



# Gateway Gatherings

## President's Message

**Barbara Smallwood**  
Chapter President



WOW, it's hard to believe another HFMA year is quickly coming to an end. This has been a fantastic year due to the chapter working together as

leaders. I would like to take this opportunity to say thank you to all of the Offices, Board of Directors, Committee Chairs, Co-chairs, past presidents, and volunteers. This chapter has a lot to be proud of.

We started the year in celebrating our chapter's 60<sup>th</sup> Anniversary. We looked back on all the changes in healthcare and the organization. It also gave us the opportunities to come together as a group and celebrate what makes this chapter so amazing. Jerri Weith and her committee's efforts in pulling this together were phenomenal.

This chapter met and exceeded goals and will be presented with several National awards at ANI this year. I hope to see many of you there to join Tom Sale and me in the celebration of the Greater St. Louis Chapter successes. It takes a Big Team to make this happen and we have amazing leaders helping us achieve these awards. The continue support of so many leaders keeps our chapter successful.

As I prepare to turn things over to Tom Sale as your incoming President. Tom has been very busy with his Team and is working very hard to bring yet another fantastic year. Great involvement from our members will make next year even better.

Lastly, I would like to Thank Tom Sale, the Board, Committee Chairs, co-chairs, and members for all of your support throughout the year as my life took turn. Your support and encouraging words was a great relief to me. You all were there for me and the chapter. Tom you will be an amazing President. I am honored to have served with you.

As my year as President of the Greater St. Louis Chapter is coming to an end: I look forward to working with the new officers and the Board. Thanks to the entire membership and our sponsors for your support and hard work over the past year. Thanks for the opportunity to serve as Chapter President.

Sincerely,  
**Barbara Smallwood, President**

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*From the Editor...*

Thank you to all of those that contributed to this issue of the newsletter. I think you'll enjoy several educational articles and pictures from various HFMA events. Our group is back from LTC and the new sponsorship year is quickly approaching. I know I am looking forward to seeing what the HFMA leadership has in store for us. Remember, it's always a great time to get involved in a committee, please reach out to a fellow member for more details. This is also a great time to be thinking of articles or items you would like to see in the newsletter, please contact me at anytime if you have comments or questions or ideas, [Isuelmann@anderscpa.com](mailto:Isuelmann@anderscpa.com). Enjoy!

Publication Dates and Deadlines:

Winter Issue

**July 15**  
Deadline for Articles

**July 31**  
Publication Date



# Thank You to our 2012-2013 Chapter Sponsors

## Diamond



## Platinum



## Gold



## Silver



## Bronze



## New Member Profiles

The Membership Committee is pleased to welcome several colleagues as new members of the Greater St. Louis HFMA Chapter, those that filled out the new member profile will be featured in each newsletter. Please welcome our new members at the next upcoming HFMA event.

**Bob P. Devins**  
Affiliated Management Services Inc

**Angel Medina**  
Washington University

**Katy A Benedict**  
The Outsource Group

**Richard R. Gratz**  
Kerber, Eck & Braeckel LLP

**Donald M Bradford**  
SSM Health Care

**Ronald E Yegge, Jr.**  
SSM Health Care

**Carol Morgan**  
The Audit Group, Inc.

**Amber Bohnenstiehl**  
Kerber, Eck & Braeckel LLP

**Cheryl Watts**  
SSM Health Care

**Garrick Mueller**  
SSM St. Mary's Jefferson City

**Nick A Koenemann**  
Marsh

**Colleen B Murphy**  
HCFS, Inc.



### **Colleen Murphy** HCFS Inc, Operations Manager

**Tell us about your job responsibilities;**

Expedite Medicaid Billing  
Maximize Hospital Income For Self-Pay Patients  
Successful Appeal Of Third Party Denials

**Family:**

Happily Married to my husband Dave.  
6 daughters and 1 very spoiled son.

**Hobbies/Interests:**

Spending time with my family, traveling on soccer trips with the kids and visiting my daughter that lives in NYC.

**Why did you join HFMA?**

To network and get more involved in my industry.

**Tell us something about yourself that most people do not know:**

I am very conservative but if Jessie's girl comes on the radio....I break out singing and will play the air guitar.



