Hello Lone Star Chapter Members,

It has been a great experience in our first quarter of our HFMA year to see the Lone Star chapter “Thrive”. Our summer conference and the Red River showdown both were successful events with attendance exceeding the prior year’s. Attendance at these two events as well as focus on reducing chapter costs have helped to put the Lone Star chapter back into a suitable financial position.

The Fall President’s meeting in Memphis (held August 18th), was a success; and the Region 9 group is ramping up for the upcoming Region 9 conference in New Orleans. As a result of the Fall President’s meeting, I was tasked with renegotiating our M3 vendor contract for Webex services for all chapters in the Region 9 group, and should have that process finished by December.

Our upcoming calendar is full of events as we move into the end of the year. On October 20th, Tammy Walsh, Lone Star Board Member, has coordinated a Social/Networking event focused on Emerging Leaders within the chapter. Tammy has invited the UNT Healthcare Administration graduate school students to network with the Lone Star chapter members. This is the second year that the Lone Star chapter has sponsored this networking event, and it promises to be an even larger event this year.

Tammy Walsh has also coordinated this year’s Women’s Forum, which is scheduled to be held on October 28. The event has been moved to a new location, and Tammy has scheduled actress Janine Turner as the Key Note speaker. This is the second annual Women’s Forum conference that the Lone Star chapter has held, and an event that should not be missed. It should be noted that men are welcome to attend, and as an attendee last year, I would advise all male chapter members to participate.

The annual Reg. 9 conference in New Orleans promises to be a fun destination event. I look forward to seeing you all there on November 6th.

On November 17th, the Lone Star chapter will also be hosting a dinner speaker event at the new Parkland Hospital in Dallas. Tim Nese, Lone Star Program Chair has secured a compliance speaker from the OIG, and Liz McMullen, Lone Star Chapter Board Member will be our host at the event. It is a great opportunity to look at the beautiful new Parkland facility, and to hear the compliance perspective of the OIG. Finally, Shea Owen, Lone Star Social/Networking Chair has scheduled a social event at the Perot Science Museum in December to close out the year. Check the chapter website and Lasso Newsletters for details on upcoming events.

At the beginning of the year, HFMA National tasked the chapters with making strides in “Innovation”, focusing on expanding chapter members to include Physicians, Payors, Women’s Leadership, and Emerging Leaders. The Lone Star chapter has made great strides in these areas of growth, which need to be expressed to you as chapter members. Misty Eicher, Lone Star Board Member has initiated a Physician Innovation team to
strategize on the best methodology to partner with physician groups and to develop an HFMA physician value proposition. On October 6th, I met with Peter Martin, SVP of Payor Relations at Optum360, to discuss a strategy for enhance payor involvement in the Lone Star chapter. I will be handing this project off to the Payor Innovation team, for finalization and the development of an HFMA payor value proposition.

As previously mentioned, the Lone Star chapter is enjoying its second annual Women’s Forum this year. Tammy Walsh has put together the event both years, and it promises to be a standing educational event in the chapter’s future.

Finally, we have had great success in the Emerging Leaders pillar of the Innovations project. Tanya Mitchell created and launched our Chapter’s Mentor program this year, and Tammy Walsh has secured the chapter with partnership agreements with the University of North Texas (UNT), as well as Texas Christian University (TCU). These partnerships provide the chapter with academic speakers, and an avenue for the introduction of graduate students into the chapter in the fields of Healthcare Administration and Healthcare Finance.

As fall arrives and we move into the holiday season, please take a moment to celebrate with those you hold dear, and to revel in the positive impact that you are making on healthcare every day.
We are always looking for articles, pictures, and content for every issue. Due date for article submissions for consideration for the next issue is NOVEMBER 30, 2016. Please feel free to contact me or any of our committee members. Sherry Witzman, Chair switzman@bkd.com

MEMBERSHIP METER

| 1,100 | 1,059 |
| 950  | 800  |
| 650  | 500  |
| 350  | 200  |

Membership Benefits
Publications and Resources
* Hfm Magazine
* HFMA Weekly News
* Buyer’s Resource Guide

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* Industry Incentives
* Premium Web Content
* HFMA Forums
* Local Chapter Membership

Education and Professional Development
* Events
* Webinars
* Professional Designations
* Career Development Resources

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The publications Committee reserves the right to accept or refuse contributions whether solicited or not. All correspondence is assumed to be released for publication unless otherwise indicated. All article submissions are requested to be typed and provided in electronic format, if possible. Send all correspondence to Sherry Witzman, BKD, switzman@bkd.com

IDENTIFICATION STATEMENT
The Lone Star Chapter “The Lone Star Express” is published quarterly by the Lone Star Chapter of Healthcare Financial Management Association

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KEYNOTE SESSION: Ten Steps to Triumph

Janine Turner, President, Reeling Spirit Productions

As a top model and celebrated TV and film actress, Janine Turner has amassed an impressive list of screen credits while expanding her career as an author, radio host and founder of the non-profit, Constituting America. A Wilhelmina model at 15 and a Hollywood actress at 17, Turner began her career at an early age, but success didn’t come easily. Along the way, she faced numerous obstacles, including the cutthroat competition and repeated rejection. In fact, Turner recalls being down to her last $8 when she won the lead role in the acclaimed television series Northern Exposure. She even once calculated that on her way up the Hollywood career ladder, she received 10,000 “No’s” before achieving success. In this motivational presentation, Turner draws on her own experience to outline the Ten Steps to Triumph and how each of us can define our destiny, turn tribulations into triumphs and persevere with praise.

