



# Gateway Gatherings

## President's Message

**Thomas Sale**  
Chapter President



Dear HFMA Members of the Greater St. Louis Chapter,

A new year is upon us. Make your mark in 2014 by doing something new

this year. I challenge each of you in 3 areas: 1) Attend 1-2 local educational events. 2) Attend one Networking/Social function. 3) Get involved on a committee. Committee involvement is flexible. They can use whatever time works into your schedule. It is true that you get more out of your membership by being involved. There are a lot of dedicated people volunteering their time and energy to put forth several different events for our membership. Please plan on attending something new, plus volunteering on a committee.

Some of the upcoming programs/events we have planned are listed here. February 25 – Legislative Update | March 25 – Insurance Payer Panel | April 17 – Chapter Awards Night | April 22 – Compliance Program | May – Mini-Leadership Training Conference | May 14-16 – Spring Conference. Please check out our website for the latest updates. [www.hfmastlouis.org](http://www.hfmastlouis.org)

Thank you to the members that participated in the Member Satisfaction Survey that was distributed in October. This survey is released annually by National and is a helpful tool that is used by the officers and board members as we strategically plan the future chapter years. Your feed-

back is invaluable as your Chapter Leadership strives to make our members very satisfied. In the coming months, we will be reviewing the results and implementing new ideas for next year and beyond.

As we are moving into February soon, it occurs to me that my President's year is winding down with only 4 months left. The time just seems to fly by. I would like to take this opportunity to thank all the officers, board members, Chairs, Co-Chairs, and Committee volunteers for the unselfish contribution of their time to make our chapter better in service to our membership.

In closing, I would like to thank our generous sponsors. Without our business partners, we would not be able to provide the level and quality of programs and events that we do. Please thank the sponsors of the Greater St. Louis Chapter and let them know you appreciate their continued support. Please keep our sponsors in mind when making your decisions on new business initiatives.

As always, it is a pleasure to serve the Greater St. Louis Chapter. If there is anything that I can do for you please feel free to contact me at [Tom.Sale@passporthealth.com](mailto:Tom.Sale@passporthealth.com) 636.447.1298. I look forward to seeing some new faces at an event or networking function in the near future, plus even a few new names on our committee rosters. Let's make 2014 a great year together.

**Tom Sale**  
President, 2013-2014  
Greater St. Louis Chapter of HFMA



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**HFMA Officers 2013-14**

**President  
Tom Sale**

Passport Health Communications  
[Tom.sale@passporthealth.com](mailto:Tom.sale@passporthealth.com)

**President-Elect  
Amy Richter, FHFMA, CPA**  
Hospice of Southern Illinois  
[arichter@hospice.org](mailto:arichter@hospice.org)

**Vice President  
Brian McCook, CPA**  
Anders CPAs + Advisors  
[bmccook@anderscpa.com](mailto:bmccook@anderscpa.com)

**Secretary  
Connie Stimpson**  
Kramer and Frank, PC  
[cstimpson@lawusa.com](mailto:cstimpson@lawusa.com)

**Treasurer  
Craig Kalman**  
United Healthcare  
[craig@kalman.net](mailto:craig@kalman.net)

**Past President  
Barbara Smallwood**  
Lincoln County Medical Center  
[bsmallwood@lcmctroy.com](mailto:bsmallwood@lcmctroy.com)

**Board Members 2013-14**

**Scott H. Johnson, FHFMA**  
St. Luke's Hospital  
[Scott.johnson@stlukes-stl.com](mailto:Scott.johnson@stlukes-stl.com)

**Celine Wehmeier**  
SSM Healthcare  
[Celine\\_wehmeier@ssmhc.com](mailto:Celine_wehmeier@ssmhc.com)

**Chastity Werner, RHIT, CMPE, NCP**  
Anders CPAs + Advisors  
[cwerner@anderscpa.com](mailto:cwerner@anderscpa.com)

**Nick Butz**  
Mercy  
[nick.butz@mery.net](mailto:nick.butz@mery.net)

**Theresa Kipper**  
SSM Healthcare  
[Theresa\\_Kipper@ssmhc.com](mailto:Theresa_Kipper@ssmhc.com)

**Brandon Koehler**  
St. Anthony's Medical Center  
[Brandon.koehler@samcstl.org](mailto:Brandon.koehler@samcstl.org)

**Committee Chairs 2013-2014**

**Archives Committee  
Brian McCook, CPA**  
Anders CPAs + Advisors  
[bmccook@anderscpa.com](mailto:bmccook@anderscpa.com)