## Program/Education Committee 2013-2014

Brian McCook

On February 26<sup>th</sup>, the Annual Legislative Update was held at St. Lukes Education Center. We had several great speakers, Stu Vogelsmeyer with Lashly & Baer as well as Andrew Wheeler and Steve Renne with the Missouri Hospital Association. Needless to say, there are a number of pitfalls and new compliance areas that payers, both government and commercial, are targeting so hearing ways to “dot your I’s and cross your T’s” was very helpful. There was also some good dialogue on Medicaid expansion and what that might ultimately look like for Missouri.

The March 26<sup>th</sup> Insurance Payer Panel Program was held at Bogey Hills Country Club. Bruce Gosser with Innova Health Solutions and Todd Zigrang with Health Capital Consultants each presented on the future of healthcare reimbursement which range from ACO development, to bundled payments, to overall population health management. There was a great amount of insight and expertise shared with the more than 70 participants. The afternoon session consisted of representatives from various payers who gave a brief overview of programs and initiatives being developed in their respective organizations to address the future demands of healthcare. Brian McCook with Anders Healthcare moderated the session.



Key programs offered through July 2013: Spring Joint Conference May 15 - 17. For a full calendar listing of our educational events through July 2013, please visit the Greater St. Louis Chapter website at: [www.hfmastlouis.org](http://www.hfmastlouis.org).

Please don't forget about the many free webinars and downloads through HFMA National's website. Please visit [www.hfma.org](http://www.hfma.org) and click on Education. Our chapter receives education hours for all of our members who access these learning opportunities. Also, please remember to register for HFMA National's Virtual conferences held on July 17<sup>th</sup> and October 16<sup>th</sup>. These are wonderful opportunities for our members to gain free education hours. Please visit National's website for more information.

Also, new for 2013 will be a Region 8 conference held here in St. Louis. The dates are August 21 – 23 and the event will be held at Ameristar Hotel and Casino in St. Charles. Please mark your calendars now so you don't miss out on this great educational opportunity.

Hopefully you received a save the date postcard in the mail earlier this year....if you have not, please contact me and I will make sure you receive one for your convenience.

**Brian McCook, CPA**  
**Program Chair**  
[bmccook@anderscpa.com](mailto:bmccook@anderscpa.com)



## Congratulations Tracy Packingham!

The Region 8 Chapters have elected Tracy Packingham of the Greater St. Louis Chapter to be the 2013 – 2014 Regional Executive Elect. Congratulations Tracy!



## Chapter Updates

### Awards Night



Theresa Kipper

The fourth annual awards event was held at Favazza's on the Hill on Thursday, April 11<sup>th</sup>. It was an enjoyable evening that included dinner and drinks. Good times were had as folks caught up with friends. Barb Smallwood handed out the various awards with the help of Tom Sale and the Awards committee as she spoke to why each person was being honored. This year we had the pleasure of presenting a Medal of Honor award to Joseph Salmo. This award is only given to someone who has already received the Muncie Gold Founder's award which is awarded once a member has received 75 volunteer points. The member must have provided significant service at the chapter and/or national level, and currently be

a member in good standing. In a unanimous vote, the chapter board decided to honor Joe.

Other awardees include: Jeff Morgan – Reeve's Silver, Timothy Bick – New Member of the Year, Jerrie Weith – Recruiter of the Year, Martin Sorenson – Committee Member of the Year, and Chastity Werner – Committee Chair of the Year. The following received President's awards: Teri Reger, Theresa Kipper, Brian McCook, Amy Richter, Constance Stimpson, Thomas Sale, Tracy Packingham, Brandon Koehler, and Paula Wagner.

Thank you to everyone for making this a great year!



### Certification Chatter

Jeff Morgan

The new HFMA year is fast approaching and we want all members to be aware of the benefits of becoming HFMA certified. Have you been thinking about becoming certified within HFMA, but not sure of the benefits?

There are many reasons to become certified including: advance your career, gain

confidence in your healthcare knowledge, earn credibility among your peers, clients, and prospects, and improve your resume.

Please contact me with questions on how you can become HFMA certified.

