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Dear HFMA Member,

Happy New Year! On behalf of the Kentucky Chapter of HFMA, we sincerely hope you and your family had a wonderful holiday season. So far, 2014 is starting out as a very peculiar year. As I write this we are in the middle of a strange phenomenon called a polar vortex. I am not exactly sure what that means other than it is so cold apparently the temperature on Mars was warmer than places in North America. Before we get too far into 2014, I would like to take a moment to reflect on the chapter’s progress mid-way through our fiscal year.

Each year National HFMA establishes a number of objectives that are expected of each chapter to meet in the coming year. The primary goals focus on education and membership. I am proud to say we have achieved over 80% of our education hours through six months with at least three more large education events planned between now and the end of the year. Despite being close to achieving this milestone, it is our ongoing commitment to go above and beyond these metrics each year to ensure you are receiving the most benefit for your membership.

Due to our continued success we have a rather daunting membership goal ahead of us. Currently we are approximately 70 members short of reaching our membership target. I am confident with a number of initiatives we have going on in the membership area that we will reach this before the end of the year. We recognize that many employers are reducing budgets for organizational memberships and we want to help alleviate this obstacle. Be on the lookout for some new membership promotions in the coming weeks.

It is hard to believe that more than half of my year as President is in the past. With plans already in motion to fill next year’s officers and committees, now is the perfect time to start thinking about how you can get involved. As I have talked to so many people who have gotten involved over the years, many will attribute their involvement from a boss or supervisor telling them to do so. If you don’t have the time, maybe this is your chance to tell your staff or fellow employee to step up. Seek out someone at the next meeting to ask how you can put your passion or skills to use to help the chapter grow.

As for 2013, we can officially say goodbye. It was a great year, but I believe 2014 will be even better. Many of us have begun our resolutions for the New Year and I hope you stick with them. HFMA and healthcare will be faced with many challenges including the shakeout of the Affordable Care Act and the quickly approaching timeline of ICD-10. As for me, I like a good challenge and think it is important to think about the future, but it is more imperative to not forget about today. My resolution this year is to enjoy the moment and approach each day with the same enthusiasm as a child on Christmas morning. In closing, I leave you with a couple personal Kodak moments I enjoyed over the holidays that will help me remember to keep this pledge in 2014.

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KY HFMA President

Sloane Reed
Christmas 2013

Veronica Reed
Christmas 2013

President

Scott Reed

Scott Reed, CPA
President 2013-14 / KY HFMA
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“It is our objective over the next year to take KY HFMA to a whole new level by doing whatever it takes.”

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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: October 1st. WINTER NEWSLETTER: January 1st. SPRING NEWSLETTER: April 1st. SUMMER NEWSLETTER: July 1st.
Medicaid’s Recovery Initiatives:
Defending Yourself From The State RAC
By CHRISTOPHER A. MELTON, Wyatt, Tarrant & Combs, LLP

If you are a Medicaid provider, there is a very good chance that you, or someone you know, has received notification of an audit conducted of your claims by Optuminsight. For several years, Optuminsight (formerly Ingenix) has been under contract with Kentucky’s Cabinet for Health and Family Services to provide Surveillance Utilization Review for the state’s Medicaid program. Upon the federally-mandated expansion of the Recovery Audit Contractor program to the state Medicaid programs, Kentucky then awarded Optuminsight with the state RAC contract. Optuminsight then began its use of algorithm-based queries to identify providers and claims for review. In our experience, Optuminsight has taken an equal-opportunity approach to its provider reviews. Optuminsight’s demand letters have been delivered to hospitals and individual providers alike; to family physician practices as well as dentists; demands have been made for $5,000 and for in excess of $2 million. Medicaid has recovered payments that it has made to providers, and Medicaid has done so by compensating Optuminsight at a rate of 12.5 cents on every dollar Optuminsight collects. In its contract, Optuminsight must identify overpayments for collection and then assist Medicaid in its collection process. Optuminsight agreed to furnish Medicaid with certified individuals who would be qualified, undoubtedly, in order to testify in administrative hearings against providers who would protest Medicaid’s demands.

