



**hfma™**

healthcare financial management association


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# gulf coast lines



## February 18 Program Plan & Benefit Evolution's Profound Effect on Hospital Pricing

**Greg Smith, Assistant Vice President of Managed Care,  
Memorial Hermann Healthcare System**

Please join us at the Chapter luncheon meeting on February 18 to hear Greg Smith discuss the profound effect plan and benefit evolution has on hospital pricing. Currently the Assistant Vice President of Managed Care at MHHS, Greg attended Texas A&M University for his undergraduate studies in Speech Communication and Business, and has an MHA from the University of Houston Clear Lake. Greg started his career at Texas Children's Hospital where he served as the Operations Manager of the NICU. He later did his MHA Fellowship with Columbia HCA in the Greater Houston Area. In 1996, Greg joined the managed care team at MHHS as a Managed Care Coordinator. He has experienced all of the various forms of healthcare delivery finance, including capitation, fee for service, and PIP arrangements. Greg is a Diplomat in the American College of Healthcare Executives. 

## March 18 Program Assessing the Revenue Cycle for Sustainable Results

**Marlowe J. Dazley, M.B.A./H.S.A., Principal,  
Phase 2 Consulting**



A chronic and cumulative problem spanning several years has begun to surface in the revenue producing functions of our nation's health care delivery systems. Most Hospitals/Systems leave millions on the table every year because they lack the knowledge, experience, and discipline necessary to bill and collect correctly. As the cost and demand of health care continues to rise, more pressure is placed on enhancing revenue as a solution to improving financial performance. Now more than ever, financial managers and administrators must rapidly identify revenue improvement opportunities that increase revenue, maximize reimbursement, and decrease write-offs to realize long-term profitability and improved results.

Key points that will be discussed include:

- Conduct a comprehensive, data-driven revenue cycle assessment to rapidly determine the root cause of lost revenue and the erosion of cash collections.
- Determine if A/R reserve formulas acknowledge historical managed care discounts, increases in uncompensated care funding, and deterioration of revenue cycle processes.
- Learn appropriate staffing models and productivity tools to maximize efficiency.
- Use data and best practices to challenge current processes and effect change.

Mr. Dazley has worked in the health care industry since 1990 in various capacities including office of the U.S. Surgeon General, managed care operations, finance,

## February 18 Program

Crowne Plaza Medical  
Center Hotel  
6701 Main - Houston, TX  
11:30 am - 1:00 pm

**See Our Website  
for more  
information:**  
[www.hfmatxgc.org](http://www.hfmatxgc.org)

## In this issue...

- [HFMA Calendar...2](#)
- [President's Message...2](#)
- [FACT Act...3](#)
- [Membership Campaign...5](#)
- [New Members...5](#)
- [Student Scholarships...7](#)
- [Certification Exam...7](#)
- [2005 Financial Challenges/Solutions...8](#)
- [Physician Practice Committee...9](#)
- [TDI News...9](#)
- [Medicare Deductibles & Premiums...10](#)
- [March Networking Event...11](#)
- [Chapter Leaders...12](#)
- [Chapter Sponsors...13](#)

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*See "March Program" page 9*

## Message From The President

By Terry Sanchez Allison,  
Siemens Medical Solutions - Health Services



*Terry Sanchez Allison is the Manager of International Delivery for Siemens Medical Solutions - Health Services. She also serves as the 2004-2005 HFMA Texas Gulf Coast Chapter President.*

Recently, I was in Bangalore, India visiting our call center and I had the pleasure of proctoring a professional certification examination in Patient Accounting for a group of twenty individuals. Due to the size of the room where the exam was held, we had to organize two separate exam sessions to accommodate everyone. It was such an unusual setting and never in my wildest dreams (and yes I have many) did I ever anticipate that my career would land me in such a far away place having professional commonality with so many bright and talented young professionals. I sat back in awe of the moment and thought about several of the encounters along the way on this trip. Here are a few of the many lasting **impressions** I experienced:

- Upon my arrival, I saw two monkeys directly outside the room I officed in, and they visited periodically daily. The monkeys hugged and kissed each other explicitly (as no one was watching of course), and my husband Gene reminded me (I had called to inform him of my safe arrival) that I was obviously among family.
- Then there was the reminder of the young and oh-so-handsome gentleman on the leg from Paris to Mumbai (he said he ran a call center for GE) who insisted I take a handful of his sleeping pills as I would otherwise not be able to sleep while in Bangalore. How could I possibly take drugs from a stranger on the plane and how could I be sure he legitimately worked for GE? I later had second thoughts about the pills as my sleep time was severely compromised due to the trouble I had adjusting to the 12 & 1/2 hour time difference. It was now 5 days since the plane encounter and as I prepared to help the candidates log onto the exam website, I yawned and yawned and reminded myself that I had averaged about 3 hours of sleep nightly! Wasn't this enough in college?
- On the day of the exam, Devraj, my assigned dedicated driver (I guess they had heard how bad my driving is...probably Avis told them) arrived early to drive me to the office (I always ran late...I guess trying to sleep in some). To this day I don't know how he knew that we'd be encountering several cows along the way. They were too stubborn to move off the road. It was for this reason that Devraj arrived early so that despite the cow delay, I'd still arrive with plenty of time to test our connectivity for access to the examination website. He was not surprised that I was not surprised with the cows on the road as he knew I was from Texas and he was familiar with our own culture (given that he was an avid *Dallas* fan and watched reruns every chance he could...he liked JR).
- The exam was soon over (I had stopped yawning and day-dreaming) and I was proud that nine of the nineteen candidates passed the exam and another four passed two of the three parts. What was most intriguing was that as everyone who passed the exam in its entirety high-five'd each other, I observed one candidate who just bawled and bawled. She had passed two of the three sections and now only had to retake the one part she didn't pass. It struck me dearly that no matter how hard I tried to share with her that she had done exceptionally well and that now she only had to concentrate on studying the one section she didn't pass, she just wouldn't stop crying. It became apparent to me just how important her certification meant to her as well as to her colleagues.

"I realized that to these young careerists their Patient Accounting certifications and their employment in healthcare were not just viewed as jobs; they were viewed as careers. They regard their certification designation as an illustration of their dedication to their professional development."

## Save the Date Calendar of Events

February 18

### Monthly Luncheon

Gregg Smith  
*Plan & Benefit  
Evolution's Profound  
Effect on Hospital Pricing*

Bring your donation for  
Alzheimer's Association

March 17

### Certification Exam

9:00 a.m.  
Offices of Deloitte &  
Touche, LLP  
Three Allen Center  
333 Clay, Suite 2300

March 18

### New Member Orientation

### Monthly Luncheon

Marlowe Dazley  
*How to Conduct a  
Revenue Cycle  
Assessment*

Bring your donation for  
Alzheimer's Association

### Networking Event

4:00 to 8:00pm  
Dave & Buster's

April 15

### Monthly Luncheon David Fine

Bring your donation for  
Alzheimer's Association

Luncheon meetings are  
Held on the 3<sup>rd</sup> Friday of  
each month at 11:30 am  
at Crowne Plaza Medical  
Center Hotel  
6701 Main Street  
Topics and Speakers  
subject to change.  
Credit Cards accepted.

See "President's Message" page 6

# FACT

## Fair & Accurate Credit Transaction Act

By Kimberly Soard, EVP/General Counsel,  
Universal Fidelity LP



Kimberly Soard is EVP/  
General Counsel for  
Universal Fidelity LP.  
She also serves as a  
Chairperson for the  
Chapter's Davis  
Management System  
activities.

In December 2004 and early January 2005, Kimberly Soard, EVP/General Counsel of Universal Fidelity LP and Loraine Lyons, General Counsel of FMA Alliance LLP, held an online teleconference on behalf of the Texas American Collectors Association titled "The Fair and Accurate Credit Transaction Act & Collection Agency Compliance.

There were eight (8) main topics on which this teleconference centered regarding the FACT Act and collection agency compliance.

### Introduction and Purpose of the FACT Act:

1 The Fair and Accurate Credit Transaction Act of 2003 amended the Fair Credit Reporting Act, which was signed into law on December 3, 2003 and became effective December 1, 2004.

2 The Purpose of the Act is to:

- a Prevent identity theft;
- b Improve resolution of consumer disputes;
- c Improve the accuracy of consumer records;
- d Restrict disclosure of medical information;
- e Improve financial literacy among consumers.

### Identity Theft and/or Fraud:

1 When a consumer makes a initial fraud alert because they have a good faith belief that they have been, or are about to become, a victim of fraud, the data furnisher and credit reporting agencies must:

- a Place a fraud alert on the consumer's file for a minimum of 90 days; and
- b Place limitations on users extending credit.

2 When a consumer submits an extended fraud alert with an identity theft report, the data furnisher and credit reporting agencies must do the following:

- a The alert must stay on the consumers file for seven (7) years; and
- b There are extended limitations of users extending credit.