Jeff Morgan, FHFMA  
 Certification Chair  
[jmorgan@avadynehealth.com](mailto:jmorgan@avadynehealth.com)

## Chapter Updates

### 2013 LTC - Anaheim, CA

Tom Sale, President-Elect

On April 21-23, key leaders of the Greater St Louis HFMA participated in the Leadership Training Conference (LTC) in Anaheim, CA. This is held annually by national HFMA. LTC offers an opportunity for your chapter leaders to meet other leaders throughout our Region 8, plus across the U.S, as well as the leadership team from HFMA's national office. The conference holds sessions for each different position with emphasis on best practices and learning from others in breakout sessions.

Here is a list of who represented our chapter this year, along with their incoming positions effective on June 1.

- Tom Sale** – President
- Amy Richter** – President-Elect
- Brian McCook** – Vice President
- Theresa Kipper** – Chair for Program Committee
- Chastity Werner** – Chair for Communications and Website Committees
- Jeff Morgan** – Chair for Certification and Sponsorship Committees

Our chapter had a special attendee there as well.

**Tracy Pakingham** attended LTC to learn more about her role as Incoming Regional Executive Elect. We are fortunate to have Tracy as one of our own to represent our Region in this key position for the next 2 years.

In addition to our individual educational tracks, we had some general sessions. We heard from Ralph Lawson, current HFMA Chair for 2012-13 and Steve Rose, incoming Chair for 2013-14. The current year's theme is "Leadership Matters", while next year's theme is "Whatever It Takes" both of which are quite applicable in HFMA and today's healthcare environment. We also heard from Joe Fifer, HFMA President and CEO.

The keynote speaker was Robyn Benincasa, who is a New York Times bestselling author for "How Winning Works". She is a World

Champion Adventure Racer and Guinness World Record Kayaker. She shared with us her many challenges that her team faced throughout their numerous racing adventures and how they looked at these seemingly impossible obstacles to overcome as opportunities to be creative to still succeed in accomplishment of their goals. Her main theme is that our strength is better as a team through the uniqueness of the team's synergy as opposed to the sum of our individual strengths.

During our Regional Planning Session, we focused on sharing amongst our team the new ideas we learned and exciting plans that we want to put into place in the coming year. Your leadership team is excited and ready to kick off the 2013-2014 year! We appreciate the support of the chapter allowing us the opportunity to attend the LTC conference. This is an invaluable experience which helps your leaders learn and grow in their HFMA positions and bring back new ideas for our chapters' success. We will be sharing some of these at future Board Meetings, plus at our Mini-LTC workshop (for our local chapter members) which we are preparing and planning for in the very near future. We hope you can join us. We look forward to another successful year.



### Thank You to Our 2012-2013 Sponsors

Sponsorship Committee

The Sponsorship Committee would like to thank all of our sponsors this year. It is because of our dedicated and important sponsors that the Greater St. Louis HFMA Chapter can provide education and networking events throughout the year. Without our sponsors, we would not be able to provide the number or quality of events. THANKS again for your support!

A new sponsorship year for 2013-2014 is fast approaching. Look for renewal opportunities shortly.

## Region 8 Connection



### Mike Dewerff

Greetings HFMA Region 8 Friends and Colleagues!

They say time flies when you're having fun, and we are already approaching the end of the 2012-2013 HFMA chapter year. My journey as Regional Executive began 2 ½ years ago and I have thoroughly enjoyed every day! It was very nice meeting so many of you as I traveled around the region. It has truly been my pleasure to serve all of the HFMA Region 8 chapter members.

Your chapter leaders have been working tirelessly to bring you many exceptional educational and networking opportunities, with a number of events yet to come over the next several months. HFMA's fourth live online Virtual Conference event takes place April 11<sup>th</sup>, and is free to HFMA members! *Non-member registration includes an annual membership to HFMA!* The Virtual Conference and the many webinars offered by HFMA at the local, regional and national level are great ways to get continuing education that is relevant, timely and cost effective. You can earn continuing education credits and receive top quality education right from the convenience of your office!

I'd also like to encourage all the members in Region 8 to consider attending the first-ever **Region 8 Mid-America Summer Institute** on August 21-23, in St. Louis, Missouri. The leadership group coordinating this meeting is assembling an all-star cast of presenters that promises to provide education opportunities for everyone! Speaking of "all-star", the networking event for the Summer Institute includes a St. Louis Cardinals vs. Atlanta Braves baseball game on August 22!