Natasha Nicol
Director of Global Patient Safety Affairs, Cardinal Health

Putting the Past in the Past to Succeed in the Present
Everyone has a story. Some may be more colorful, more shocking, more hilarious than others but, everyone has a story. What matters most is what you allow that story to do in regards to molding your life, success and direction. Join us as we discuss the impact our experiences have on molding our future, explain how negative outcomes should be a driver to improve and produce meaningful change and explore the truth behind human fallibility and the long-term benefits of embracing that truth.

Roslyn Dawson Thompson
President & CEO, Dallas Women’s Foundation

The Critical Role of Women in Shaping Communities, Institutions and Economies
Throughout the world, there is a rising understanding – supported by a significant body of research – that communities, institutions and economies improve when women’s leadership and participation increases. The role of women leaders is more important than ever before – so how can we as women become better leaders and stronger agents and advocates of change? Join us to find out and increase your awareness of the global focus on gender equity and the economic and business cases in support of women’s full participation.

Kimberly McKay
Managing Partner, BKD, LLP

Why Didn’t Anyone Tell Me This 20 Years Ago?
Kimberly will weave her own journey and life lessons throughout today’s understanding and knowledge around women in business. Learn about the BKD Women’s Initiative — 5 key ways the program has helped her to better understand her career path and how to sponsor other women.

Sherri Elliott-Yesar
Speaker, Generational Guru

Having It All!
Sherri Elliott-Yesar is an author, speaker, coach and trainer in the area of Human Resources and Talent Management. Sherri’s human resource management experience spans over 20 years where she has consulted with companies of all sizes ranging from start-ups to large global organizations. She has experience in all areas of human resource management including: workforce planning, company culture, training, assessments, HRIS implementation, regulatory compliance, strategic alignment, payroll, compensation and benefit programs. Sherri thrives in start-up and turnaround management environments and experienced in mergers, acquisitions and due diligence preparation.
Introduction

While the Comprehensive Care for Joint Replacement (CJR) program is positioned as a “test,” given the infrastructure being put in place by CMS to run the program, CJR is likely just the start of a larger effort by CMS to implement additional mandatory bundled payment programs. Therefore, it’s very important that hospital financial stakeholders become familiar with CJR even if their hospital isn’t currently a participant.

Program Summary

The Comprehensive Care for Joint Replacement (CJR) bundled payment model is effective April 1, 2016 and is set to continue through five performance periods ending on December 31, 2020. CMS is implementing this model via its authority under section 1115A of the Social Security Act as modified by Section 3021 of the Affordable Care Act, which established the Center for Medicare and Medicaid Innovation (CMMI). CMMI was created to test new payment and service delivery models with the goals of reducing CMS program expenditures while maintaining or improving outcomes.

CJR will test a new bundled payment model for inpatient lower extremity (i.e. hip and knee) joint replacements.

Unlike voluntary programs such as BPCI, with few exceptions participation in CJR is mandatory for hospitals in 67 selected MSAs.

CJR Episodes

A CJR episode starts with admission of an eligible beneficiary for an LEJR procedure ultimately discharged under one of the following two MS-DRGs:

- MS-DRG 469: Major Joint Replacement or Reattachment of Lower Extremity with MCC
- MS-DRG 470: Major Joint Replacement or Reattachment of Lower Extremity without MCC

CMS refers to these two MS-DRGs as “anchor MS-DRGs.”

The episode also includes all related Medicare Part A and Part B care for 90 days after discharge. This includes additional hospital stays, care received at SNFs and other post-acute providers, physician visits, physical therapy, etc. unless the provided service is on a CMS exclusion list.

The day of discharge counts as the first day of the 90 day post-discharge period.

CMS will exclude subsequent unrelated hospital stays from the episode based on MS-DRG. Similarly, CMS will identify unrelated outpatient care based on ICD-9 / ICD-10 code. CMS will update the lists for both exclusion types on an annual basis, at a minimum, during the CJR program. The exclusions will apply to the calculation of both target prices and episode spending.

Target Prices

CMS uses three years of historical data to set target prices. The historical data will be updated every other year during the program. Both hospital-specific and regional data is used. Regional pricing is included in the calculations to provide gainsharing opportunities for hospitals that are already well-performing.

CMS will provide hospitals with a number of target prices for each performance year, segmented by MS-DRG, presence of hip fracture and submission of optional quality data. In addition, since CMS will normalize prices based on various IPPS and OPPS program changes (which go into effect on 10/1 and 1/1 of each calendar year, respectively), CMS will further distinguish target prices for episodes initiated between January 1 and September 30 vs. episodes initiated between October 1 and December 31.