### Duty of Collection Agencies upon Notification of Identity Theft and/or Fraud

1 15 USC 1681m(g) provides that if a debt collector, on behalf of a third party creditor or user of a consumer report, is notified that any information relating to a debt being collected may be fraudulent or the result of identity theft, then the third party (client) must be notified.

2 Therefore, debt collectors must have procedures in place for making their clients aware of notices of identity theft/fraud.

### Credit Reporting Requirements for Furnishers of Medical Information

1 Under the Act a medical provider has a duty to notify credit reporting agencies as to your status as a medical furnisher. 15 USC 1681s-2(a)(9), effective March 4, 2005.

## My.Medicare.gov

[My.Medicare.gov](http://My.Medicare.gov) (Medicare Beneficiary Portal) is an interactive tool that provides beneficiaries with direct internet access to their Medicare claims information, including claim types, dates of service, and procedures. It also provides beneficiary-related preventive health information. My.Medicare.gov is currently being piloted to residents of Indiana.

The Purpose of the FACT Act is to:

- Prevent identity theft;
- Improve resolution of consumer disputes;
- Improve the accuracy of consumer records;
- Restrict disclosure of medical information;
- Improve financial literacy among consumers.

## FACT Act

from page 3

2 It is the duty of the credit reporting agencies to disclose only the amount and account status, but not the identity of the specific medical provider, or the nature of the services. 15 USC 1681b(g)(1)(C), effective June 4, 2004.

3 Also effective March 4, 2005, once a status as a medical information furnisher is reported, the name, address & telephone numbers of the specific medical providers or the nature of the services are not reported.

### **Furnishing Negative Information to Consumer Reporting Agencies 15 USC 1681s-2(a)7**

1 The FACT Act requires data furnishers to notify a consumer in writing prior to furnishing negative information about the consumer to a consumer reporting agencies.

2 The Act states that any financial institution that extends credit and regularly furnishes information to credit reporting agencies must provide notice of the furnishing of negative information, in writing to the consumer.

3 The Act defines credit as a right granted by the creditor to a debtor to defer payment of a debt and defer its payment or to purchase property or services and defer payment therefore.

4 So, only financial institutions that extend credit are covered by this provision of the Act, and as such, third party debt collectors are exempt from the notice requirements relating to furnishing negative information.

5 For those financial institutions that are required to report negative information the Act presents two model notices.

### **Date of Delinquency 15 USC 1681s-2(a)(5)**

1 The FCRA bans out of date negative items such as late payments, foreclosures and charge offs and these items must be removed seven years (plus 180 days) after the date of delinquency.

2 Generally, collection agencies have a problem due to the creditors failing to supply the agencies with the correct date of delinquency and instead the creditors will use the date of delinquency to be the date that that the creditor placed the account with the collection agency.

3 In conjunction with the ACA and Amendment was drafted which became part of the FACT Act, which gave agencies clear guidelines for determining the date of delinquency by using one of the following procedures:

- a If the original creditor reported a date of delinquency to a consumer reporting agency, a date furnisher can use that same date of delinquency.
- b When the creditor has not reported the account date of delinquency on the account, a data furnisher can obtain the date of delinquency from the original creditor or some other reliable source.
- c When the creditor has not given a date of delinquency a data furnisher may report an alternate date that undoubtedly recedes the about date of delinquency.

### **Compliance with FDCPA and FCRA on Disputes 15 USC 1681s-2(a)(8)**

1 Under the FACT Act, now not only must the debt collector notify the consumer reporting agency of the dispute, but with a written dispute, the debt collector now has a duty to reinvestigate.

2 To trigger the duty to reinvestigate, the consumer must:

- a Provide written dispute directly to the data furnisher at the mailing address provided to receive such disputes;
- b The consumer must identify the specific item of information that is in dispute;

## Need a Job? Need an Employee?

Find job opportunities or  
post job openings,  
email **Dr. Dianne Love**  
at [love@cl.uh.edu](mailto:love@cl.uh.edu)

OR....

View available positions  
at  
[www.ndi-  
services.com/  
hfmalist.asp](http://www.ndi-services.com/hfmalist.asp)

List open positions at  
[www.ndi-  
services.com/  
hfma.htm](http://www.ndi-services.com/hfma.htm)

# Member-Get-A-Member Campaign

By Lynda Vibrock, Chair,  
Membership Committee Texas Gulf Coast Chapter



*Lynda Vibrock is an Account Executive for The Mars Group and also serves as the 2004-2005 chairperson for the Chapter's Membership Committee.*

## Texas Gulf Coast Chapter Needs New Members!

### Rewards

Win HFMA apparel, gift certificates, cash, even a chance at a drawing to win the ULTIMATE REWARD worth \$5,000 in world travel — all for the excellent cause of growing our association.