Our chapter volunteers are so very important, and are the heart of HFMA. As each chapter develops their strategic plans for

the next year, I encourage each of you to volunteer your ideas and your time to help ensure the Region 8 chapters maintain the level of excellence that they are so well known for. You will reap many benefits by getting involved in your chapter, not only professionally, but personally!

Be sure to thank your chapter leaders for all that they do. They are the perfect example of this year's HFMA Chair's theme, *Leadership Matters*. Each chapter has achieved excellent results this year because of the leadership of all the chapter volunteers. They constantly strive to achieve the mission and vision of HFMA, to be the indispensable resource for healthcare finance.

I offer my sincerest thank you to all of the Region 8 chapter leaders for their leadership, friendship and support. It's been a great time! With that said, I am beginning to pass the baton to my successors and I wish all the best to Randy Hoffman and Tracy Packingham as they prepare to lead Region 8 to new heights. I assure you, I am leaving you in great hands!

Thank you again for the opportunity to serve Region 8, it has been my honor! I welcome your questions and comments. My telephone number is 515-574-6603 and my email address is [dewerfmj@ihs.org](mailto:dewerfmj@ihs.org).

**Mike Dewerff, CPA, MBA, FHFMA  
HFMA Region 8 Regional Executive  
2012-2013**



**Join Us on LinkedIn!**

**Search St. Louis HFMA in the Groups search bar and join the conversation!**





## HFMA's Virtual Conference

### Dear HFMA Chapter Member,

As your Chapter President, I would like to share with you a unique HFMA educational opportunity that has been brought back by popular demand. [HFMA's Virtual Conference](#) includes live sessions, offers all new content, and is **FREE to Members**.

Earn up to 12 CPEs for attending the live presentations. Live dates remaining include July 17, and October 16, 2013. Your participation in this event also presents our Chapter with an outstanding opportunity to increase our DCMS educational program hours.

**When?** July 17, and October 16, 2013

**What?** Access your choice of 6 CPE-eligible live education programs presented by industry leaders –

3 on each day – from the convenience of your home or office.

[View the live conference agenda.](#)

**Why?** If you attend the live event presentations, you can earn up to 6 NASBA-certified CPE credits over the course of the four days (1 CPE credit awarded for each live presentation attended). Each date offers new education content including a keynote session, a session that presents the latest findings from HFMA's Value Project, and a real-world case study that provides solutions to improve the quality of care and reduce costs.

**How Much?** It's **FREE** for HFMA members!

**Free online content** and **no associated travel expenses** are a great combination when all organizational budgets are tight.

Non-member registration is only \$155, which also includes membership for those new to HFMA. Help them take advantage of this educational opportunity.

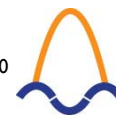
**Where?** Visit [hfma.org/virtualconference](http://hfma.org/virtualconference) for more information – and to **REGISTER** for this FREE educational event.

Please forward this e-mail to colleagues and/or staff in your organization today! For more information, visit [hfma.org/virtualconference](http://hfma.org/virtualconference).

If you have questions, HFMA's Member Services Center will be happy to assist you at (800) 252-4362, ext. 2 or send an email to [virtualhcf@hfma.org](mailto:virtualhcf@hfma.org).

Sincerely,  
Barbara Smallwood  
Greater St. Louis President





## Educational Corner

### Physician Compensation Modeling: Which One is Right for You?

Jessica A. Johnson, CPA, Anders Health Care Services

Change is a simple word, yet anyone related to the health-care field completely understands its immense impact. Whether it is laws, regulations, best practices, or other issues, change is an inevitable part of healthcare. One area that has certainly seen its fair share of change over the years is the way in which physicians are compensated. As the overall healthcare atmosphere evolves, including both the adjustment to delivery and payment methods, physician compensation must undergo a transformation from the direct impact caused by the overarching alterations in the industry.

Recognizing the need to update your current physician compensation model or adapt a completely new model altogether is the easy part. Now here comes the hard part – selecting, developing, and implementing a model that is aligned with both your strategic and financial goals. In this article, we will review examples of various models and their potential impacts on the organization.