CMS applies a discount factor to the target prices, which is Medicare’s portion of the reduced expenditures from the CJR episodes.

Episode Spending

CMS calculates the spending for an episode by summing payments for qualified hospitalizations under MS-DRG 469 and 470 and all sub-
The Essential Elements of CJR

sequent related Part A and Part B care for 90 days post-discharge.

Quality Measures

CMS is implementing a composite quality score to determine eligibility for reconciliation payments and to potentially reduce the discount factor applied to episode spending when determining the amount of repayment or reconciliation payment.

The composite quality score is based on three weighted measures:

Hospital-level risk-standardized complication rate following elective primary total hip arthroplasty (THA) and / or total knee arthroplasty (TKA)

Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) Survey

THA/TKA voluntary patient-reported outcome and limited risk variable data submission

Reconciling Payments

After each CJR performance year, CMS will perform a retrospective reconciliation of CJR episode spending compared to the target prices by calculating the Net Payment Reconciliation Amount (NPRA). The NPRA is the sum of the amounts above and below the target price for each CJR episode in the performance period.

If the final NPRA is below zero, that amount is paid to the hospital as a “reconciliation payment” as long as the hospital meets a minimum composite quality score. If the NPRA is above zero, that amount is owed to CMS by the hospital as a “repayment amount.”

Hospitals will not be responsible for any repayment amount due for the first performance year, but may earn reconciliation payments for all performance years.

Data Sharing

CMS will provide detailed and summary claim and payment data related to CJR episodes to participant hospitals so that they may better understand their target price calculations and operational performance and identify areas for improvement.

Financial Agreements with Other Providers

Since CMS considers care coordination critical for successful LEJR outcomes, they are allowing CJR hospitals to establish risk-sharing and gain-sharing relationships (“sharing arrangements” described in “collaborator agreements”) with other providers (“CJR collaborators”).

When risk-sharing payments are made to a hospital by a CJR collaborator, CMS refers to the payment as an “alignment payment.” A hospital that shares a reconciliation payment with a CJR collaborator makes a “gainsharing payment.”

Waivers

In order to make the implementation and operation of the CJR program more efficient and potentially more effective, CMS is introducing a number of program waivers related to home health visits, telehealth and the SNF 3-Day Rule.

Conclusion

Providers should be working now to proactively identify areas of risk under CJR and put a program in place that measures their ongoing performance.

A special report is available at besler.com/cjr that further explains how CJR works and expands on the responsibilities of participating providers.

About the Author

Maria Miranda is the Director of Reimbursement Services. Maria has 25 years of progressive experience in healthcare administration and is a longstanding member of the Health Care Financial Management Association and a Fellow of the American College of Health Care Executives. Maria holds a Bachelor of Science degree in Health Care Administration from St. John’s University and a Master of Public Administration in Health Services from Fairleigh Dickinson University.
Congratulations!!
Jorge Fernandez

Jorge has accepted the nomination as a member of HFMA’s Chapter 2.0 Ad Hoc Task Force- Educational Programming National Task Force. The Task Force is composed of other nominees from across the nation.

Michelle Brandt, Chair, Maryland Chapter
Bill Eikost, Chapters 2.0 Steering Committee Member, Region 5
Steven Blake, Southern California Chapter
Shawn Gretz, Wisconsin Chapter
Jorge Fernandez, Lone Star Chapter
Wendy Leo, Metro New York Chapter
Rebeka Mussman, Nebraska Chapter
Elizabeth Staas, Virginia-DC Chapter
On September 12, 2016, CMS announced that the BFF-QIOs (KEPRO for Texas) will resume auditing of 0 and 1 midnight hospital stays. As you will recall, the Two Midnight Rule was implemented October 1, 2013 in attempt to clarify patient status requirements. If a patient is expected to require medically necessary services in the hospital for a period spanning two midnights, an order for inpatient status is appropriate. Conversely, if the patient is not expected to require services for a period spanning two midnights (such as where the patient requires an outpatient surgery even if the patient stays one midnight) or is scheduled for short term diagnostics or monitoring for a period not expected to span two midnights, then outpatient status is generally appropriate. Actual length of stay is not determinative; there are appropriate inpatient stays where the actual stay is less than 2 midnights such as when the patient leaves AMA, recovers more rapidly than expected, is transferred unexpectedly, etc. Similarly, the patient may actually cross two midnights but may be in the hospital for at least a portion of the stay for patient or physician convenience or for social reasons, and inpatient status may not be appropriate. Thus, CMS has targeted for audit those cases where the actual length of stay in inpatient status is 0-1 midnights. For example if a patient is placed in outpatient status on Monday and remains in the hospital until Friday of the same week, but the inpatient order status was not written until Thursday and the patient was discharged Friday, the case is a 1 day stay (1 midnight after the inpatient order) and it is therefore in the pool of cases that CMS will audit. In this example if the inpatient order had been written as late as Wednesday and the patient was discharged on Friday, the inpatient stay would be for 2 midnights or greater, and the case would therefore not be in the targeted pool for audit of short inpatient stays.