Be sure to let your prospective member know to use **your name** and **your membership #** when they join, YOU get credit toward your total members recruited in our campaign.

Go to the national website at this link to learn more, find sample letters/email language to use in your effort to get new members on board!

<http://www.hfma.org/membership/MemberGetAMember/MemberGetAMember.htm>

### Rules to receive credit

- Your Membership Number & Name must be in their application as SPONSOR to receive credit
- Promotional credits do not apply to reactivated prior members
- Credits applied for new, regular membership only, that join between 6/2/04 and 4/30/05

### Rules for winning prizes:

#### a) 1 or 2 new members

- Apparel Item \$25 Value
- 1 entry for each new member for the \$5,000 World Travel\* drawing

#### b) 3 or 4 new members

- \$100 Gift Certificate good @ 100s of Brand name merchants
- 1 entry for each new member for a \$1,000 Cash Prize drawing
- 1 entry for each new member for the \$5,000 World Travel\* drawing

#### c) 5 or more new members

- \$150 Gift Certificate good @ 100s of Brand name merchants
- 5 or more chances of winning a prize from two drawings
- 1 entry for each new member for a \$2,500 Cash Prize drawing
- 1 entry for each new member for the \$5,000 World Travel\* drawing

#### d) Each new member = 1 chance in World Travel Drawing

- \*ULTIMATE REWARD \$5,000 in World Travel
- \$5,000 travel gift certificate from Tower Travel
- 1 entry for each new member
- Travel certificate good for two years from issue date can be used for any combination of airfare, hotel or rental car purchases

Thank you for your concerted efforts to sign-up new members for our Chapter! 

## New Chapter Members

**Darralyn A. Alexander**  
U.T. - M.D. Anderson  
Cancer Center

**Donna M. Enciu**  
Triumph Healthcare

**Gabriela Guzman**  
Methodist Healthcare  
System

**Robert F. Herbert, Sr.**  
Chamberlin Edmonds

**Jihe Jiang**  
U.T. - M.D. Anderson  
Cancer Center

**Leah Brooke Lewis**  
U.T. Medical Branch  
Galveston

**Janet B. Mize, RN,**  
MBAHC  
U.T. Medical Branch  
Galveston

**Jason Reuben**  
U.T. - M.D. Anderson  
Cancer Center

**Dorothy Richards**  
Memorial Health System  
of East Texas


**Lisa J. Smith**  
Tenet Healthcare

**Heidi II Wied**  
Texas Woman's  
University

## President's Message

*from page 2*

The entire experience was completely humbling. I realized that to these young careerists their Patient Accounting certifications and their employment in healthcare were not just viewed as jobs; they were viewed as careers. They regard their certification designation as an illustration of their dedication to their professional development. It made me reflect on the number of times personal colleagues of mine sat for their certifications and really didn't care about the outcome and how quick they would dismiss the value associated with such a designation. How many times have we taken for granted the opportunities presented before us stubbornly thinking that they will always be there? Just like the cows I encountered en-route to the office that were too caught up with their own agendas to worry about the fact that passing cars might test their ability to make it to their next grassy spot. How can they be sure that the grass will always be rich, plentiful and accessible? Even JR seized every opportunity available to him.

Remember HFMA's certification programs lead to the designation of Certified Healthcare Financial Professional (CHFP) and Fellow of the Healthcare Financial Management Association (FHFMA). Meeting the HFMA certification requirements helps prepare us for increasingly responsible positions in the healthcare industry. Survey results indicate a relationship between certification and career advancement. Certified members of HFMA tend to earn a higher annual salary and are more likely to be hired for upper-level positions in healthcare finance. Seize these opportunities and like JR, stay ahead of the herd while aspiring for greener pastures, and take advantage of the certification opportunities HFMA affords. Reach out to Victoria Nikitin our Chapter Certification Chair ([Victoria\\_Nikitin@hchd.tmc.edu](mailto:Victoria_Nikitin@hchd.tmc.edu)) and begin the journey toward your personal professional differentiation. 