#### Equal Sharing

Equal sharing assumes that all providers are equally skilled and equally productive compared to one another, and all providers are therefore paid equally. This model is one of the simplest arrangements and imposes minimal administrative burden. Obviously, high performers would be opposed and have little long-term incentive to continue to be high performers, while low performers would be in favor of such a model.

#### Base Salary and Base Salary Plus Bonus

An arrangement with only a straight salary can discourage entrepreneurial characteristics of providers. But it is also easily administered. Without the production incentives, both the equal sharing and base salary without bonus opportunities discourage unnecessary health care costs as providers are less concerned about patient volume. Often organizations implementing a salary based structure also include a second tier to the model allowing for bonuses. Providing a base that is generous enough to support a reasonable lifestyle while rewarding the physicians with a periodic bonus, allows physicians a sense of security with flexibility. As each provider has his or her own personal and career goals, this arrangement allows them to increase their income through their individual performance. The additional bonus component added to the salary can be difficult to administer.

Establishing the base salary can vary widely depending on the group's objectives and the amount of pay the organization wants to tie to bonus measures. As the base can shift from year to year, association benchmark data and historical compensation can provide a reliable starting point. This information can also help develop base salaries and specific targets for bonus calculations that will promote revenue growth for the organization and the desired income stream for the individual providers. Reviewing both the current and

historical data within the organization and comparison of peers often engages the providers and promotes motivation amongst the group.

#### Productivity and Quality Models

Learning from the past when many organizations saw red numbers in their bottom line, an increasing number of groups are leaning towards compensation models where physicians must “earn their keep.” They are shying away from the equal sharing and guaranteed pay to focus more on increasing physician accountability to the organization as a whole. The current trend is to include a combination of productivity and quality measures within the compensation model to promote the additional responsibility. Both the productivity and quality measures can be on an individual or group level, with the ideal model still simple to administer and understand.

A variety of productivity measures can be used, such as, work Relative Value Units (wRVU), charges, collections, and patient encounters. wRVU models are increasing in popularity and continue to be favored over the flat salary models. In the full article, [which you can find here](#), you will see a sample illustrating a proposed compensation model. All three physicians receive the same base pay of \$175,000 with the expected wRVUs set at 4,550 for that particular compensation level. However, each provider receives a different bonus based on productivity for the year, and in turn is compensated at different level overall for the year.

#### Quality Measures

A variety of measures can also be used when including quality and performance incentives into the compensation plan design with the ultimate selection depending on the priorities and goals of the organization. For example, clinical quality, patient satisfaction, coding and charting, strategic goals, medical group development, and contribution to the organization are all general measures. Are the charts being completely within a predetermined timeframe established by the group? What are the results of the patient satisfaction survey? Did the provider increase his or her new patients by a certain percentage from the previous year?

The question that arises from the quality measures is “How do you translate quality into a dollar payout amount?” The payout could be based on the provider's improvement in quality scores from his or her previous performance or on how he or she compared to the group, or a set dollar amount could be assigned per each measure.



## Educational Corner

The next sample found in the full article expands the previous illustration to include a ten percent holdback on the physicians' base salary that will be distributed at year end based on the physicians' scores for certain quality measures identified by the organization. The proportion of the holdback earned is relative to the extent to which the physician meets the quality measures. The physician may earn up to 100% of the holdback.

### Modeling Considerations

When selecting an appropriate model, it is crucial to consider the results in both the overall environment and in the bottom line financially. Whichever model is selected, it must be financially sustainable. One possible way to accomplish this is to tie the model to individual profit and loss statements for each physician. This is one way to make sure the physician retains a level of risk or some "skin in the game." Generally, these income statements are prepared based on the cash basis and account for both direct and indirect expenses that are allocated to each provider.

The final example in the full article includes the productivity bonus calculation and also takes into consideration the individual physician's profit or loss for the year. The physician receives the full productivity bonus as long as the profit for the individual physician is equal to or greater than that amount, which is illustrated through Physician A below. No productivity bonus would be awarded if the physician has incurred a loss for the year.

The number and type of various components in the model will ultimately determine the degree of complexity and amount of effort the group and its team members must dedicate towards developing and executing the selected plan. But the important detail to keep in mind is that it needs to be a workable compensation model no matter which factors are included. If the compensation model is too complex and the providers do not have a clear understanding of the model, there could be feelings of uneasiness and sense of mistrust between the parties.