**Awards Committee  
Tim Bick**  
Mallinckrodt Pharmaceuticals  
[twb5v9@gmail.com](mailto:twb5v9@gmail.com)

**Certification Committee  
Jeff R. Morgan, FHFMA**  
Avadyne Health  
[jmorgan@avadynehealth.com](mailto:jmorgan@avadynehealth.com)

**DCMS Contact  
Connie Stimpson**  
Kramer and Frank, PC  
[cstimpson@lawusa.com](mailto:cstimpson@lawusa.com)

**Financial Review Committee  
Jonathan K. Waitukaitis, CPA**  
Anders CPAs + Advisors  
[jwaitukaitis@anderscpa.com](mailto:jwaitukaitis@anderscpa.com)

**Founders Contact  
Theresa Kipper, CPA**  
SSM Healthcare  
[theresa\\_kipper@ssmhc.com](mailto:theresa_kipper@ssmhc.com)

**Membership Committee Chair  
Karen Barker**  
Fifth Third Bank  
[Karen.barker@53.com](mailto:Karen.barker@53.com)

**Co-Chair  
Jill Amos**  
Robert Half Inc.  
[Jill.amos@rhi.com](mailto:Jill.amos@rhi.com)

**Member Directory Committee  
Connie Stimpson**  
Kramer and Frank, PC  
[cstimpson@lawusa.com](mailto:cstimpson@lawusa.com)

**Networking Committee  
Dawn Crump**  
Health Port  
[Dawn.crump@healthport.com](mailto:Dawn.crump@healthport.com)

**Co-Chair  
Nicholas Koennemann**  
Marsh  
[nkoennemann@marsh.com](mailto:nkoennemann@marsh.com)

**Newsletter Committee  
Lindsay Suelmann**  
Anders CPAs + Advisors  
[lsuelmann@anderscpa.com](mailto:lsuelmann@anderscpa.com)

**Nominating Committee  
Barbara Smallwood**  
Lincoln County Medical Center  
[bsmallwood@lcmctroy.com](mailto:bsmallwood@lcmctroy.com)

**Program Committee Chair  
Theresa Kipper**  
SSM Healthcare  
[Theresa\\_Kipper@ssmhc.com](mailto:Theresa_Kipper@ssmhc.com)

**Sponsorship Committee Chair  
Jeff R. Morgan, FHFMA**  
Avadyne Health  
[jmorgan@avadynehealth.com](mailto:jmorgan@avadynehealth.com)

**Webmaster Committee Chair  
Chastity Werner, RHIT, CMPE, NCP**  
Anders CPAs + Advisors  
[cwerner@anderscpa.com](mailto:cwerner@anderscpa.com)

**Co-Chair  
Jessica Johnson, CPA**  
Anders CPAs + Advisors  
[jjohnson@anderscpa.com](mailto:jjohnson@anderscpa.com)

**Yerger Awards Committee Chair  
Karen Schechter**  
[kschechter@gmail.com](mailto:kschechter@gmail.com)

**Co-Chair  
Joe Salmo**  
SOURCECORP HealthSERVE  
[josephsalmo@gmail.com](mailto:josephsalmo@gmail.com)

**Financial Advisory Board  
Jim Garvin**  
Genpact  
[James.garvin@genpact.com](mailto:James.garvin@genpact.com)

*From the Editor...*

With 2013 behind us, it's time to jump straight into 2014. The Greater St. Louis HFMA Chapter has a full 2014 planned with programs scheduled to benefit members of all levels. Don't forget about the Spring Chapter Awards on April 17, that is always a great event to meet fellow members. I hope you enjoy the first issue of 2014, and remember if you'd like to submit any articles, please contact me at anytime with questions. Thanks to those that contributed and I look forward to seeing what the next issue brings! Please contact me at anytime if you have comments or questions or ideas, [lsuelmann@anderscpa.com](mailto:lsuelmann@anderscpa.com). Enjoy!