Providers are given an administrative remedy to protest overpayment demands. Providers, upon receiving a demand letter, may thereafter request a dispute resolution meeting (DRM) to discuss its protest to the demand. During this DRM process, providers can provide additional documentation in an effort to justify its claims. Often times, these DRMs are met with mixed success. While DRMs are supposed to be informal and non-adversarial, it is important to note that the DRM is a critical point in the appeal, as any further appeals will be limited to the issues raised at the DRM. Any provider not satisfied following the DRM can thereafter demand an administrative hearing before a Hearing Officer from the Cabinet for Health and Family Services. It is at the hearing that Medicaid must, by solicitation of testimony, satisfy its burden of presumption that it is entitled to recovery of the alleged overpayment.

It has been at the hearing stage that Medicaid’s recovery actions have proven the most vulnerable to attack. Several arguments have proven successful at this stage and rendered very positive results. The first area of vulnerability rests with Optuminsight’s contract, itself. As stated previously, Optuminsight is compensated contingent on the outcome of the hearing. If Medicaid does not recover, Optuminsight does not get paid. The inherent biases that arise from this champertous relationship should be obvious. Optuminsight is also under contract to provide Medicaid with individuals qualified with clinical and coding expertise to assist in recovery activities. These activities were spelled out in greater detail in Medicaid’s RAC and SUR RFPS, which stated that the contractor would have to provide testimony, as needed. Because testimony on the issues of medical coding and billing are most certainly outside the purview of the lay witness, it is apparent that Optuminsight is under contract to provide expert testimony at the administrative hearing. Herein lies the problem: Kentucky’s Supreme Court Rules of Professional Conduct forbid attorneys (including Cabinet attorneys) from offering “an inducement to a witness that is prohibited by law.” The official comment to this Rule states explicitly that “it is improper to pay an expert witness a contingent fee.” Plainly put, Medicaid’s very act of using Optuminsight as an expert witness in administrative hearings violates the Rules of Professional Conduct governing the practice of law. The position that Optuminsight employees should be excluded from testifying on the basis that the contract violates professional ethical rules, thereby making their testimony more prejudicial than probative has roundly met success. The issue that Optuminsight’s algorithms and work product are similarly testimonial and therefore should be excluded is also open for challenge, but is still as of yet undecided.

The exclusion of Optuminsight as a witness is only the first argument that has been successful in these administrative hearings and dealt deadly blows to Medicaid’s attempt to recover monies paid to providers for services rendered to Medicaid beneficiaries. Another argument that has been successful deals with Medicaid and Optuminsight’s convenient departure from Medicaid’s own historic interpretations of its regulations. A common theme that is evident in Optuminsight’s analyses is that Optuminsight often challenges payments that were made for billing that was done at Medicaid’s direction, or reimbursement methodologies which have been held by Medicaid for years. Medicaid has been content to allow Optuminsight to claim that Medicaid’s interpretation of regulations and reimbursement methodologies which have been commonly held for years are incorrect and that Medicaid...
can therefore recovery payments from providers. This runs afoul of a long-standing canon referred to as the doctrine of contemporaneous construction. This doctrine, which applies to an agency’s interpretation of its own regulations, simply means that when an agency has historically interpreted an ambiguous regulation in one way, the agency cannot thereafter change its interpretation to suit its own desires, without changing the regulation. Just as the ethical rules prohibit reimbursing an expert witness contingent on the outcome of the proceedings exists to preserve the dignity of the proceedings, the doctrine of contemporaneous construction exists to enforce consistency in agency actions.

Finally, the other vulnerability that has been identified in Medicaid’s overpayment recovery actions rest in Medicaid’s disregard for its own regulations. Case law permits administrative agencies to act only insofar as their regulations permit. An agency cannot engage in any action without an accompanying regulation granting power to engage in such action. Medicaid has, through Optuminsight, engaged in numerous attempts to recover large sums of alleged overpayments based upon Optuminsight’s use of sampling and extrapolation. Medicaid has relied upon 907 KAR 1:671§3(7) which allows for the Department and/or its contractors to utilize sampling and extrapolation in recovering overpayments. Hearing Officers have agreed, however that this reliance is misplaced, as this subsection is housed in Section 3 of the regulation, which applies to recovery in instances of “Unacceptable Practices.” Unacceptable practices is a defined term and is equated essentially with fraudulent activity. As such, the regulatory prescription for sampling and extrapolation is inapplicable to run-of-the-mill overpayment recoveries such as those conducted by Optuminsight, but should be reserved for instances of provider fraud.