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## FACT Act

*from page 4*

- c The consumer must explain the basis for the dispute; and
  - d The consumer must include all supporting documentation required to substantiate the basis for the dispute.
- 3 Once the consumer initiates a dispute directly with the data furnisher, the data furnisher must do the following:
  - a Conduct a reasonable investigation with respect to the disputed information;
  - b Review all the information provided by the consumer with the notice of dispute;
  - c Complete the investigation and respond to the consumer within the time frame permitted for such investigations when initiated by the consumer;
  - d If the investigation determines that the disputed item of information is inaccurate, then, the data furnisher must notify each consumer reporting agency which reports on a nationwide basis through E-Oscar.
- 4 Data furnishers are not required to investigate frivolous or irrelevant disputes, but must promptly notify the consumer within 5 days of this determination by mail.

## Disposal of Consumer Report Information and Records 15 USC 1681x

- 1 The FACT Act requires that any person that maintains or otherwise possesses consumer information take reasonable steps to protect against unauthorized access to, or use of, information in connection with its disposal.
- 2 Reasonable measures are very likely to require elements such as the establishment of policies and procedures governing disposal, as well as appropriate employee training. 

## Watch for the Jar.....

### Donations For Alzheimer's Association

Last year we collected \$259 for the Alzheimer's Association at our monthly luncheons and the Board approved \$250 in matching funds, for a total donation of \$509.

### Let's double that donation this year!

Drop your change (and paper money) in the jar by the registration desk at monthly meetings through June, 2005.

The Community Services Committee appreciates your support of our 2005 campaign. Every dollar makes a difference!

Community Service Committee

Julie Rabat-Torki,  
Chairperson

## Attention CHFP & FHFMA Candidates!! Next Certification Exam

The next certification exam will be held on **Thursday, March 17** at 9:00 a.m. at the offices of Deloitte & Touche, LLP. Our Chapter would like to recognize Deloitte & Touche LLP for its continued support of our certification program. We sincerely appreciate the ongoing provision of office space for certification exams.

If you can not sit for this exam, plan ahead. Tentative dates for future exams at the offices of Deloitte & Touche, LLP are provided below:


Saturday, June 18, 2005

Saturday, October 11, 2005

Saturday, December 10, 2005

- To sign up for exams, contact exam proctor Annette O'Brien, FHFMA: 713.957.3001 or [aobrien1@swbell.net](mailto:aobrien1@swbell.net)
- See National's website at [www.hfma.org](http://www.hfma.org) for application requirements.
- Download Exam Application at: [https://www.hfma.org/careers/certification\\_program/HFMA\\_certification/exam\\_application.htm](https://www.hfma.org/careers/certification_program/HFMA_certification/exam_application.htm)
- General Questions: Victoria Nikitin, 713.566.4342 or [vnepa@apexmail.com](mailto:vnepa@apexmail.com)
- Core Exam Study Group: Elizabeth Sandeman, 713.256.7655 or [easandeman@aol.com](mailto:easandeman@aol.com)
- Find information about HFMA certification at: [http://www.hfma.org/careers/certification\\_program/index.htm](http://www.hfma.org/careers/certification_program/index.htm) .

The Certification Committee is enthusiastic about the study group opportunity and invites all interested Chapter members to inquire about it, even if you are planning to take the core exam at a later date.

Our members are having a record-breaking year with the number of successful exams and we would like you to be one of those successes!! Let us know if we can help you. 

## Student Scholarships


Each year, the HFMA Gulf Coast Chapter awards scholarships to deserving students studying Health Care Finance or Health Care Administration. The deadline for the 2004/2005 scholarship program is March 1, 2005.

Students are asked to submit a typed, double-spaced essay detailing the reason they should receive a scholarship from HFMA. Applications should be accompanied by a professor's letter of recommendation and a copy of the transcript. All information must be sent to the HFMA Gulf Coast Chapter, attention Danny Hollaway, Chairperson for Academic Affairs.



Students will be judged on the following criteria:

- HFMA Involvement (20%)
- Academic Achievements (40%)
- Leadership Experience (20%)
- Community Involvement (20%)

See details on Chapter website at [www.hfmatxgc.org/Scholarship.htm](http://www.hfmatxgc.org/Scholarship.htm) (see Student Scholarship Program, not Membership Scholarships) 

## Certification News

**Next Exam Date  
Thursday,  
March 17, 2005  
at 9:00 a.m.**

Offices of Deloitte &  
Touche, LLP  
Three Allen Center  
333 Clay, Suite 2300

## 2005 Financial Challenges Require "Back to Basics" Solutions

by Lance S. Loria, CPA, CHE, FAAMA,  
President, Loria Associates, LLC



*Lance S. Loria, CPA, CHE,  
FAAMA is President of  
LORIA ASSOCIATES, LLC,  
and also serves as a  
Director of the Texas Gulf  
Coast Chapter.*

Many of the same financial challenges faced by hospitals and health systems in past years exist in 2005. A recent editorial cartoon in Modern Healthcare depicted a house decorated with multi-colored Christmas lights, each with a different topic, such as, tort reform, charity care, quality, reimbursement, etc. Two neighbors standing on the front lawn were talking and one said, "They stayed up all last year...might as well keep them up this year, too!!!" The ACHE surveyed CEOs and 71 percent responded that financial/budgetary issues were their top concern for 2005. Other top concerns reported were: (1) cost; (2) access; and (3) quality. Sound familiar?