Hospitals have started receiving record request letters from KEPRO for chart review. QIO reviews are limited to a six-month look-back period from the date of admission. This is designed to allow providers receiving denial for Part A claims to have sufficient time to rebill under Medicare Part B. QIOs will request a minimum of 10 records in a 30-45 day period. The maximum number of record requests will be 30 records in 30 days. QIOs will rate and stratify providers for education and corrective action based upon the results of the completed initial patient status claim reviews. One-on one provider education is available claim-by-claim. At the direction of CMS, the QIO will refer providers with inpatient status claims identified as having “major concerns” to the Recovery Audit Contractor to implement provider specific audits.

Though the “Two Midnight Rule” has been in effect for over two years, there remains great confusion about what documentation is required to support an inpatient order. Because the record must support the expectation of the ordering physician that the patient requires care in the hospital setting for a period expected to span two midnights it is critical to understand the importance of documentation about both the patient’s severity of illness and about the treatment plan needed to address the patient’s condition. When first implemented, the Two Midnight Rule required a physician certification that the patient was expected to require care spanning two midnights. Effective January 1, 2015 the certification requirement for acute care admissions was withdrawn, but of course, there remains a requirement that the clinical documentation provides evidence that two midnight stay is required. It is vitally important to engage physician advisor resources to review the clarity of the clinical documentation on an internal audit basis and to provide feedback and resources to medical staff in order to avoid denials attributable to weak documentation. An investment of time and resources to understand documentation vulnerabilities can provide significant returns in reducing denials and appeals.

One final note on CMS activity: CMS has announced that there will once again be an opportunity to settle pending Medicare appeals. No details have yet been released, but the details should be forthcoming shortly. The announcement was posted on September 28 in the following link: https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Medical-Review/InpatientHospitalReviews.html (scroll past “End of Temporary Suspension of the BFFCC-QIO Short Stay Reviews” as well as “Update 12/31/2015” to view “Hospital Appeals Settlement Updated 9/28/2016”). We will all stay tuned to the CMS guidance on audits and appeals.

Author: Joan C. Ragsdale, JD is Chief Executive Officer of EdiPhy Advisors (MedManagement, LLC). The company is URAC accredited for Health Utilization Management and as an Independent Review Organization. EdiPhy Advisors provides physician advisor and utilization review services to over 100 hospitals in 27 states. For more information, visit the web site at www.EdiPhyAdvisors.com
## NEW MEMBERS JULY 2016-SEPTEMBER 2016

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
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<tr>
<td>Kenneth L. Johnson</td>
<td>Senior Accountant</td>
<td>Christus Health System</td>
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<tr>
<td>Bridget Carmill</td>
<td>Accounting Manager</td>
<td>Texas Health Resources</td>
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<td>Jessie Sereseroz, III</td>
<td>Business Office Manager</td>
<td>Texas Institute for Surgery</td>
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<td>Brinttay J Porter</td>
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<td>Jeff A Barron</td>
<td>Chief Financial Officer</td>
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<td>Karen W Lowy</td>
<td>President</td>
<td>Praxis</td>
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<td>Kim L Kalinoski</td>
<td>ERP Sales Manager</td>
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<td>Robert Nix</td>
<td>Financial Affairs Manager</td>
<td>UT Southwestern Medical Center</td>
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<td>Collin Cannella, CHFP</td>
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<td>Mathew Munns</td>
<td>Financial Analyst II</td>
<td>Baylor Scott &amp; White</td>
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<td>Mary Killian-Judd</td>
<td>System Director</td>
<td>CHRISTUS Health</td>
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<td>Deborah Flores</td>
<td>Director</td>
<td>Texas Technical University</td>
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<td>Michael Andrew Morgan</td>
<td>Director of Due Diligence and Strategic Analysis</td>
<td>Community Hospital Corporation</td>
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<tr>
<td>Beenit S Patel</td>
<td>Sr. Business Analyst</td>
<td>Fresenius Medical Care North America</td>
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<tr>
<td>Theresa Edwards</td>
<td>Controller</td>
<td>Abilene Diagnostic Clinic PLLC</td>
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<td>Jagdish K. Pahuja</td>
<td>Financial Consultant</td>
<td>Aerolib Healthcare Solutions LLC</td>
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<td>Brandon L Whittle</td>
<td>Business Development Manager</td>
<td>Addison Group</td>
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<td>William Ernst</td>
<td>Sr. Exec Director Hospital &amp; Clinic</td>
<td>Univ of TX Health Science Center</td>
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<td>William Hannah</td>
<td>Principal</td>
<td>DHG Healthcare</td>
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<td>Michael VanMeter</td>
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<td>Lauren G. Wedding</td>
<td>Analyst</td>
<td>The Claro Group</td>
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<td>Eric T Weible, CPA</td>
<td>Vice President, Finance</td>
<td>ABEIO Management Corp</td>
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<td>Dani-Bree Bialek</td>
<td>President &amp; CEO</td>
<td>Whole Health Solutions, LLC</td>
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<td>Scott Stevens</td>
<td>Director, Corporate Accounts</td>
<td>Acelity</td>
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<td>Jake Martinez</td>
<td>Director-Strategic Finance</td>
<td>DaVita</td>
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<tr>
<td>Hani Elias</td>
<td>Chief Executive Officer</td>
<td>Procured, Inc.</td>
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<td>Marybeth Olszak</td>
<td>Healthcare Analyst</td>
<td>The Claro Group</td>
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<tr>
<td>Blakeley Mock</td>
<td>Senior Consultant II</td>
<td>B KD, LLP</td>
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<tr>
<td>Tanika Domingueaux</td>
<td>Director of Hospital Client Services</td>
<td>United Surgical Partners</td>
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[Image: Healthcare Financial Management Association logo]
NEW MEMBERS JULY 2016-SEPTEMBER 2016