Medicaid’s partnership with Optuminsight has proven a formidable avenue for the Cabinet to recover Medicaid payments made to providers for services rendered. However, providers are finding relief in the laws and regulations while in the administrative hearing stage. The administrative hearing process is therefore, proving to be a bona fide alternative to simple reimbursement or allowance of recoupment by Medicaid.
Doctor Shortage Hasn’t Hurt Medicare Yet

By GLENN RUFFENACH

Most retirees or would-be retirees have heard the stories—about doctors who no longer accept Medicare patients, or who have opted out of the program entirely. But a new study indicates that fears about not having access to health care in later life are largely overstated.

About 47 million Americans are already enrolled in Medicare, and the bulk of the baby-boom generation has yet to reach 65, the age at which a person normally qualifies for federal health insurance. The growing demands on the program—and repeated threats by Congress to cut Medicare payments to doctors—have sparked media reports in recent years about fed-up physicians washing their hands of all things Medicare.

But a study published last week by the Kaiser Family Foundation, a leading nonprofit that specializes in health-policy analysis, found that, nationally, “most Medicare patients enjoy good access to physicians” and that “most physicians are accepting new Medicare patients.”

Examining data from patient and physician surveys, published studies and new physician data from Medicare, the foundation looked at:

The ‘usual source of care’: Fully 96% of Medicare beneficiaries say that, when they are ill or need medical advice, they have a “usual” source of health care. Most (86%) identify that source as a doctor’s office or a doctor’s clinic. That said, some subgroups of older adults are vulnerable. About one in eight beneficiaries (12%) without supplemental coverage (such as Medigap insurance or Medicaid) report having no usual source of care.

Doctor visits: Horror stories about patients unable to schedule timely medical appointments seem to pop up regularly, but again, the numbers tell a different story. The 2012 Consumer Assessment of Health Providers and Systems (a government-sponsored survey cited in the Kaiser report) found that 88% of enrollees in traditional Medicare, and 87% of those in Medicare Advantage plans, were “usually” or “always” able to schedule timely appointments for routine care. And the numbers were even higher for getting an appointment with a specialist: 92% and 90%, respectively.

Finding a new doctor: Fewer than one in 12 (7%) Medicare beneficiaries find themselves looking for a new primary-care physician during the year. (Among the reasons they do: a new medical problem, their doctor retires, or the beneficiaries moved.) Of those, only 1.8% report problems in finding a new primary-care doctor, according to the 2012 Medicare Payment Advisory Commission patient survey. That’s similar to the “problem” rate – 1.6% – among adults ages 50 to 64 using private insurance.

New patients and ‘opting out’: More than nine in 10 (91%) office-based physicians report that they accept new Medicare patients, as do almost all (98%) surgical specialists. And as of September 2013, less than 1% of all physicians in clinical practice have “opted out” of Medicare entirely, according to new, unpublished data from the Center for Medicare and Medicaid Services.

The numbers, of course, don’t guarantee that adults age 65 and older will never encounter problems finding health care. For instance, Medicare beneficiaries with four or more chronic conditions, according to the survey, have higher rates of access problems.

But for now, the Kaiser report concludes, the “preponderance of evidence is clear and consistent: the majority of people with Medicare have good access to physician care.”
consider carefully: fixed-rate, tax-exempt bonds that hospital leaders need to On the other hand, there are three primary limitations of strong appetite among investors for municipal issuances.

Based on its particular credit profile. In general, there is a to hospitals and health systems of all ratings and sizes—a attractive cost of capital and limited risk, which can offset stability. Typically, these bonds provide issuers with an specific period of time offers hospitals the comfort of knowing what debt service will be paid for bonds are the most common method of accessing capital as long-term debt goes, fixed-rate, tax-exempt municipal placement basis to banks and other financial institutions. Retail and institutional investors or offer bonds on a private publicly based on their credit profile by selling bonds to more nonprofit entities, including local governments businesses in issuing taxable debt. According to The Bond Tax-exempt, the traditional Choi Ce Buyer, more nonprofit entities, including local governments and universities, as well as health care providers, are using structures, such as taxable bonds and FHA mortgage insurance. And it’s not just hospitals that are joining for-profit Today, more hospitals are looking at taxable financing considered a distant possibility.