Publication Dates and Deadlines:

[Spring Issue](#)

**April 15**  
Deadline for Articles

**April 30**  
Publication Date



# Thank You to our 2013-2014 Chapter Sponsors

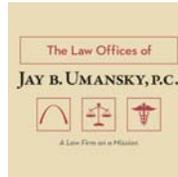
## Diamond



## Platinum



## Gold



## Silver



## Bronze





## Program/Education Committee 2013-2014

Theresa Kipper

As we head into the winter months, we would like to point out that our Winter Coding Classes have been restructured to provide more classroom hours for attendees. The new classes have already begun and will run through the 4th week of May on Monday and Thursday evenings. For the 2014-2015 education year, we will have our usual 2 Coding Classes for Fall 2014 and Winter 2015. In addition, we plan to have a new one addressing education for ICD-10 which will either begin Spring/Summer of this year. Please watch for the new coding class brochure on our website.

Our December 11th holiday party was held at Syberg's. A "no cost" education program was offered prior to the holiday event titled "The Hard Realities of Soft Skills". Mary Calcaterra presented to the group. The event was well attended and the food/company wonderful.

Key programs offered through May 2014: Legislative Update - February 25th, Insurance Payor Panel - March 25<sup>th</sup>, Compliance Program on - April 22<sup>nd</sup>, and the Spring Joint Conference on May 14 - 16. For a full calendar listing of our educational events through April 2014, please visit the Greater St. Louis Chapter website at: [www.hfmastlouis.org](http://www.hfmastlouis.org).

HFMA Region 8 Webinars started up in June of 2013. New this year – These are being offered at no charge to our HFMA members. They are held monthly through April, 2014 and include various topics of interest to our members. The monthly webinars are held on the 3rd Tuesday of each month from 12:00-1:30 p.m. Please check our chapter website calendar for details of the monthly webinar topics. We hope you will be able to dial in for these webinars periodically as many of them are of little or no cost to our members.

Also, we participate in conjunction with the Illinois HFMA chapter, in their monthly webinars. These webinars are held on the 2nd Tuesday of each month from 12:00-1:00 p.m. through April, 2013. The topics are posted on our chapter's education calendar on our website.

And 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 the Education & Events tab. Our chapter receives education hours for all of our members who access these learning opportunities. For a full listing of our upcoming educational events, visit the Greater St. Louis Chapter website: [www.hfmastlouis.org](http://www.hfmastlouis.org). Our website has been redesigned and we are proud of the many changes that will make it easier for our members to access information learning opportunities.

Also, please remember to register for HFMA National's Virtual conferences held on February 5th, April 24th, September 18th and December 16th. These are wonderful opportunities for our members to gain free education hours. Please visit National's website for more information.

We hope to continue the momentum as we head into the winter season. Many of the programs we formerly offered in the fall, have been moved to the winter months in 2014, due to scheduling conflicts and/or changes in conference dates. We want to encourage everyone to review the calendar of events to ensure that you take advantage of the many educational offerings that will be held in 2014. We look forward to seeing you at our upcoming events.

Theresa Kipper FHFMA, CPA  
Program Committee Chair 2013-2014  
Greater St. Louis Chapter Board Director

## New Member Discount - Now Available

Karen Barker

You can help new members save on their membership dues by taking advantage of the [extended membership application](#). **New members that join this fiscal year can save \$100 off their membership dues!** The extended membership option provides new members the opportunity to extend their HFMA membership through May 31, 2015, and save on their membership dues at the same time. There has never been a better time for new members to join HFMA.



## Chapter Updates

### Chapter Awards Recognition Night: April 17, 2014

Theresa Kipper

#### Awards Celebration Night- Make Your Reservation! Bravo! Bravo!

It's time for the Greater St. Louis HFMA Chapter to recognize its superstars for the 2013-2014 year. Come to the Fifth Annual Spring Awards Program when we distribute President's Awards, Certified Member Sponsor of the Year, Recruiter of the Year, Committee Member of the Year, Committee Chair of the Year, New Member of the Year and other special recognitions.



We also have a few other surprises you won't want to miss, including the opportunity to win attendance prizes!

