fruits, vegetables, and water will help your body stay energized longer. You don’t have to let your fitness go through the winter. Start planning today and maintain your fit body.

Sherri McClain, M.S.C., is the owner of NW Personal Training and has been inspiring people to adopt a fitness lifestyle for more than 20 years. Contact McClain via email at sherri@nwpersonaltraining.com.

Obligated Groups: When Breaking Up Is Right For Your Nonprofit
By KYLE HEMMINGGER and KEVIN LAIDLAW, Lancaster Pollard

Unlike the Neil Sedaka classic ‘70s do-wop ditty, breaking up could be just the thing for a hospital’s or senior living provider’s obligated group.

For nonprofits, forming an obligated group allows organizations to combine multiple business lines or assets to create a single entity. (See “‘What Should I Be in Your Obligated Group?’ In this way the subordinate units’ revenue, payor mix, cash and assets can be used in aggregate as collateral for obligations. The obligated group becomes jointly and severally liable for the organization’s debt. In doing so, the newly-combined entity can be stronger financially than the sum of its individual components."

An improved credit profile for an organization generally leads to lower borrowing costs and greater capacity for future borrowing.

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THE PERFECT CANDIDATE TO BE CARVED OUT?

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In this way the subordinate units’ revenue, payor mix, cash and assets can be used in aggregate as collateral for obligations. The obligated group becomes jointly and severally liable for the organization’s debt. In doing so, the newly-combined entity can be stronger financially than the sum of its individual components. An improved credit profile for an organization generally leads to lower borrowing costs and greater capacity for future borrowing.

A common legal agreement for an obligated group is a master trust indenture (MTI, which places collateral with a master trustee for the benefit of lenders and bondholders. The obligated group can then issue multiple notes (called supplements) to debtors granting security on parity with other debtors. Collectively, the debtors are secured by all of the collateral held by the master trustee.

WHEN TO CONSIDER SPLITTING UP?

There are times, however, when it may make sense strategically for an obligated group to carve off assets or exclude assets. For example, an organization with several hospitals and a few senior living facilities (independent assisted and skilled nursing) could combine its hospitals into one obligated group in order to isolate the senior living facilities’ risk profile from the hospital groups’ profile.

Alternatively, a borrower may seek to isolate a legacy asset in a remote location that does not meet the future needs and geographic growth pattern of the larger organization.

Carving this entity out of the obligated group may enable the organization greater financial flexibility while retaining control of the independent entity.

Frequently, MTIs include specific carve-outs for nonrecourse financing. However, some nonrecourse lending options require a security interest in an asset’s revenue stream which cannot be a parity obligation. Granting a security interest in the revenues would trigger the need for the supplemental note and increase the obligated group’s total indebtedness which defeats the purpose of the carve-out. Assuming the entity severed from the obligated group is cash flowing, numerous recourse and non recourse funding options exist.

BENEFITS OF BREAKING UP

The health care landscape is continually changing, so organizations must be able to adapt to these changes or risk falling behind the competition. Breaking up an obligated group may unlock greater flexibility and financial capacity for the larger organization.

The perfect candidate to be carved out of an obligated group is a cash flowing, stand-alone property. This entity has a stream of revenues and property that could be used to secure financing, either recourse or non recourse. The obligated group benefits from the carve-out in that it overall indebtedness decreases. Additionally, excess cash flow from the excluded entity can be directed to the obligated group increasing its liquidity and credit profile.

The most common ways to divert cash flow from the assets excluded from the obligated group are management fees or operating leases. With a management fee, the obligated group provides management oversight of the carved-out project and charges a fee which is typically a percentage of the revenue generated by the excluded asset. With an operating lease, the obligated group will carve off an asset as a standalone legal entity to own real estate. A typical example is an organization carving out and creating an operating lease for a nursing facility. The obligated group then will operate the facility and make a lease payment to the real estate company. The lease payment is generally equal to the debt service payment plus any impounds like insurance and possibly real estate taxes. Any cash flow above and beyond the lease payment is then captured by the obligated group. In general, the management fee is typically easier to establish and also yields an additional benefit of isolating the obligated group from litigation since it is not acting as the operator of the facility.