Great Recession and at a time when health care reform was hospital leadership. But that, of course, was before the most cost efficient methods of accessing debt. It used to choice for providing nonprofit organizations one of Tax-exempt, fixed-rate bonds were nearly always the go-

Well, the answer to that is not as simple as it once was. Using tax-exempt bonds for funding a capital project is a no more opportunities for investors this year as taxables offer

Today, more hospitals are looking at taxable financing a borrower’s cost of capital because of the upfront closing issuance, underwriting and compliance, which can increase regulation and greater IRS scrutiny. as qualified tax-exempt purposes, which results in more

VRDBs have inherent risks, including interest rate risk, put and remarketing risk, and should be considered very

redemption despite market improvements that could lead risk plus an opportunity to diversify their portfolios. More

For investors, can prevent the issuer from forcing early

requirements.

More restrictions about what’s eligible to be funded

investor call protection

HFMA KY winter 2014 • page 7

 HFMA Kentucky WINTER 2014 • page 7
Name: Davy Goff

Hometown: Bardstown, KY – Voted "Most Beautiful Small Town in America" in the Best of the Road Competition sponsored by Rand McNally and USA Today.

Title: Provider Network Manager

Company / Organization:
Anthem BlueCross BlueShield

College/University attended and Degree:
Centre College, BS and University of Louisville, MBA

Career History:
I started off in the Actuarial department in 2000 and transitioned to the Provider Engagement and Contracting department in 2008. Today, I have the pleasure of contracting with many of our fine healthcare providers in Kentucky.

What are the greatest challenges of your job?
Making health insurance more affordable while improving the quality of healthcare.

What is the most fulfilling aspect of your job?
Finding ways to improve the healthcare system.

Professional Memberships and Associations: HFMA, Kentucky Chamber of Commerce, Greater Louisville Inc., Health Enterprises Network

Community involvement activities or associations:
Youth Soccer Coach, Youth Basketball Coach, Adult Sunday School Teacher

What was your first job?
I started full time at Anthem in 2000 in the Actuarial department with a focus on network evaluation.

What are your top three passions?
1. Improving the health of Kentucky’s youth.
2. Making health insurance more affordable for Kentuckians.
3. Instilling family values and morals in our youth.

What are your hobbies or favorite activities?
Playing and watching sports with family and friends.

What is one interesting fact about you that most people don’t know?
I played basketball at Centre College.

What would your fantasy job be - whether you’re qualified for it or not?
Professional Athlete

Do you use social networking: Facebook, Twitter, etc?
I am one of the few that has avoided Facebook and Twitter, but I am “LinkedIn”.

Do you have any shopping weaknesses?
My closest shopping weakness would be shopping for my five and two-year-old boys. Christmas shopping for them was a lot of fun, but my wife says I was shopping for myself. There may be a little truth to that.

What do you do for stress relief?
Exercise

Favorite TV Show: Downton Abbey

What do you listen to in the car?
A mix of NPR, sports talk radio, and all genres of music

When you were a kid, what did you say you wanted to be when you grew up?
At an early age I wanted to be a farmer, but I later found out that I should probably rethink my career path.
House, Senate Committees Approve 'Doc Fix' Legislation
By AMY SCHATZ, Wall Street Journal, WSJ.com, December 12, 2013

WASHINGTON - House and Senate panels approved legislation Thursday to overhaul how Medicare doctors are paid, although action by the full House and Senate on the bill won't happen until next year.

The House Ways and Means committee unanimously approved legislation that would end the way doctors are reimbursed by Medicare and replace it with a system that would reward doctors who meet quality standards. The Senate Finance Committee overwhelmingly approved similar legislation.

Lawmakers are looking to replace a payment formula adopted in 1997 to restrain the growth of Medicare payments. The formula tied doctor payments to economic growth and other measures. But when the formula called for cutting doctor payments, Congress overrode the cuts, in what has become known on Capitol Hill as the "doc fix." It has been doing that regularly ever since.

That has led to a growing gap between what rates would have been under the formula and current reimbursements. If Congress didn't act to override those cuts again, Medicare doctor rates would drop 24% in January.

"Enough is enough. After a decade of Band-Aid solutions, it is time for this committee to act," said Senate Finance Committee Chairman Max Baucus (D., Mont.) Thursday during a committee hearing on the bill.

The legislation isn't expected to pass this year because lawmakers still have to figure out how to pay for it. With House lawmakers going home this week, there isn't time left this year to work out those details.

House leaders included a three-month extension of current Medicare reimbursement rates in the bipartisan budget bill currently pending. Physician groups asked for a short-term patch in hopes of pressuring lawmakers to finish work on the broader overhaul bill.