**Thursday, April 17**  
**Dinner and Drinks**  
**5:00 - 7:00**  
**Location To Be Determined**

(Awardee reservations are complimentary.)  
For questions, contact [Theresa Kipper](mailto:Theresa.Kipper@hfma.org) or 314-523-8791.

### Certification Central

Jeff Morgan

Many healthcare organizations in today's challenging economy recognize their workforce as their most valuable asset. As such, these organizations tend to hold workforce development as a primary business strategy.

Investment in developing the talents, knowledge and skill sets of staffs are critical to the organization's success. HFMA's *Healthcare Financial Pulse* research identified this dynamic and noted that successful organizations today commit to the "bread and butter" of financial management, i.e. technically strong and comprehensive financial management.

Likewise, many individual financial managers today recognize the importance of assuming personal responsibility for their careers' success. More than ever before, individuals understand the importance of acquiring and maintaining comprehensive skill sets to ensure their ability to provide the financial management demanded today. These individuals frequently seek out relevant professional development opportunities.

The larger business environment resulting from these forces is a heightened interest in workforce development initiatives including certifications and credentialing. Credentialing programs have exploded across the past couple of decades and include:

- professional associations offering certifications
- community colleges offering curriculum-based certificates
- corporate sponsored in-house credentials for employees

- technology companies providing proprietary credentials to customers

HFMA certification provides a fundamental business service to our industry, namely HFMA certification offers:

- Assessment of job-related competency
- The opportunity for an individual to demonstrate skills and knowledge
- Independent verification of the skills and knowledge
- Confirmation that an individual is current in the practice field

The value of HFMA certification can be seen in several reported "value-adds":

- Increased departmental cooperation
- Heightened self-confidence among participants
- Increased performance against selected metrics
- Verification of staff knowledge and skills
- Assistance in structuring career paths

HFMA is committed to being the indispensable resource that defines, realizes and advances healthcare financial management practice. As such, HFMA provides professional certifications to achieve this purpose in today's business environment. This makes HFMA Certification a smart workforce investment strategy.

For more information on HFMA Certification, visit <http://www.hfma.org/certification/>.



### In Memory of Linda Davidson

Linda Davidson, past Greater St. Louis HFMA President in 1993, passed away recently. She is remembered fondly by her fellow HFMA members and the many good times they had together. Below is a poem in Linda's honor by Don Stone.

#### LINDA WAS A FRIEND OF MINE

By Don Stone

LINDA WAS A FRIEND OF MINE  
FOR OVER 30 YEARS,  
AND THINKING BACK ON ALL OUR FUN  
HAS HELPED ME THROUGH MY TEARS.

NO ONE LAUGHED LIKE LINDA DID,  
INFECTIOUS WAS HER GRIN.  
WHEN SHE WAS HAVING FUN, YOU SEE  
YOU TOO, HAD TO JOIN IN.

THINKING BACK ON ALL THOSE YEARS  
AND GOOD TIMES THAT WE HAD  
THE MEMOIRES BRING SMILES TO ME;  
THEY MAKE ME VERY GLAD.

THAT I HAD TIME TO SPEND WITH HER,  
I AM A LUCKY GUY.  
NOT EVERYONE CAN HAVE A FRIEND  
ON WHOM THEY CAN RELY.

WE STARTED OUT AT JMH  
WITH MARTY AND BILL C.,  
AND SHERRY AND JO ANN WE WORKED  
QUITE WELL, YOU MUST AGREE.

HFMA PLAYED NO SMALL PART  
IN HOW WE WORKED AND PLAYED  
MARTY LED, AND LINDA LAUGHED,  
AND WE FOLLOWED THEIR PARADE.

LINDA'S LAUGHTER, AS I'VE SAID,  
IS WHAT KEPT US ALL STRONG.  
LINDA WAS A FRIEND OF MINE,  
THAT'S WHAT I'LL KEEP LIFELONG.



Linda, Alen & Don Stone



Alen, Linda & John McGuire



# the virtual conference 2014

Sign up for our Virtual Conference Series Starting FEBRUARY 5 [hfma.org/virtualconference](http://hfma.org/virtualconference)

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 include February 5, April 24, September 18, and December 16.

**When?** February 5, April 24, September 18, and December 16

**What?** Access your choice of 12 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 12 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 email 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 email [memberservices@hfma.org](mailto:memberservices@hfma.org).