Destinee K. Lindeman
Account Manager
Prestige Staffing

Nathan Thomason
President
R Gaines Baty Associates Inc

R. Gaines Baty

David Turnbull
Account Executive
PaymentSavvy

Tina Crupe
Regional Director of Patient Access
Covenant Health

Lubna Roberts
Manager Billing Services
Med fusion

Robert Z Alexander

Nathan Thomason

Tina Crupe

Lubna Roberts

Daran Chambers
Government Financial Advisor
Baylor Scott & White

your TURN

Whether you work at a hospital, health system, physician practice, or payer, HFMA keeps you informed on fast-moving developments in healthcare finance. Member events, publications, seminars, and online tools identify best practices, and help you manage change.

With more than 40,000 members, HFMA is the leading membership organization for financial management executives and leaders across the healthcare industry.

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NEW MEMBERS SAVE

YOUR INDUSTRY,
YOUR FUTURE,
YOUR VOICE

Lone Star Chapter
Healthcare Financial Management Association
Program Committee
Over the last couple of months, our committee successfully executed the Summer Institute & Red River Showdown. Our subcommittee is set to host the Women’s Forum on Friday October 28th @ Dallas Marriott – Las Colinas. During the Forum, you will hear “Ten Steps to Triumph” by our keynote speaker, Janine Turner. On November 17th, the chapter will host its annual dinner meeting @ Parkland Hospital. Our speaker is Ruth Ann Dorrill, Regional Inspector General, which will speak on the “Current Regional Compliance Case study”. The committee is in the early stages of planning the Winter Institute on January 26 – 27th @ Hyatt Place -Dallas. If you want to assist in developing the speaker lineup, please reach out & I will provide details. Finally, please be aware the chapter hosts monthly webinars on healthcare related topics. You will receive CPE if you successfully participate throughout the webinar. Please see the chapters website to sign up for November’s webinar.

Newsletter Committee
The next few weeks will be full of HFMA events, webinars, and conferences. If you are attending any events and would like to share you HFMA experience, please forward event photos. Please submit articles and photos for consideration for the next issue by November 30, 2016.

Please feel free to contact me or any of our committee members.
Sherry Witzman, Chair
switzman@bkd.com
Professional Associations Help Develop the Next Generation of Healthcare Leaders

In the ongoing effort to develop young healthcare professionals, professional associations offer relevant and effective tools, educational programming, leadership development, and connectivity with peers.

As an executive or manager in the healthcare industry, you are continuously recruiting and training young professionals (specifically Millennials, the fastest-growing segment of the workforce). But are you taking the necessary steps to mentor and develop these young people in a way that prepares them to assume future leadership roles in your organization?

Don’t shoulder this burden by yourself. Direct these next-generation professionals to professional associations for relevant and effective tools, educational programming, leadership development, and connectivity with peers.

Following are four key ways in which the next generation of healthcare leaders can benefit from engaging with professional associations:

**Education**

According to the [2015 Deloitte Millennial survey](#), “Two-thirds of the skills required to meet the needs of their organizations have been gained while in employment, meaning that employers are required to invest large amounts of training and development so that raw recruits can make meaningful contributions to organizational objectives.”

Young professionals require job-specific education and resources to help them grow throughout their careers. They acknowledge that their post-secondary education didn’t give them everything they need to succeed as a professional.

A professional association can help your institution develop in-house learning activities. Most associations have established a body of knowledge that defines the core domains and competencies for a person to successfully work in a specific field or job type. This information acts as a framework for training around which an education strategy can be created and customized to meet your institution’s unique needs.

Aside from educational offerings, professional associations typically provide assessment tools to help guide young professionals in understanding their strengths and opportunity areas. These tools can help individuals develop lifelong learning paths.

Finally, associations connect seasoned industry professionals with “next generation” colleagues in formal or informal mentoring situations. These relationships may foster more open dialogue and coaching opportunities compared with mentorships within institutions, where protégés may wonder whether a performance evaluation is taking place.
Certifications, Credentials, and Designations

Designations serve as credible measurements of an individual’s skills, competencies, and experience. Young professionals are motivated to achieve these “proof points” and leverage them to advance their careers.