### Conclusion

So how do you select the "right" model for your organization? Scheduling meetings between the providers and administration early during brainstorming development phases is the most critical component to ensure there are no unexpected or surprising factors the providers have not anticipated. Before making decisions to improve, you must assess the current situation, including productivity levels and the reasoning for the current compensation model in place. Once you have reviewed where the organization stands currently, you can begin to organize priorities, develop options, obtain feedback, and assess impact. Once the transition to the new compensation model begins, understand that not all situations are identical, and there are some circumstances where exceptions or adjustments will be needed.

Also, develop a timeline for all parties to be aware of the projected deadlines and continue to provide explanations, feedback, and compensation estimates to the providers to ensure all concerns and objectives to the compensation model have been addressed.

From an overall perspective, the compensation model must support and drive the strategic efforts and commitment of the group towards improving the overall quality of care for the patients. There is not one specific compensation model that will successfully meet the objectives of every organization out there, so it is important to review the various models while evaluating the current trends impacted by the overarching healthcare industry.

*Jessica A. Johnson, CPA, is a health care consultant and tax advisor with Anders Health Care Services. For questions about this article or other pressing health care issues, contact Jessica at 314-655-5556, [jjohnson@anderscpa.com](mailto:jjohnson@anderscpa.com).*

[Click here to download the full article in PDF form, including samples.](#)



## Educational Corner

### Bad Debt and Charity Care Update

Kathy L. Hughes, FHFMA, G2N, Inc.

Bad debt and charity care classifications and reporting of those dollars for healthcare institutions have been a hot topic for several years. The increased scrutiny by the government, media, and the public means that our industry has to be clear and consistent (as much as possible) about how we determine and record the value of our services and the charity care that we provide.

The HFMA national office assists with this effort by issuing Principles and Practices (P&P) statements based on Generally Accepted Accounting Principles (GAAP), guidance given by The American Institute of Certified Public Accountants (AICPA) and Financial Accounting Standards Board (FASB) Codification. HFMA issued a revised P&P (No. 15) in December 2012 to help the industry with recent changes to FASB 954 which was revised in July 2011.

This article summarizes some of the guidance given in HFMA P&P No. 15. The full 14-page document is available to the general public and can be accessed at: <http://www.hfma.org/Content.aspx?id=1069>.

Bad debts result when a patient who has been determined to have the financial capacity to pay for healthcare services is unwilling to settle the claim. Charity care is provided to a patient with demonstrated **inability** to pay. How those determinations are made depends on a provider's financial resources, the communities they serve, and any specialized services that the healthcare facility might provide. In addition, decisions regarding bad debt and charity care are complex and require judgment. Because all of these things can vary by provider, it is important that bad debt and charity care policies be clearly documented and approved by the provider's governing body.

The 2011 AICPA audit guide requires the following with respect to reporting bad debts and charity care:

- Classify bad debts as a deduction from patient service revenue (Note: In the past it was reported as an operating expense and this change could impact your days in accounts receivable)
- Eliminate charity care from both revenue and receivables
- Disclose the charity care policy and the amount of charity care provided

The P&P also states that although charges are the basis for charity care and accounts receivable recordkeeping purposes, costs (both direct and indirect) and not charges should be the primary reporting unit for valuing charity care.

Additional information included in the P&P includes suggestions on what should be included in a charity care policy, the timing of decisions on both bad debt and charity care, the recordkeeping necessary for both bad debt and charity care, and the disclosure of both on your financial statements.

Both bad debt and charity care determinations are to be made as close to the time of service as practical, but not until sufficient evidence has been gathered to support the decision and based on a healthcare provider's revenue cycle policies. Once an account is determined to be a bad debt, the P&P indicates that it can be reclassified as charity if new information is obtained.

HFMA's website contains additional information on these topics and members of the Revenue Cycle Forum can obtain sample copies of policies and charity/financial assistance applications.



## MHA Update

### Federal Legislation Influences Change to Medicare Payments

Andrew B. Wheeler, MBA, CHFP

In the midst of political theatrics and rhetoric, legislative activity is now having a financial effect on Medicare revenue streams. Two of the recent changes include sequestration and Medicare “Inpatient Part B” billing, which are now realities. In addition, a bill has been introduced in the U.S. House of Representatives that will help bring some balance to the Medicare audit program.