Sincerely,

*Tom Sale*  
President, Greater St Louis HFMA

## Region 8 Connection



### Randy Hoffman

#### Where has the year gone?

It is this time every year when I ask myself that question. Recently, during a three hour car ride by myself, I had several follow-up questions. What have I accomplished this year? Was it a good year or a bad year? What will next year be like? Should I drive through McDonalds or eat a salad when I get home? Just to clarify, these questions are really thoughts. Even though I spend a lot of time in my car going to board meetings this time of year I have not yet started talking to myself.

These questions/thoughts led me to the question – What has Region 8 accomplished this year? There have been many great accomplishments. Here are just a few:

- **National Awards** - For the 2012-2013 HFMA year, Region 8 received 34 awards. These awards included five Hottum Awards for Educational Excellence, eleven Chapter Yerger Awards, two Multi-Chapter Yergers, and two Platinum Awards for Education (*this was the first year this level was awarded, and Nebraska and Sunflower Chapters were two out of only six Platinum Awards in the country!*)
- **HFMA Region 8 MidAmerica Summer Institute** – This first year event organized by numerous chapter leaders was spectacular! We could not have imagined a better outcome to all the time and commitment that went into the event. Don't miss the next HFMA Region 8 MidAmerica Summer Institute being held in St. Louis August 18 – 20, 2014.
- **Education! Education! Education!** – Through chapter events and Region 8 webinars members

of the Region 8 chapters had access to the highest quality education in the country.

- **Leadership** – The Region has once again been blessed with great leaders. Each year the volunteers that step at the chapter level amaze me with their hard work and dedication. Additionally, Region 8 has two representatives on the National HFMA Board of Directors. Carol Friesen and Mike Allen (he may have transferred to another Region, but we will still claim him) have done a great job representing our Region.
- **Members** – The members of the chapters in Region 8 are the reason for these accomplishments. It's your support of the chapter leaders, attendance at education events and commitment to the profession that make our Region the best Region in HFMA!

This list could go on and on and on. I look forward to the continued success of Region 8 this coming year!

My telephone number is 402-330-2660 and my email address is [rhoffman@seimjohnson.com](mailto:rhoffman@seimjohnson.com). I welcome your questions and comments at any time!

**Randy Hoffman, CPA, FHFMA  
HFMA Region 8 Regional Executive  
2013-2014**



Join Us on LinkedIn!

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

# Educational Corner

## Reducing Hospital Prices While Increasing Net Revenues Mark Jeziorski, President, Sophical Solutions, LLC

Hospital prices have been in the press recently. Newspapers around the country have been publishing stories highlighting the wide disparities in prices for common medical procedures and tests among hospitals in close proximity to each other. Concerned about its prices being high, one hospital undertook an initiative to reduce its prices. This hospital was able to dramatically decrease prices, improve its median ratio of prices to wage adjusted APC payments and increase net revenues.

### Hospital Profile (Rounded Numbers)

Beds: 500 (Acute, Rehabilitation and Psychiatric)  
 Gross Revenues: \$1.5 billion  
 Total Patient Days: 120,000  
 Discharges: 21,000  
 Payor Mix: 70% Governmental (i.e. Medicare, Medicaid and County)

### Objectives

The management of this hospital undertook a major initiative to review and lower its hospital's prices. Specifically, management's objectives were to 1) decrease prices 2) have the new prices set at a reasonable percentile relative to comparable hospitals' prices and 3) decrease the ratio of prices to wage adjusted APC payments. In addition, management 1) wanted no change in gross revenues, 2) did not want a decrease in net revenues, 3) did not want prices to be below payment rates (e.g. wage adjusted APC payments) and 4) wanted prices to be based on a methodology that was reasonable and easy to understand. As part of this initiative, management also wanted to stop charging for general pharmacy and supply items since these items are generally not separately reimbursed by its third party payors.

### Approach

The approach taken to achieve the objectives for this initiative was to construct models that calculate the changes in gross and net revenues resulting from pricing changes. Management provided its ideal price point relative to the comparable hospitals' prices and ideal ratio of prices to wage adjusted APC payments. Prices were developed based on the ideal price point and ratio of prices to wage adjusted APC payments. The changes in gross and net revenues were calculated using these prices. Management then reviewed the gross and net revenue changes and revised the price point and ratio of prices to wage adjusted APC payments. New prices were developed and the gross and net revenues were re-calculated. This process continued until an outcome was achieved that met all of the objectives for this initiative.