Associations cultivate their certification programs with considerable care and pride. Experts in the field develop and write the exams, ensuring the content is germane to the profession. Further, the exams are validated by independent accrediting bodies.

Leadership Development

“More than six in 10 Millennials (63 percent) say their ‘leadership skills are not being fully developed,’” reports the 2016 Deloitte Millennial Survey.

Leadership skills do not form in a vacuum. They need to be tried, tested, and honed. And there’s no better testing ground than an association.

As association committee leaders, young professionals will have opportunities to develop and grow their leadership abilities beyond what they can do in their offices or facilities. They will work with colleagues who bring unique backgrounds, agendas, and biases to every project or task. They will be challenged to establish clarity of mission, gain consensus on roadmaps or action plans, and then motivate volunteers to contribute.

Without in-house incentives such as money or promotions, they must establish ways to energize their peers. As they succeed in these challenges, they will gain confidence and experience that will help them lead people and take on more responsibilities in your institution.

Additionally, by encouraging young professionals to get involved, you are inviting them to “lean in,” as Sheryl Sandburg advised in her book of the same title. They will bring their own voice and opinions about industry issues. They will have a stake in decisions that affect not only their jobs but the future of their profession. They will be on their way to fully developing their leadership skills.

Relationships

Healthcare workers are passionate about service to others and the well-being of all individuals. This is a solid backdrop for relationships to form, rooted in a sense of shared values. Attending conferences is a great way to reenergize in the company of like-minded colleagues and to celebrate the positive outcomes achieved by the work being done every day. A young professional will feel less isolated by engaging in his or her association and developing a new social network.
Furthermore, when like-minded people engage at events, they collaborate and exchange knowledge about their industry and roles. They advance the profession with new research and ideas. They return to the workplace energized and inspired. They initiate new practices and protocols. They contribute more to their work environments. Most importantly, they improve service and care for their clients or patients.

So when young professionals turn to you for career growth advice, introduce them to your association. You’ll bolster their enthusiasm for and commitment to their profession while making a difference in their careers.

David Schmahl is chief executive of the Healthcare + Scientific Industry Practice at SmithBucklin.
Announcing A New Academic Partnership

The Lone Star Chapter is proud to announce its inaugural academic partnership with Texas Christian University’s Health Care MBA delivered through the Neeley School of Business. Lone Star Chapter President, Chris Joiner noted academic partnerships provide the chapter with academic speakers, and an avenue for the introduction of graduate students into the chapter in the fields of Healthcare Administration and Healthcare Finance.

Kelli Kilpatrick, Director of Evening Graduate Programs states that “the partnership with TCU’s Health Care MBA program and HFMA is key to ensuring that HFMA’s members are afforded access to premier academic programs that will ensure they have the skills to lead in an ever changing health care industry. We are so excited about this new partnership and the opportunities that lie ahead for all of us.”

TCU Health Care MBA

With experts predicting a trillion-dollar disruption in the health care industry, now is a critical time to exert leadership and innovation in dealing with the ongoing challenges around access, cost and quality. The Health Care MBA is designed to give health care professionals – and those who wish to enter the industry – the tools and perspective to change how health care works.

Length of program: 21-33 months, evenings
If you are interested in learning more, contact Kelli Kilpatrick directly at k.kilpatrick@tcu.edu or 817-257-5148.
Rating Agencies Update: Happy Days are Here Again … But Will They Last?

The hospital sector saw one of its best years in recent memory during 2015. As a result of the Affordable Care Act (ACA), expanded insurance coverage was in full swing, along with a recovering economy, robust revenue growth and low interest rates.

Readers may recall that 2014 showed improvement for the higher rating categories (“A-rated” and above), but the lower investment-grade and non-investment grade categories struggled. In 2015, the positive trend continued for the higher rated providers, but the improvement was more widely disbursed. The consensus theme of the three largest credit rating agencies (CRAs) is that all rating categories saw improvement. However, all CRAs cited economic and other factors that will challenge the industry in the near future, with smaller systems and stand-alone hospitals disproportionately affected.

Each of the CRAs issue an annual report that summarizes past performance and provides a forecast for the upcoming year. With approximately 95% of the world market share for credit ratings, Fitch Ratings (Fitch), Moody’s Investor Service (Moody’s) and Standard & Poor’s (S&P) reports provide a wealth of information which systems and stand-alone hospitals can use to make meaningful comparisons to financial benchmarks and emerging trends.

Operating Performance

One of the key observations noted by the CRAs was the improvement in operating margins for most providers, realized through a combination of good revenue growth and continued expense controls. All three agencies noted that 2015 was the first full year with any significant increase in insurance coverage attributable to the ACA, continuing a trend that began in 2014. Obviously, providers in “Medicaid expansion states” benefitted more, but there was improvement in most other states as well.

Moody’s reported a six-year high in annual revenue growth (7.5%), while expenses grew at a slower pace for the second consecutive year. All CRAs cited the Medicaid expansion and consolidation as the driving factors for the dramatic increase in revenue growth. While organic growth was prevalent across the board, Moody’s noted that revenue growth was greatest in the largest hospitals and systems because of consolidation. All three agencies expect that the effect of Medicaid expansion will moderate in 2016 and revenue growth will slow significantly.