A frequent solution to financial challenges arises during the budgeting cycle. A mandate to reduce staffing, programs and activities, without regard to patient volumes, is a common mistake. Well intentioned department directors respond with budget cuts only to fail in their attempts to meet them. Nothing was gained and the "budgetary Christmas lights" will be hanging next year.

### Back to Basics Solutions

Effective cost reduction begins with identifying cost drivers. Patient volume and vendor input prices are two key factors. However, significant cost savings can be realized by focusing on other cost drivers such as:

- Patient Safety/Quality Outcomes;
- Capital Cost;
- Non-Core Business Activities; and
- Productivity Monitoring and Staffing.

### Patient Safety/Quality Outcomes

A couple of years ago I published an article titled: "Patient Safety: Its Not Part of My Job Description...Or Is It?" It was a message to financial managers regarding the need to become more involved in this cost reduction opportunity. Patient safety initiatives can provide breakthrough cost savings opportunities.

Everyone recognizes that staffing is driven by patient volume and acuity; but not everyone "connects the dots" to realize that medication and other errors result in higher patient acuity. In addition to increased nursing care, patients recovering from medical errors consume substantially more pharmaceuticals and supply items than general acute patients.

With the restrictions on Medicare outlier payments the cost of medical errors is exacerbated and represents an even greater financial incentive for corrective action. Making appropriate cost/benefit decisions regarding which patient safety initiatives to invest in is the financial manager's area of expertise.

Working with teams comprised of clinical and operations staff, the financial manager can assess the return on investment. Sometimes, patient safety initiatives fail to obtain management approval due to a lack of budget resources. However, an initiative with a quantified financial return may be viewed differently by management.

### Capital Cost Reduction

Capital spending among tax-exempt hospitals and health systems is expected to continue to grow in 2005 according to Moody's Investors Service. In 1999, only 22 percent of hospitals and health systems had a capital spending ratio of less than


"The ACHE surveyed CEOs and 71 percent responded that financial/budgetary issues were their top concern for 2005. Other top concerns reported were: (1) cost; (2) access; and (3) quality. Sound familiar?"

"Capital spending among tax-exempt hospitals and health systems is expected to continue to grow in 2005 according to Moody's Investors Service."

See "Back to Basics" page 10

## Physician Practice Committee Now Forming

*By Kent Walters, Manager, Finance,  
U.T. M.D. Anderson Cancer Center*

The Physician Practice Committee is forming and seeking all interested Chapter members seeking to be a part of the committee team. The Physician Practice Committee is chaired by Kent Walters, Manager, Finance at The University of Texas M. D. Anderson Cancer Center. The vision for the committee is to broaden the educational and program offerings related to issues of critical importance to physician organizations and hospitals alike. In addition, plans are being explored to coordinate more educational offerings between the local chapter of MGMA and the Texas Gulf Coast Chapter of HFMA. In fact, the first committee member secured is Rick Canady a HFMA member and currently the local chapter MGMA President. The committee chair is also committed to involving as members as possible from those outside the Texas Medical Center. By utilizing available technology, we hope to offer WebEx style learning opportunities and information sharing. While we are individually soliciting chapter members to join the committee, please feel free to call or email Kent to become a part our newest committee. The time commitment will be kept to minimum and will offer an excellent opportunity to network with fellow chapter members. Kent can be reached at 713.794.4354 or by email at [kwalters@mdanderson.org](mailto:kwalters@mdanderson.org) 

## TDI News...

### Multi-State Settlement with Disability Insurer

Texas Department of Insurance (TDI) announced its participation in a nationwide settlement with three disability insurers owned by Unum Provident Corp. over allegations of improper claims handling practices.

The settlement was reached by lead insurance regulators in Maine, Massachusetts, and Tennessee on behalf of policyholders in 47 states and the District of Columbia.

The settlement calls for Unum to pay a fine of \$15 million and to reassess the claims of more than 200,000 policyholders going back to 1997. Texas will receive approximately \$1 million of the \$15 million fine.