In the end, the prices were set at or below the 60<sup>th</sup> percentile of the comparable hospitals prices with a median ratio of prices to wage adjusted APC payments of 2.5. There were a few prices (approximately 3%) that ended up being above the 60<sup>th</sup> percentile. The majority of these prices were above the 60<sup>th</sup> percentile so that the prices would be above the wage adjusted APC payments.

### Current (Pre-Initiative) Prices and Rates

The following table presents what the hospital's current prices/rates were in three categories that represent the majority of the non supply/implant and pharmacy/pharmaceutical prices. The table shows the percentage of prices relative to the percentiles of the comparable hospitals' prices/rates. For example, two percent (2%) of the hospital's current room and board rates were higher than all of the comparable hospitals' rates, fifty-nine percent (59%) were greater than the 75<sup>th</sup> percentile of the comparable hospitals' rates and sixty-one percent (61%) were greater than the 60<sup>th</sup> percentile of the comparable hospitals' rates.

Category	Current Prices Relative to the Comparable Hospitals' Prices/Rates		
	> 100th	> 75th	> 60th
Room & Board	2%	59%	61%
Non-Cost Based Items With CPT/HCPCS Codes <sup>1</sup>	20%	31%	39%
Operating Room Time	25%	33%	36%
Overall for Above Categories	20%	32%	39%

<sup>1</sup>Cost-based items include pharmacy, pharmaceuticals, supplies, implants, etc.

The ratios of the current prices to the wage adjusted APC payments varied from 0.2 to 27.7. The median ratio of prices to wage adjusted APC payments was 3.0.

*Continued on next page*



## Educational Corner

### New Prices and Rates

Forty-four percent (44%) of the hospital's prices were decreased, forty-two percent (42%) of the prices remained the same and thirteen percent (13%) of the prices were increased. Ninety-seven percent (97%) of the room and board, non-cost based items with CPT/HCPCS codes and operating room time charges were set at or below the 60<sup>th</sup> percentile of the comparable hospitals' prices.

Comparing the new prices to the current prices, it can be seen that the profile of prices relative to the comparable hospitals' prices changed significantly. The percentage of prices

Category	New Prices Relative to the Comparable Hospitals' Prices/Rates		
	> 100th	> 75th	> 60th
Room & Board	0%	0%	0%
Non-Cost Based Items With CPT/HCPCS Codes <sup>1</sup>	1%	2%	3%
OR Time	0%	5%	15%
Overall for Above Categories	1%	2%	3%

that are the highest relative to the comparable hospitals' prices was reduced from twenty percent (20%) to one percent (1%) and the percentage of prices that are above the 60<sup>th</sup> percentile of the comparable hospitals' prices was reduced from thirty-nine percent (39%) to three percent (3%).

The median ratio of prices to wage adjusted APC payment was decreased from 3.0 to 2.5. The new ratio of 2.5 is twenty-two percent (22%) below the lowest ratio for the comparable hospitals. Also, the hospital stopped charging for general pharmacy and supply items which is essentially having a zero price for these items.

### Gross and Net Revenue Impacts

Gross revenues are projected to increase by 0.4% as a result of the pricing changes. The change in net revenues related to all contracted commercial payment terms except the "lesser of" provisions and before the impact of the pricing changes on outlier payments is projected to be \$1,500,000. The pricing changes are projected to result in a net revenue decrease of \$400,000 because of the "lesser of" contract provisions. Outlier payments are projected to decrease by \$400,000 as a result of the pricing changes. Overall, net revenues are projected to increase by \$700,000.

Category	1st Yr Change in Net Revenues
Net Impact Before Outlier Payments and "Lesser of" Provisions	\$1,500,000
Impact of "Lesser of" Contract Provisions	-400,000
Impact on Outlier Payments	-400,000
Total Change In Net Revenues in First Year	\$700,000

### Key to Achieving Outcome

In the case of this hospital, the key to increasing net revenues while decreasing 44% of the prices and not changing 42% of the prices was *accurately* modeling *all* reimbursements impacted by price changes and modeling *all* contract provisions that would impact net revenues from changes in prices. Only by modeling *all* reimbursements and *all* contract provisions that would impact net revenues from pricing changes could net revenues be optimized for a given change (or no change) in gross revenues and the change in net revenues be accurately projected.