The permanent fix legislation drew bipartisan support Thursday, but it deals only with how to change the Medicare reimbursement rates. It doesn't include any details on how Congress will pay for it.

On Thursday, the Congressional Budget Office said that the Senate legislation would cost $148.6 billion over the next decade. Earlier this week, the CBO said that it would cost a minimum of $116 billion to repeal the current payment system. Lawmakers tacked on extras to the bill that raised the price tag.

"Once the bill is out of committee we will sit down to find suitable offsets," said Sen. Orrin Hatch (R., Utah) during the hearing, in an effort to reassure fiscal conservatives about the cost of a permanent fix.

"This bill will be paid for."

The legislation would freeze current Medicare doctor rates for the next decade while instituting an incentive program to provide extra payments to doctors who meet quality measures and improve patient outcomes. Doctors who don't meet those standards could face financial penalties. The American Medical Association and other physician groups have lobbied against the payment freeze, although they have supported congressional efforts to overhaul the Medicare reimbursement system.

The AMA applauded the congressional actions in a statement Thursday, saying lawmakers have made progress toward repealing the current system and creating a stronger Medicare program.

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HFMA Upcoming Events

2014 RUNNING EVENTS

POLAR BEAR GRAND PRIX – SNOWMAN
SHUFFLE 4 MILER
Louisville | February 8

ANTHEM 5K FITNESS CLASSIC
Louisville | February 22

2014 HFMA EVENTS

FEBRUARY 20, 2014
PAYOR EVENT
Oxmoor Country Club
9000 Limehouse Lane
Louisville, KY 40220

MARCH 20, 2014 - MARCH 21, 2014
2014 KY HFMA SPRING INSTITUTE
Embassy Suites
1801 Newtown Pike
Lexington, KY 40511

JUNE 22 - JUNE 25
HFMA NATIONAL INSTITUTE
Las Vegas

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800.777.4306
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The AMA applauded the congressional actions in a statement Thursday, saying lawmakers have made progress toward repealing the current system and creating a stronger Medicare program.
JOB POSTING

EMPLOYER
St Elizabeth Healthcare

POSITION TITLE
Director Business Operations Nursing

DESCRIPTION
Responsible for planning, organizing, directing and controlling the business operations of the Nursing Division. The position is to help ensure that all areas within the division are oriented, trained, managed and operating using financial management skill sets, so as to stay within budget, be able to make decisions using financial outcomes, consider financial impacts before making significant clinical decisions and utilize this position for any and all financial situations that arise within the department.

REQUIREMENTS
Education, Credentials, Licenses:
Bachelors Degree
Accounting/Finance/Management
MBA/CPA, MHA desired

SPECIALIZED KNOWLEDGE
Budgeting, Financial Analysis.
Computer knowledge required (Word, Excel and other data management spreadsheets).

KIND AND LENGTH OF EXPERIENCE
5 Years healthcare financial management with distinct budget preparation and monitoring experience.

Excellent communication skills is necessary with the ability to work effectively across disciplines/departments and personalities.

10-15 years healthcare financial management or previous experience as a Business Manager or Director of Business Operations in a hospital setting desired.

CONTACT
Submit resumes to:
Coree Sipp, Human Resources Business Partner
Office: (859) 301 – 5148
Coree.sipp@stelizabeth.com

Please apply online via our website at:
www.stelizabeth.com

Call us in Louisville at 502.581.0435
David Kottak
Mary McKinley
David Tate

experience ideas
Work face-to-face with one of the three past presidents of the Kentucky HFMA or one of our more than 200 professionals focused on the health care industry. You'll experience round-the-clock commitment to ideas that help you improve performance, reduce risk, lower costs and stay in compliance. Learn more at bkd.com.
Using tax-exempt bonds for funding a capital project is a no-brainer for a nonprofit hospital or health system, right?

Well, the answer to that is not as simple as it once was.

Tax-exempt, fixed-rate bonds were nearly always the go-to choice for providing nonprofit organizations one of the most cost efficient methods of accessing debt. It used to be a foregone conclusion and a slam-dunk decision by hospital leadership. But that, of course, was before the Great Recession and at a time when health care reform was considered a distant possibility.

Today, more hospitals are looking at taxable financing structures, such as taxable bonds and FHA mortgage insurance. And it’s not just hospitals that are joining for-profit businesses in issuing taxable debt. According to The Bond Buyer, more nonprofit entities, including local governments and universities, as well as health care providers, are using taxable issuances to refund tax-exempts this year.