While revenue increased, health care providers are effectively checking expense growth with increased operating efficiencies. Consolidation continues to provide benefits vis-a-vis economies of scale and operational synergies, in addition to better negotiating leverage with vendors and payors. S&P noted that many hospitals and systems are realizing the benefit of improved IT infrastructure that was put in place in recent years. Many systems have digested the expenses incurred with IT implementation and are seeing improvements in revenue cycle, inventory and supply management, and labor productivity. Fitch, however, did point out a few examples of downgrades resulting from poor implementation of IT systems.

As noted in the rating reports from last year, 2014 was the first year in which providers had assurance that ACA was here to stay. The resulting increase in Americans with health care coverage started to manifest in higher volumes in 2014, and the trend continued throughout 2015. The gains were largest in the Medicaid expansion states, but the CRAs noted that increased coverage is relatively widespread. However, Fitch and S&P pointed out potential challenges, as many of the newly qualified Medicaid-eligible patients often require a more complicated range of services than existing enrollees. In addition, emergency room volumes in some markets are booming, because the newly qualified patients do not have access to a primary care physician. While the increased volume may be positive, the rapid increase can stress an organization’s physical capacity and present staffing challenges.

Overall, the combined impact of increased revenue growth rates and greater cost controls yielded improved profitability. According to Fitch, the median operating margins for 2015 and 2014 were 3.5% and 3.0%, respectively. Operating earnings before interest, taxes, depreciation and amortization (EBITDA) margins demonstrated similar results. The increases follow similar improvements from 2013 to 2014, but all three agencies observed that the gains in productivity
Rating Agencies Update: Happy Days are Here Again … But Will They Last?

were more widespread this year. Fitch reported gains in all rating categories, while Moody’s and S&P observed similar results. None of the CRAs mentioned the improving economy as a major factor in revenue growth, but each agency noted that the economy will present a challenge to employment costs in the near term.

Non-Operating Income and Cash Flow

It is fortunate that operating performance improved in 2015, as poor investment returns were a drag on non-operating income. Overall EBITDA margins were good, because of the operating performance. Debt service coverage (DSC) also showed improvement, as focus on revenue cycle improvements and limited capital spending also contributed to cash flow. In addition, historically low interest rates and high demand for municipal bond debt helped keep interest expense very low for providers in nearly every rating category.

Fitch discussed the extent to which hospitals are using technology and better management practices to improve the revenue cycle, despite challenges presented by changes in payor mix. As pointed out by Fitch, “while high deductible health plans have become more prevalent, management teams have become more adept at managing the seasonality of patient volumes. The investment in and focus on billing, coding and collections continue to reduce denials, improve collections and enhance overall cash flow.”

Liquidity and Capital Spending

The ubiquitous strength in profitability and increased focus on the revenue cycle have helped maintain liquidity, despite paltry investment returns in 2015. The CRAs observed that days’ cash on hand, cash to debt, and other liquidity measures were fairly stable in 2015.

All three rating agencies observed a noticeable divergence in the level of capital spending between the largest (and typically higher rated) systems and the smaller (usually lower rated) systems. Moody’s noted that, “capital spending remained below depreciation at 0.9 times for the smallest hospitals while the largest hospitals continue to spend above depreciation at 1.3 times.” Overall, capital spending did increase slightly in 2015 after hitting an eight-year low in 2014. However, average age of plant continued to decline. All three rating agencies noted that a large (and growing) percentage of capital spending is focused on IT projects.

The construction projects that many providers are undertaking are aimed at modernizing existing facilities and building smaller structures to provide better access in furtherance of population health goals. None of the rating agencies noted a particular concern with the average age of plant, and the reduction in capital expenditures generally has a positive impact on liquidity.

Trends and Expectations

The following themes were common to all median reports:

A moderation of the increase in revenue is expected in 2016, as the baseline level of volume now includes the newly-qualified Medicaid recipients.

Each agency pointed out the challenges presented by the improving economy. Tight labor markets will likely lead to higher salary and benefit costs, and “the movement toward population health management and a growing focus on chronic disease management have increased the competition for, and cost of, nurses in certain markets,” according to Fitch.

Similar to last year’s reports, all three CRAs observed that risk or value based reimbursement programs have been slow to take hold, but the expectation is that these will accelerate at some point. The most efficient providers—who also tend to be the highest rated—stand to benefit most from this trend.
Another trend carried over from last year is continued efficiency initiatives through increasing use of technology and further consolidation/affiliation, especially where larger systems acquire weaker providers that lack the scale to keep up with the pace of change.

While the trends above tend to support increased divergence between the highest rated (typically larger) providers and lowest rated (typically smaller) providers, 2015 was a good year across the rating spectrum.