Reimbursements impacted by price changes include, but are not limited to, items paid a percentage of charges unless they are included in a case rate, items paid a percentage of charges up to a cap, claims paid a percentage of charges, claims paid a percentage of charges up to a cap, inpatient outliers, outpatient outliers, etc. Accurately modeling some of these reimbursements impacted by price changes was a significant undertaking. One of the reasons for the undertaking being significant was that claims data had to be utilized to model some managed care payors' payments because the payments were a percentage of charges up to cap for all charges on the claim excluding select carve-outs for implants and pharmaceuticals.

Also critical to achieving the desired outcome was the modeling of all contract provisions that impact net revenues when prices were changed. Two of the more significant contract provisions in the case of this hospital included "lesser of" provisions and caps on charge increases. If these contract provisions were not modeled, the hospital would have projected significantly more net revenues than what was achievable and would have ended up with less net revenues than if the provisions were modeled. The hospital would have ended up with less net revenues because modeling these provisions allowed the hospital to mitigate the impact that the contract provisions were having by appropriately adjusting prices.

### Summary

Hospital prices are in the spotlight once again. This situation may prompt some hospitals to consider lowering their prices. These hospitals can take heart in the fact that one hospital was able to reduce a significant number of prices while increasing net revenues. The key to achieving this outcome was *accurately* modeling *all* reimbursements impacted by price changes and modeling *all* contract provisions that impact net revenues from pricing changes.

Mark Jeziorski is president of Sophical Solutions, LLC.  
markj@sophicalsolutions.com.



## Federal Budget Agreement, SGR 'Fix,' 2014 State Advocacy Efforts

Andrew B. Wheeler, MBA, CHFP, Missouri Hospital Association

The federal government has enacted a two year budget agreement and is discussing a fix to the physician sustainable growth rate formula. The U.S. House of Representatives and U.S. Senate passed a [budget agreement](#) that provides a budget compromise for fiscal years 2014 and 2015. The agreement extended the Medicare dependent and low-volume payment programs, retroactively through March 31, and extends the sequestration cuts to hospitals to 2022 and 2023. The effect on Missouri's hospitals for the Medicare dependent and low-volume payment extensions will result in an additional \$4.3 million. The effect of extending the sequestration into 2022 and 2023 will result in a reduction of Medicare payments amounting to \$208 million.

In addition to the revisions to certain Medicare payment programs, the budget agreement also restores the Affordable Care Act's Medicaid disproportionate share cuts in fiscal year 2014 while delaying fiscal year 2015 cuts for one year and extending the cuts an additional year to 2023. The effect for 2014 will be a reduction to the estimated cuts in payments of \$27.3 million and pushes 2015's cuts amounting to more than \$31.3 million into fiscal year 2016. This creates a Medicaid DSH payment reduction cliff in 2016, increasing the cut from \$30.8 million to \$62.1 million.

The budget agreement also contains a short-term physician payment fix, which averts the 20 percent payment reduction through March 31. Averting the SGR rate cut and extending the current level of payments to physicians for 90 days allows additional time for Congress to focus on a permanent fix. The SGR fix has bicameral and bipartisan support, which includes very little legislative differences. However, funding for the SGR fix has yet to be determined.

The Missouri Hospital Association will continue to work diligently with community leaders and state officials to decrease Missouri's uninsured rate. Medicaid transformation will be the cornerstone of MHA's advocacy efforts during the 2014 state legislative sessions. Throughout the past year, support has been increasing from hospital boards, local and state Chamber of Commerces and other coalitions. Once again, MHA will be calling on these organizations and hospital leaders throughout the state to provide support in this effort.

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## Holiday Party, December 11, 2013





## Legal Lines

### Provider-Based Status: Does Your Facility Qualify?

Stuart J. Vogelsmeier, J.D.

This article is intended to summarize the answers to many of the common questions that health care providers ask about entities that are known as “provider-based”.