FUNDING OPTIONS

When considering breaking up an obligated group, one should also assess how the group has accessed debt in the past and financing vehicles that will be considered in the future. There are multiple funding options to the parent that exist for health care providers depending on their lines of service and geographic locations that provide great benefits.

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to borrowers, but these options have different rules and regulations which must be considered.

**AGENCY AND GSE FINANCING**

A summary of potential nonrecourse funding options is included below. It is noteworthy that agency (HUD/FHA and USDA) financing options feature nonrisk-based pricing. This means that all borrowers, regardless of their individual credit profile, access capital at comparable pricing levels. Additionally, all borrowers are subject to the same, published underwriting requirements.

**HUD/FHA**—The U.S. Department of Housing and Urban Development/Federal Housing Administration offers mortgage insurance programs for construction, substantial rehabilitation, expansion, acquisition and refinance of senior living facilities (with limited independent living components) and hospitals. These mortgage insurance programs offer borrowers the opportunity to issue debt at an AAA-equivalent rating with fixed interest rates. The term and amortization of the loans match, thereby eliminating refinance risk. HUD financing requires the creation of a single asset mortgagor entity that will have ongoing limitations to distributions of surplus cash as well as regulatory restrictions, which will need to be considered when modifying the structure of an obligated group.

**USDA**—The U.S. Department of Agriculture’s Business and Industry (B&I) and Community Facilities (CF) loan programs offer construction, rehabilitation and limited refinance funding for senior living and hospitals in rural communities subject to certain population thresholds. The programs offer long-term financing at very competitive rates and are fully-amortizing. The CF program is limited to public and nonprofit entities and the B&I program gives preference to nonprofit entities; therefore, the tax status of various components should be considered when pursuing USDA financing.

**Fannie Mae and Freddie Mac**—These government-sponsored enterprise (GSE) programs provide funding for the acquisition and refinance of senior living facilities with limited skilled nursing beds. Both feature risk-based pricing. Unlike HUD/FHA, the term and amortization period are not coterminous, so a refinance event will occur. However, both Fannie Mae and Freddie Mac allow owners to extract equity that could be used to further the organization’s mission elsewhere. It’s important to note that neither program offers funding for hospitals and both have limited appetite for skilled nursing facilities.

**BANK LOANS, PRIVATE PLACEMENTS, UNENHANCED BONDS AND BANK-QUALIFIED BONDS**

Unlike agency financing, bondholder and/or lender acceptance is entirely based upon the credit profile of the borrowing entity. Additionally, these funding options will be recourse to the borrowing entity. The financial health of an organization is the most important factor in determining the cost of capital, whether for a stand-alone asset or an obligated group. Bondholders and/or lenders are typically provided collateral in the form of a first mortgage and lien on property assets and a pledge of the borrower’s revenues. The stronger a borrower’s credit profile is, the lower the interest rate on the financing. Considering banks usually have less regulatory limitations in regards to asset types and ongoing covenants, the structure of a financing can be negotiated and possibly provide more flexibility.

**PUTTING IT ALL TOGETHER**

For an obligated group subject to a MTI, the rules and requirements governing the withdrawal of an obligated group member are established in the covenants of the obligated group. In the case of a carve-out, the member being withdrawn secures alternative financing in order to generate the proceeds necessary to retire its outstanding obligations. Then, the MTI generally requires calculation of various financial covenants like debt service coverage and debt-to-capitalization. Upon the withdrawal of a member, any liability of the withdrawn entity to the obligated group ceases to exist. Likewise, the obligated group is no longer beholden to the endeavors of the withdrawn member.

Careful review of the MTI is required. In fact, some forms of financing, like nonrecourse agency financing, may not require the MTI to be dismantled. Bond counsel is particularly helpful in successfully navigating the intricacies of the MTI and should be consulted early and often when contemplating a withdrawal of a member.