Unlike 2014, the lower rated categories enjoyed operating and EBITDA growth at a similar pace to the higher rated organizations. Also, most balance sheet measures remained flat from 2014 to 2015 in all rating categories. Improved operating margin was offset by weaker non-operating margins (mainly lower investment returns) leading to flat growth in cash balances.

S&P, Moody’s and Fitch all signaled that 2015 is likely to be as good as it gets for the hospital sector. With the full force of increased Medicaid enrollment, operating efficiencies from IT and management initiatives and greater economies of scale through consolidation and affiliation, most providers enjoyed excellent margins. Unfortunately, pressures from tighter labor markets and demands to push toward population health management will likely create strong headwinds in the latter half of 2016 and beyond. Further, the CRAs see relatively good performance of the lower rated organizations as a temporary phenomenon. It is likely that the long-term trend of greater consolidation and bifurcation of rating categories will continue in coming years.

By Jason Dolpoulos & Ritchie Dickey, CFA Lancaster Pollard
## Upcoming Calendar of Events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Location</th>
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<tbody>
<tr>
<td>28 Oct</td>
<td>HFMA LONE STAR WOMEN’S FORUM</td>
<td>223 West Las Colinas Boulevard, Irving, TX 75039, Dallas Marriott Las Colinas</td>
</tr>
<tr>
<td>6 - 8 Nov</td>
<td>REGION 9 CONFERENCE</td>
<td>500 Canal Street, New Orleans, Louisiana, Sheraton New Orleans</td>
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<tr>
<td>7 Nov</td>
<td>HFMA REGION 9 FREE WEBINAR</td>
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<tr>
<td>15 Nov</td>
<td>HFMA REGION 9 FREE WEBINAR</td>
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<tr>
<td>17 Nov</td>
<td>HFMA LONE STAR DINNER MEETING</td>
<td>5200 Harry Hines Blvd., Dallas, TX 75235, Parkland Hospital, Private Dining Room, 1st floor</td>
</tr>
<tr>
<td>20 Dec</td>
<td>HFMA REGION 9 FREE WEBINAR</td>
<td></td>
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<tr>
<td>26 - 27 Jan</td>
<td>HFMA LONE STAR WINTER INSTITUTE</td>
<td>5101 N. President George Bush Hwy, Garland, TX 75040, Hyatt Place</td>
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</tbody>
</table>
The HFMA Region 9 Annual conference is coming soon and here are a few sessions represented by Texans! For more information on the conference and registration please visit http://www.hfmaregion9.org/

Texas Medicaid Update
Freddy Warner - VP, Government Affairs | Memorial Hermann Health System | Houston, TX

Accounting Hot Topics
Karen Van Compernolle - AERS Partner | Deloitte & Touche LLP | Dallas, TX
Barry Vanderloop - Audit Senior Manager | Deloitte & Touche LLP | Dallas, TX

Medical Practice in America: Past, Present, and Future
Kurt Mosley - VP of Strategic Alliances | Merritt Hawkins | Dallas, TX

CEO Panel: Key Issues - Key Strategies
Dr. Richard Clarke, DHA, FHFMA - Chair, Board of Directors | CHRISTUS Health | Fort Lauderdale, FL (moderator)
Chris Lloyd, FACHE - CEO | MHMD & MHACO | Houston, TX (panelist)
Ernie Sadau - President & CEO | CHRISTUS Health | Irving, TX (panelist)
David Callecod - President | Lafayette General Health | Lafayette, LA (panelist)

Revenue Recognition for Health Care Organizations
Kimberly McKay - Managing Partner | BKD, LLP | Houston, TX

EPIC Conversion Track Part 1 and Part 2
James Logsdon - VP Revenue Cycle Operations | Texas Health Resources | Arlington, TX

Texas Medical Center Health Policy Institute and Election Day
Dr. Tim Garson - Director, Health Policy Institute | Texas Medical Center | Houston, TX

Government Update
Steve Hand, MPA, CPA, FHFMA - Associate VP Government Reporting | Memorial Hermann | Houston, TX
William Galinsky, CPA, FHFMA - VP, Governmental Finance | Baylor Scott & White Healthcare | Dallas, TX
CHAPTER CHATTER

Tammy Walsh, Lone Star Board Member with Summer Institute Keynote speaker Chad Hennings

(Above) David Guinan and Florence Ng

(Below) James Foster, Kevin Briggs, Lone Star President - Chris Joiner, and Jorge Hernandez enjoying the evening event at the Red River Showdown
The Lone Star HFMA Chapter offers chapter level and statewide level sponsorship opportunities. Sponsorship dollars and participation enable our Chapter to meet our charter objective of providing quality education to the healthcare business community. Sponsorship opportunities are provided at Gold, Silver and Bronze levels. Sponsors gain visibility at chapter educational and networking events, brand recognition on collateral materials and online, and have the opportunity to provide input into chapter programming. The three Texas HFMA chapters, with more than 2,200 members collectively, have teamed to offer statewide sponsorship opportunities that provide sponsors discounted rates and the ability to exhibit at the annual Texas state meeting. For more details on becoming a sponsor, please contact the Lone Star sponsorship chairs listed below.

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