Early in 2013, the American Taxpayer Relief Act of 2012 was signed into law, temporarily delaying the 2 percent payment reduction in Medicare payments to hospitals. As required by law, the president issued a sequestration order that would take effect March 1. This order is now being carried out by the Centers for Medicare & Medicaid Services, and the center plans to reduce Medicare fee-for-service claims with dates of service after April 1. CMS also is working to prevent making overpayments to the interim and pass-through payments by reducing those payments by 2 percent. In addition, periodic interim payments (PIP), Critical Access Hospital (CAH), Cancer Hospital interim payments and pass-through payments for graduate medical education, organ acquisitions, and Medicare bad debt payments also will be reduced by 2 percent. During the week of March 18th, Congress passed legislation that ensures sequestration will continue through the end of this year.

Recently, CMS issued an [administrator’s ruling](#) and published a [proposed rule](#) that will have a substantial affect how hospitals react to claims denied by Medicare contractors for such services under Part A, based on a finding that the inpatient admission was not reasonable and necessary. Under the administrator’s ruling, hospitals may now bill for medically necessary services performed as an inpatient, as a Part B service. Although this may be beneficial to cash flow, billing under this rule forfeits the appeal currently in process. Under the administrator’s ruling, timely filing provisions have been lifted. If a hospital has a pending appeal for a Part A claim, it will have 180 days from the date of receipt of the dismissal notice to file the Part B claim. The proposed rule contains much of the same provisions, with the exception of lifting timely filing provisions. MHA has published an [issue brief](#) that provides additional details.

The Missouri Hospital Association applauds the efforts of Reps. Sam Graves, R-Mo., and Adam Schiff, D-Calif., for introducing the [Medicare Audit Improvement Act of 2013](#). Similar to legislation filed during the congressional session last fall, this act contains provisions to change the documentation request limits, improve recovery auditor operations, encourage greater transparency, require physician validation for medical necessity denials, and more. The act was written prior to the “Inpatient Part B” ruling and proposed rule, which may require some revisions to section 5. At this time, 10 other representatives have agreed to co-sponsor the bill, including Rep. Billy Long, R-Mo. As health care leaders, I encourage you to support this act by contacting your respective U.S. House representative.





## Legal Lines

### Physician-Owned Distributorships - Tread Carefully

Stuart J. Vogelsmeier, J.D., Lashly & Baer, P.C.

The Office of Inspector General (the OIG) issued a Special Fraud Alert on March 26, 2013, addressing physician-owned entities that derive their revenue from selling, or arranging for the sale of, implantable medical devices ordered by their physician-owners for use in procedures the physician-owners perform on their own patients. These entities are frequently called physician-owned distributorships (“PODs”). The Special Fraud Alert includes PODs that design or manufacture their own medical devices or instrumentation. The fact that the OIG issued a Special Fraud Alert on this topic should cause hospitals and physicians to take note. The OIG has only issued six Special Fraud Alerts since 2000.

The OIG has long expressed concerns about the problems that could arise when a referring physician can earn a “profit” related to a referral. The OIG states that questionable features of PODs could include: (1) selecting investors because they are in a position to generate substantial business for the entity, (2) requiring investors who cease practicing in the service area to divest their ownership interest, and (3) distributing extraordinary returns on investment compared to the level of risk involved. PODs that exhibit these questionable features raise four major concerns typically associated with kickbacks: (1) corruption of medical judgment, (2) overutilization, (3) increased costs to Federal health care programs and patients, and (4) unfair competition. The OIG is concerned that the financial incentives that PODs offer to physician-owners may induce the physicians to both perform more procedures (or more extensive procedures) than are medically necessary, and to use the devices the PODs sell in lieu of other, potentially more clinically appropriate, devices. Given that implantable medical devices are considered “physician preference items” (i.e., the brand and type of device used may be made or strongly influenced by the physician, rather than being controlled by the hospital or ambulatory surgery center where the procedure is performed), the OIG believes that the review of PODs is critical.