**TAX EXEMPT, THE TRADITIONAL CHOICE**

Tax-exempt or tax-free bonds for nonprofit hospitals are still a favorite option for capital, but the structuring of that debt requires a strategic approach. Hospitals can issue bonds publicly based on their credit profile by selling bonds to retail and institutional investors or offer bonds on a private placement basis to banks and other financial institutions.

As long-term debt goes, fixed-rate, tax-exempt municipal bonds are the most common method of accessing capital for hospitals. Knowing what debt service will be paid for a specific period of time offers hospitals the comfort of stability. Typically, these bonds provide issuers with an attractive cost of capital and limited risk, which can offset the required issuance fees. They are generally accessible to hospitals and health systems of all ratings and sizes—a borrower just needs to be willing to pay the cost of debt based on its particular credit profile. In general, there is a strong appetite among investors for municipal issuances.

On the other hand, there are three primary limitations of fixed-rate, tax-exempt bonds that hospital leaders need to consider carefully:

- **Higher transaction costs**, including set fees for issuance, underwriting and compliance, which can increase a borrower’s cost of capital because of the upfront closing requirements.

- **More restrictions** about what’s eligible to be funded as qualified tax-exempt purposes, which results in more regulation and greater IRS scrutiny.

- **Investor call protection**, a defined prepayment schedule for investors, can prevent the issuer from forcing early redemption despite market improvements that could lead to refinancing opportunities.

Tax-exempt, variable-rate demand bonds (VRDBs) are attractive to borrowers because they offer a lower cost of capital and contain more flexible call features. However, VRDBs have inherent risks, including interest rate risk, put risk and remarketing risk, and should be considered very carefully by hospital leadership. Since the nation’s near financial collapse in 2007, VRDB volume has decreased, primarily because of the reduced supply of bank-backed letters of credit to enhance the structure.

**OPPORTUNITIES IN TAXABLE BONDS**

In the first half of 2013 taxable municipal issuances increased 90% from $12.77 billion to $24.23 billion, according to The Bond Buyer’s 2013 in Statistics: Midyear Review. The number of taxable deals rose from 551 to 715. Of the top 25 largest bond sales in the first half, 14 had taxable components and 10 of the 14 were refundings. In health care, the volume of taxable issues was nearly $774 million, more than twice the amount when compared to the same period in 2012.

Taxable debt, as the name implies, is subject to taxes from the bond investor’s standpoint. These bonds use different benchmark indices than tax-exempt bonds and typically return a higher rate as opposed to the lower return rate offered by tax-exempt bonds. Characteristically, the taxable bond market is larger and more liquid than municipal tax-exempt bond market.

One reason for the appeal of taxable debt is the favorable rates currently offered in the municipal marketplace. The extended period of low interest rates has narrowed the gap between tax-exempt and taxable issues. Taxable debt today is much less expensive than it was in the halcyon days before the Great Recession. Additionally, there are more opportunities for investors this year as taxables offer good incremental yield without incrementally increasing risk plus an opportunity to diversify their portfolios. More
issuances have generated greater interest among buyers creating a more robust market that has not been seen since the end of the Build America Bond program, according to The Bond Buyer.

Another, just as persuasive, argument for taxable bonds is that hospitals typically have less restrictions and more flexibility than with traditional tax-exempt bonds. The use of proceeds from these bonds can be used for any corporate purpose, such as:

• Building or acquiring medical office buildings.

• Installing IT systems, for example an electronic health record (EHR) system.

• Using for operational costs, such as starting and running an ACO or purchasing a physician group.

As seen in the examples, hospitals are free to use the funds for strategic initiatives that might not qualify for tax exemptions. Going with taxable rather than tax-exempt bonds could lead to less federal regulation and oversight from the IRS. In addition, no issuing authority is needed, which means that with fewer approvals and fees, the cost of issuance can be less expensive. Although publically offered taxable issuances require the same disclosure as tax-exempt offerings, the specified use of proceeds can be less specific. For example, the offering statement can state the use of bond proceeds will be for “general” purposes.

Finally, the speed to execution of a taxable issuance can be faster and less burdensome than a tax-exempt offering due to fewer restraints. Additionally, offering the issuance to a broader investor base as opposed to only limited investors interested in a tax exemption can lead to more efficient bond pricing and distribution. For many hospitals, timing is essential to obtain the desired interest rate as well as the funding to begin capital projects when needed.