Every Texas resident whose disability claim was denied by the companies after January 1, 2000 will receive a notice giving them the option to effectively start their claim process over again.

All Texas residents whose claims were denied between January 1, 1997 and December 1999 will also have the option to have their claims re-examined, and their employers will be notified of this option.

See TDI news releases for additional details at [www.tdi.state.tx.us/](http://www.tdi.state.tx.us/) 

## March Program

*from page 1*

administration, and consulting. Prior to joining Phase 2 Consulting, he worked as a senior health care consultant for Ernst & Young in Los Angeles. During that time, he gained experience in strategic repositioning, mergers and acquisitions, financial modeling, and business process improvement. Mr. Dazley has participated in numerous strategic planning and financial turnaround engagements for health systems throughout the country and currently leads Phase 2 Consulting's revenue cycle team. Mr. Dazley received his M.B.A./H.S.A. from the University of Utah. He is fluent in Spanish and is also a participating member of the Health Care Financial Management Association. 

## Moving???

If you are relocating, changing jobs, changing email addresses or phone numbers, please notify us of your changes at (713) 776.1314 or via email at [info@hfmatxgc.org](mailto:info@hfmatxgc.org)

## Back to Basics

*from page 8*

100 percent – meaning their capital investments were less than the depreciation. That ratio grew to 33 percent in 2003.

At the same time, the percentage of hospitals and health systems spending more than 200 percent of depreciation held constant at about 20 percent. This analysis reveals “pent-up demand” for capital replacement expenditures in part caused by the drop in Medicare payments following passage of the Balanced Budget Act of 1997.

If CEOs are concerned about cost and revenues...why all the fuss over capital costs you may ask. Simple, a capital investment generally includes the following cost drivers:

- Annual depreciation;
- Interest expense;
- Debt issuance cost amortization;
- Maintenance/supply costs; and
- Additional staffing for added equipment.

While staffing and maintenance/supply cost issues are addressed elsewhere; depreciation, interest and debt issuance cost amortization also affect annual financial results. A reduction of capital expenditures could have dramatic financial effects. This is not a reduction in equipment units purchased, but rather a reduction in price paid. Process improvements involving vendor bid and negotiation procedures coupled with the use of external tools and resources can make the difference.

For example, assume a \$12 million equipment budget with an average depreciable life of 6 years. Also assume interest and debt issuance costs to be 5 percent. Therefore:

- \$12 million over a 6-year life equals \$2 million annual depreciation; and
- 5 percent debt related cost amortization equals \$600,000 annually.

Assuming a 15 percent reduction in capital costs, the benefit to the income statement would approximate \$400,000 annually over the 6-year life of the assets (15% x \$2M depreciation plus 15% x \$600,000 debt cost amortization).

Assuming similar cost reductions in subsequent years, the results would “layer” resulting in second year benefits of \$800,000; third year benefits \$1.2 million; and accumulating to \$2.4 million annually in year six and thereafter. If you are looking for dramatic bottom line impact, don’t overlook capital cost reduction opportunities.

### Eliminating Non-Core Business Activities

Hospitals and health systems are in the business of providing clinical care to patients. Almost every other activity is “fair game” for consideration of outsourcing. Examples of outsourcing opportunities include: Food Service; Housekeeping; Maintenance; Pharmacy; Business Office; and many more. This area requires analysis to ensure appropriate cost; quality; and service are maintained or enhanced. However, only one outsourced activity can result in hundreds of thousands of dollars of savings annually.

### Productivity Monitoring and Short-Interval Staffing Techniques

There are many decision support systems available to track and report staffing levels and budget variances. However, there are few that provide “real-time” reports allowing for productivity monitoring to impact staffing. Once a system is in place to provide rapid feedback, management can intervene with nurse managers and other departments (that have variable staffing) to provide training in short-interval staffing techniques. This type of management oversight can affect behavior of managers that may otherwise rely on the staffing levels from yesterday regardless of service volumes.

## Medicare Deductibles & Premiums 2005

Part A Premium: \$0  
Exceptions:  
\$206.00: 30-39 quarters of Medicare-covered employment  
\$375.00: less than 30 quarters of Medicare-covered employment

Part B Premium: \$78.20 per month

Part A Inpatient —  
Deductible: \$912.00 (first 60 days; and again after 60 days hospital-free)  
Coinsurance Days: \$228.00/day (days 61-90)  
Lifetime Reserve Days: \$456.00/day (days 91-150)

Skilled Nursing —  
Coinsurance: \$114.00/day (days 21-100)

Part B Outpatient, physician services, home health, durable medical equipment —  
Deductible: \$110.00/year  
Coinsurance: 20% of Medicare-approved amount

*See “Back to Basics” page 11*

# Networking Event

## Dave & Buster's Million Dollar Midway


### March 18, 2005

By Lynda Vibrock, Chair,  
Membership Committee Texas Gulf Coast Chapter

In our most recent survey of our HFMA TXCG Chapter's membership, you told us you wanted more networking opportunities to mingle with your peers. We came up with a way to fulfill your requests through a cocktail buffet and an evening of entertainment.