The OIG’s statements are not ambiguous. The OIG stated that “we believe that PODs are inherently suspect under the anti-kickback statute.” The OIG is particularly concerned about PODs that exhibit **any** of these characteristics:

- The size of investment offered to each physician varies with the expected volume of devices used by the physician.
- Distributions from the POD are not made in proportion to ownership interest; rather by the expected or actual volume of devices used by physicians.
- The purchase price for the ownership interest in the POD varies by the expected or actual volume of devices used by physicians.
- Physician-owners condition the performance of surgical cases at a hospital or ASC on use of the devices purchased from the POD.
- Physician owners are pressured or required to use the device sold by the POD for their patients, and are threatened with financial repercussions for failure to use the POD’s devices.
- The POD retains the right to re-purchase the physician-owner’s interest because of the physician-owner’s failure or inability to refer.
- The POD is a shell entity that does not evaluate products, maintain or manage its own inventory, or maintain personnel to conduct operations.
- The POD does not maintain continuous oversight of all distribution functions.
- Failure of the physician-owners to disclose their ownership interests in the POD.
- Physician owners are few in number, such that the volume or value of a particular physician-owner’s referrals closely correlates to the physician-owner’s return on investment.
- Physician-owners who alter their medical practice shortly before or after investing in the POD (e.g., performing more surgeries, performing more extensive surgeries, switching to their POD’s device on an exclusive or near-exclusive basis).
- The physician-owners of the POD are the sole (or near sole) users of the devices sold by the PODs.

What are the “takeaways” after reading the Special Fraud Alert?

- Hospitals should require disclosure of physicians’ financial relationships with device manufacturers or distributors.
- Physicians who have the ability to influence the choice of the implantable device should proceed with extreme caution if approached about investing in a device manufacturer or distributor.

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*Stuart Vogelsmeier is a partner with the St. Louis law firm of Lashly & Baer, P.C. Mr. Vogelsmeier regularly counsels health care providers on issues such as Stark Law and Anti-Kickback Law compliance, corporate structure, employment agreements, joint ventures, adding ancillary services to practices, and asset protection. He can be contacted at (314) 436-8349 or at [sivo-gels@lashlybaer.com](mailto:sivo-gels@lashlybaer.com). The firm’s website is [www.lashlybaer.com](http://www.lashlybaer.com).*

This article is for informational and educational purposes only. Hospitals, individual physicians, and other providers should contact their advisors for assistance.



**August 21-23, 2013**

Ameristar Hotel & Casino,  
St. Charles, MO

### Speaker Highlights



**hfma** region 8  
healthcare financial management association

#### **Darryl Strawberry**

4 World Series Titles, New York Mets

#### **Neal Petersen**

Award winning author, round-the-world solo racing yachtsman, international speaker

#### **Tony DiCecco**

Former Women's Basketball Coach at UNI

#### **The Journey to CEO from CFO, Panel**

Phyllis Cowling, FHMA, CPA, President and CEO

United Regional Health System—Texas

Catherine Jacobson, FHMA, CPA, President and CEO

Froedtert Health—Wisconsin

Joyce Zimowski, FHMA, CPA, President and CEO

Unity Medical Group—New York

Facilitated by: Joseph Fifer, FHMA, CPA

President and CEO, HFMA National



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**Payer  
Conference**



# Greater St. Louis HFMA Events



May 14	First Illinois Webinar: Business Analytics: How to Maximize Your Information and Minimize Your Efforts 12:00 - 1:00 p.m.
May 15-17	Annual Joint Spring Conference Hollywood Hotel/Casino - Maryland Heights
August 21 - 23	Region 8 Mid-America Summer Institute Ameristar Hotel/Casino - Maryland Heights
September 3	Not-for-Profit Seminar - Episode of Care
September 16	Annual Golf Tournament Bogey Hills Country Club
September 26	ICD-10 Seminar

Visit the [HFMA Calendar](http://www.hfma.org) for more information! [www.hfmastlouis.org](http://www.hfmastlouis.org)

## Board Meeting Dates

May 17, 2013  
12:00 - 2:00 p.m.  
Hollywood Casino/Hotel  
immediately following conference  
RSVP to Tom Sale, [ThomasSale1@aol.com](mailto:ThomasSale1@aol.com)

Note: All members are welcome to attend the Chapter Board Meetings.