However, before thinking taxables are the way to go if interest rates are low, hospital leaders should consider the following factors when deciding the best funding option to use:

• Borrowers must pay investors the expected interest payments through maturity. This means the bonds are either noncallable or have “make-whole” provisions which limit refinancing opportunities for the borrower.

• Most taxable issuances are $50 million and up, with the average being around $200 million. This can limit taxable issuances to larger hospitals and health systems and to those with high investment grade ratings.

**TAXABLE BONDS IN ACTION**

To provide you some insight by example, these hospitals and health systems chose to issue taxable bonds:

• Recently, Catholic Health Initiatives, a Colorado nonprofit, issued $540 million in taxable fixed rate paper, with $275 million in five-year bonds at 2.5% interest rate and $265 million in 10-year bonds at 4.3% interest rate. The issuance was rated A1 by Moody’s Investor Services with a negative outlook and an A+ with a stable outlook by both Standard & Poor’s (S&P) and Fitch Ratings. The uses for the bond proceeds include project reimbursement, refunding indebtedness, acquisitions and cost of issuance.

• Boston’s Tufts Medical Center sold $25,602,000 in taxable fixed-rate bonds for 10 years at 5.4%, $14,398,000 for 15 years at 6.3% and $60,000,000 for 25 years at 7%. It was rated BBB by both S&P and Fitch. The official statement lists the use for general corporate purposes, including, but not limited to, acquisition of or affiliation with large medical groups and development of new clinical services.

• Elmhurst Memorial Hospital, in Elmhurst, Ill., offered more than $76 million in taxable fixed rate refunding bonds, which were rated Baa2 by Moody’s and BBB by Fitch. Although not the norm for taxables, the bonds were issued by Illinois Finance Authority for a five-year term at 4.45%.

• Earlier this year, Seattle’s Virginia Mason Medical Center issued more than $136 million in fixed rate taxable bonds at 5.1% for 31 years, which were rated Baa2 by Moody’s and BBB by S&P. The offering memorandum stated that the proceeds were for general corporate purposes, including financing the costs of constructing a medical office building.

Currently, with the negligible gap in interest rates as compared to tax-exempts, taxable bonds can be a cheaper and more flexible way for larger nonprofit hospitals and health systems to finance their growth strategies. While the attractive interest rates associated with taxable offerings might not last forever, the expanded use of proceeds and speed of execution provide additional incentives for hospital leadership to explore taxable bond issues as they continued to implement elements of the Affordable Care Act.

Matt Lindsay is a vice president with Lancaster Pollard. He is regional manager for the Pacific Northwest and is based out of Columbus. He may be reached at mlindsay@lancasterpollard.com.
PREPARE FOR THE CERTIFIED HEALTHCARE FINANCIAL PROFESSIONAL EXAM
In our Summer 2013 KY HFMA newsletter we discussed why you should become certified in HFMA. In the Fall 2013 newsletter we discussed the requirements of becoming a Fellow of HFMA (FHFMA). Perhaps you would like to know more about the Certified Healthcare Financial Professional (CHFP) exam...
A more detailed brochure can be found at http://www.hfma.org/Content.aspx?id=508, but here are some highlights:

The exam consists of 150 multiple choice questions covering 6 content areas:
1) Revenue cycle
2) Budgeting & forecasting
3) Financial reporting
4) Internal controls
5) Disbursements
6) Contracting

You may take up to 4 hours to take the exam.

The CHFP certification costs are $395 which includes all application, testing, and processing fees. The re-test fee is $200. But don’t let the cost stop you! If your employer does not cover the cost of a study guide, the KY HFMA chapter will be happy to purchase one for you. If this applies to you, please have your member number handy and contact Cindy Sharp at 812-949-5690 or csharp@fimhs.com. The KY HFMA chapter will also pay for the cost of the exam when you pass if your employer doesn’t reimburse you.

STUDY MATERIALS
There are several ways to prepare for the exam, and it is not necessary to purchase any of them. For example, the New Healthcare Finance Core Curriculum is now available from iTunes. This version is compatible with iPad (requires iOS 6.0 or later). The cost for this app is $349.99.