Mark your calendars now for Dave & Buster's Million Dollar Midway, 4:00pm to 8:00pm March 18, 2005.

We have reserved a banquet room for a cocktail buffet. And, we have the added benefit of all the fun Dave & Buster's provides using Power Cards. The Power Card is a passport to games as far as the eye can see. They will instantly get you into the action, from classic arcade to cutting-edge simulators, there will be something for everyone.

You'll be hearing more about this event at our next luncheon meeting and on our chapter website under Events. Also, you will receive an email offering the opportunity for you to make your reservations for the event! 

## New Member Orientation

Next date...

March 18, 2005

Join us at 10:30am at the Crowne Plaza Medical Center Hotel, before the regular monthly meetings on those dates.

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## Back to Basics

*from page 10*

A provider doesn't want to be over or under staffed. Under staffing can lead to medical errors, employee turnover, or adding costly overtime and/or agency staffing. For most hospitals, labor costs represent 60-65 percent of total costs and more than half of that is in departments with variable staffing needs.

Assuming an annual variable labor cost of \$100 million; a 2-3 percent improvement in staffing could reduce costs by \$2-\$3 million annually. This solution represents "little pain for lots of gain" on the bottom line.


## Summary of Solutions to Financial Challenges

The opportunities described in this article include:

- Appropriate investments in patient safety program initiatives that yield return on investment;
- Process improvements and use of resources and tools in materials management to achieve capital cost reductions;
- Evaluation of outsourcing for non-core business activities; and
- Implementation of effective productivity monitoring and short-interval staffing techniques to trim variable labor costs.

"For most hospitals, labor costs represent 60-65 percent of total costs and more than half of that is in departments with variable staffing needs."

By focusing on a "back-to-basics" set of solutions, financial managers can remove some of the "low hanging Christmas lights" this year.

Lance S. Loria, CPA, FACHE, FAAMA, is President of Loria Associates, LLC, in Houston. He has 32 years of health care industry experience. Lance is an advanced member of HFMA and recipient of the Founders Medal of Honor Award for outstanding service. He is a Fellow of the American College of Healthcare Executive; and Fellow of the American Academy of Medical Administrators. He is a frequent author and speaker on health care industry topics. Lance can be contacted for questions regarding this article and back-to-basics solutions services at [lanceloria@aol.com](mailto:lanceloria@aol.com). 

# HFMA's 2005 Spring Summit

## The Uninsured, Your Community, Your Role as Financial Leader

Practical Solutions to Fulfill Your  
Organization's Mission

Pointe Hilton Tapatio Cliffs Resort  
Phoenix, Arizona - March 6-8, 2005

As the uninsured population continues to grow at an alarming speed, your pivotal leadership role requires you to develop and implement proactive practices that satisfy patients, the government, the community and your organization's financial obligations.

Leading the industry with ground-breaking strategies and ideas, HFMA's 2005 Spring Summit — **The Uninsured, Your Community, Your Role as Financial Leader** — will give you solutions and approaches so you can strengthen and streamline your ability to care for uninsured and charity care patients while upholding your organization's mission.

Find more information at  
<http://www.hfma.org/education/uninsured/index.htm>

## Newsletter Deadlines - 2005/2006

<u>Editions</u>	<u>Submissions Deadline</u>
Feb/Mar 2005	Jan. 12, 2005
Apr/May 2005	Mar. 11, 2005
June/July 2005	May 11, 2005
Aug/Sept 2005	July 13, 2005
Oct/Nov 2005	Sept. 14, 2005
Dec 05/Jan 06	Nov. 9, 2005

Submit articles (MS Word) or advertising (.jpg or /tif files) to the newsletter editor, **Carolyn Gay** at [cgay@houstonlaw.com](mailto:cgay@houstonlaw.com).

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Members are encouraged to submit articles and report news of interest to the membership. Contact the editor to obtain deadlines for submitting articles. The editor reserves the right to edit any submission for clarity and length, and to accept or reject any submission. Please send all submissions to:

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