#### What is provider-based status?

Provider-based status merely means that there is an established and specific relationship between a hospital and another facility or provider of health care services, such that the other facility or provider is considered a subordinate part of the main hospital provider. CMS has issued regulations defining the requirements for provider-based departments and entities.

#### Why does provider-based status matter?

A determination that a health care provider is “provider-based” impacts reimbursement and coverage. In terms of reimbursement, a provider-based entity is considered “part of the hospital”. Generally, a facility that is “provider-based” is paid under the Hospital Outpatient Prospective Payment System (“OPPS”), rather than under the physician fee schedule. This means that the provider-based entity is generally paid a “technical” component (also referred to as a “facility fee”) in addition to the physician’s professional fee. Overall, reimbursement is higher for provider-based entities than would otherwise be payable under the physician fee schedule.

In terms of coverage, certain services will be covered by Medicare only if provider in a hospital setting. For example, CMS reimburses certain outpatient therapeutic services only if those services are furnished in a hospital or a provider-based entity.

#### What standards must be met in order to be considered provider-based?

The CMS regulations are detailed and complex, but the following requirements must be satisfied:

- Licensure under the same license as the main hospital provider.
- Clinical integration with the main provider, in areas such as privileges, monitoring, oversight, medical directorship, medical staff committees, medical records, and inpatient and outpatient services.
- Financial integration with the main provider, including shared income and expenses, and appropriate treatment on cost reports.
- Public awareness, which means being held out to the public and other payers as part of the main provider, including issues such as naming, advertisement, websites, patient registration forms, letterhead, and billing consistent to all Medicare patients (i.e., all Medicare patients must be billed

a facility charge. The provider-based entity may bill other payers in whatever manner is appropriate under those payers’ rules).

- If the provider-based facility is off the main hospital campus, additional standards relating to ownership, control, administration, supervision, and location in the immediate vicinity must be satisfied.

#### Can a provider-based entity be operated as a joint venture or under a management contract?

A joint venture that is partially owned by the main hospital provider, must be located on the main campus of a hospital owner to which it is “provider-based”, and meet all other provider-based requirements.

Management contracts for on-campus sites are permissible. Locations off the hospital campus which are operated under management contracts must meet additional requirements related to employment of staff, administrative integration with the hospital, hospital control over operations, and compliance with hospital policies.

#### Does CMS need to approve provider-based status?

The formal approval by CMS of provider-based status is not required. However, CMS will consider applications of entities and approve or reject these applications. Providers who bill a facility fee without seeking approval do so at their own risk, because CMS could undertake retrospective recoveries if CMS later determines that a facility is not provider-based.

Billing as a provider-based entity certainly allows higher reimbursement. The requirements for being considered provider-based are significant, and should be carefully considered prior to billing in that fashion.

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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 sjvogels@lashlybaer.com. The firm’s website is www.lashlybaer.com.

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



# Greater St. Louis HFMA Events



February 5	Virtual Conference 2014
February 18	Region 8 Webinar - Physician Compensation Redesigned Under Value Driven Reimbursement - 12:00-1:30 p.m.
February 25	Legislative Update 8:00 a.m. - 12:00 p.m.
March 18	Region 8 Webinar - Affordable Care Act & Marketplace Overview & Updates - 12:00 - 1:30 p.m.
March 25	Insurance Payer Panel 8:00 a.m. - 12:00 p.m.
April 15	Region 8 Webinar - TBD 12:00 p.m. - 1:30 p.m.
April 17	Chapter Awards Night
April 22	Compliance Program
April 24	Virtual Conference 2014
May 14-16	Spring Conference
August 18-20	Region 8 Conference
September 18	Virtual Conference 2014
December 16	Virtual Conference 2014

Visit the [HFMA Calendar](#) for more information!

## Board Meeting Dates

February 13, 4:00-6:00 pm  
St. Anthony's Offsite Office  
Conference Room 4, Top Level Common Area  
9735 Landmark Parkway, Suite 201, Sunset Hill, MO 63127

All members are welcome to attend, but RSVP is required.  
Please RSVP to Tom Sale, [ThomasSale1@aol.com](mailto:ThomasSale1@aol.com)

Upcoming Board Meetings:  
May 16, 2014 (following conference)