The Healthcare Finance Core Curriculum online study preparation for the CHFP examination is also still available for purchase. The cost for study materials is $249 ($299 for non-members). The materials are available for one calendar year from date of purchase. For more self-study educational opportunities, see HFMA’s eLearning catalog.

SCHEDULING THE EXAM
You can schedule your exam with Castle Worldwide, HFMA’s technical support partner. Testing centers are located throughout the United States (including 10 in KY). The testing sights are generally open Monday through Saturday during normal business hours.

HFMA now also offers secure, live, internet-based test administration for CHFP exam candidates. This new service is in addition to the internet-based test administration at Castle’s Proctored Test Sites. Through the Castle Worldwide online test scheduling system, a candidate may elect to test via a live, online-proctored testing session. The new Live, online proctoring service is available 24/7/365 for scheduling and exam delivery [based on the availability of proctors]. Candidates can schedule their exam at any hour of the day, any day of the week. Live, online proctoring eliminates the inconvenience of travel time and costs, and allows for more flexibility. Candidates are responsible for ensuring their testing environment meets the minimum requirements to take the examination.
The following are minimum technical requirements:

- A well-working computer with 1 GB of RAM or higher
- A high-speed internet connection (3MBps). Wireless is acceptable; however a wired-connection is preferred
- A webcam with 640×480 video pixel resolution (a laptop camera is acceptable)
- Working speakers connected to the computer
- A microphone connected to the computer (consider a webcam with a built-in microphone)
- Flash player version 7 or higher
- Browser compatibility: IE, Firefox, Chrome, Safari

Contact the Castle Worldwide main support desk with any scheduling or technical questions at (919) 572-6880. All other questions email careerservices@hfma.org.

For more details and a sample exam, please visit http://www.hfma.org/Content.aspx?id=511#examregistration.

May 2014 be your most successful year yet!
~ Shellie Dube Shouse, FHFMA, CPA, MBA

You did it! Congratulations

Carol Thomas
Certified CHFP, August 2013

Bob Barbier
Certified CHFP, October 2013
Certified FHFMA, November 2013

Daniel Schoenbaechler
Certified FHFMA, October 2013
HFMA of Kentucky thanks the following sponsors who have made this year’s newsletter possible:
(sponsors as of July 20, 2013)

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- United Collection Bureau
Dear HFMA Member,

Happy New Year! On behalf of the Kentucky Chapter of HFMA, we sincerely hope you and your family had a wonderful holiday season. So far, 2014 is starting out as a very peculiar year. As I write this, we are in the middle of a strange phenomenon called a polar vortex. I am not exactly sure how this will affect healthcare, but I know it will have a large impact on the membership area that we will reach this before the end of the year. We recognize that many employers are reducing hours through six months with at least three more large lay-offs expected in the next year. The primary goals focus on education and membership. I am confident with a number of initiatives we have going on in the coming year. Despite being close to achieving this milestone, it is our expectation that are expected of each chapter to meet in the coming year. We recognize that many employers are reducing hours through six months with at least three more large lay-offs expected in the next year. The primary goals focus on education and membership. I am confident with a number of initiatives we have going on in the coming year. Despite being close to achieving this milestone, it is our expectation that are expected of each chapter to meet in the coming year.

As for 2013, we can officially say goodbye. It was a great year. Many will attribute their involvement from a boss or supervisor telling them to do so. If you don't have the time or energy to do so, seek out someone at the next meeting to ask how you can put your passion or skills to use to help the chapter grow. HFMA and healthcare will be faced with many challenges this year. We hope you stick to your resolutions for the New Year and I hope you stick to your resolutions for the New Year.

My resolution this year is to enjoy the moment and approach it like a good challenge. As I write this, we are in the middle of a polar vortex. I am not exactly sure how this will affect healthcare, but I know it will have a large impact on the membership area that we will reach this before the end of the year. We recognize that many employers are reducing hours through six months with at least three more large lay-offs expected in the next year. The primary goals focus on education and membership. I am confident with a number of initiatives we have going on in the coming year. Despite being close to achieving this milestone, it is our expectation that are expected of each chapter to meet in the coming year. We recognize that many employers are reducing hours through six months with at least three more large lay-offs expected in the next year. The primary goals focus on education and membership. I am confident with a number of initiatives we have going on in the coming year. Despite being close to achieving this milestone, it is our expectation that are expected of each chapter to meet in the coming year.

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In closing, I leave you with a couple personal resolutions from Kennedy Scott Reed, CPA

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