Given the pace of change in health care delivery and other state-specific challenges, the decision to break up an obligated group should not be made hastily. Leadership needs to think strategically about the organization’s mission, now and in the future, and how best to deliver upon its mission. In certain circumstances, breaking up an obligated group may yield beneficial outcomes. Thankfully, for organizations facing this difficult decision, there are financing alternatives and guidelines to follow to help determine if the outcomes will be beneficial.
2. Pour water into the pot. Mix in tomatoes, kidney beans, and garlic. Season chili powder, paprika, oregano, cayenne and cook until tender.

1. Heat the oil in a large pot over medium heat. Place turkey in the pot, and cook until evenly brown. Stir in onion, and...

**Directions:**
- 2 tbsp chili powder
- 1 tbsp garlic, minced
- 1 (16 oz) can canned kidney beans, drained, rinsed, and mashed
- 1 (28 oz) can canned crushed tomatoes
- 2 cups water
- 1 onion, chopped

**Ingredients:**
- Simple Healthy Chili Recipe
- Premium rate increase.

Eleven of the 29 states reported double digit average percent; New York, 6.9 percent; and Ohio, 13 percent. The largest states in the report included Florida, 7.4 percent, among 13 insurers. An average premium for the Oregon was found to have the lowest average change, -2.5 percent; Nevada, and Tennessee. Arizona's CO-OP was the lowest-priced plan in the state, with a 23 percent proposed rate decrease from 2014. The biggest state average premium increase—among the 37 states where all information was available—was slated to drop by as much as 23 percent in Arizona. Premiums may jump as high as 50 percent in Arkansas and could still change in the 37 states that allow insurance commissioners to reject increases—at least by some.

Recent studies have warned that many existing plans may add bigger price increases than new plans of additional insurers joining exchanges for the first time. The second ACA open enrollment begins Nov. 15. Recent studies have warned that many existing plans created through the Affordable Care Act (ACA). Those cross Blue Shield plans have submitted increase requests that are typically higher than 9 percent across the country. Cross Blue Shield plans have submitted increase requests if they are determined to be excessive. The premium changes. The average rate increase would raise the average premium for 2015 health insurance plans sold in government-run marketplaces will increase an premium will change in seven of the nine states Avalere insurance plans in 2015. Among the reasons: The lowest-cost plan will change in seven of the nine states Avalere examined. A June analysis by Avalere Health concluded that many subsidized marketplace plan enrollees will have an increased premium as of 2015 as subsidies wane. Recent studies have warned that many existing plans have added bigger price increases than new plans of additional insurers joining exchanges for the first time. The second ACA open enrollment begins Nov. 15.

The authors of the report noted that the submitted rates were often lower than expected. The report also underscored the relatively low premiums that are typically higher than 9 percent across the country. Cross Blue Shield plans have submitted increase requests that are typically higher than 9 percent across the country. Cross Blue Shield plans have submitted increase requests that are typically higher than 9 percent across the country.

The Health Research Institute at PricewaterhouseCoopers found a wide range in premium changes in the 29 states that are typically higher than 9 percent across the country. Cross Blue Shield plans have submitted increase requests that are typically higher than 9 percent across the country.
HFMA of Kentucky thanks the following sponsors who have made this year’s newsletter possible:
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Once we got her, I started getting up a half hour earlier than you are likely used to these things. For a family that's never had a puppy in the house, this in? It just wasn't a priority to me. However, when Penny quickly swallowed them whole, I realized that we needed to adjust our schedule. How would we fit Penny into our lives? It's easy to reach the conclusion that with all of that change, we're already no worse off. The kids quickly learned that they can't leave a ball in the yard. With Penny around, everything has to be safely out of reach. Dorothy worried sick when Penny quickly swallowed them whole.

There have been so many changes, such as playing with Penny, getting her to the vet, and learning how to take care of her. It's been challenging. How would we fit Penny into our lives? It's easy to reach the conclusion that with all of that change, we're already no worse off. The kids quickly learned that they can't leave a ball in the yard. With Penny around, everything has to be safely out of reach. Dorothy worried sick when Penny quickly swallowed them whole.