

# The Chili Pepper Express Newsletter

January 31, 2010

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## President's Corner



John Montaine  
Chapter President  
2009-2010

Our South Texas chapter is run by our members for our members' benefit and provides a great opportunity to expand your knowledge, relationships, and skills in a fun environment. We invite you to get involved to maximize your benefits.

With your involvement in HFMA - as with most things - you gain return in propor-

tion to your investment.

### Opportunities

There are a number of opportunities to maximize the value of your HFMA membership; attending meetings, joining a committee, and volunteering at an event.

### Events

We have held several successful events over the last quarter and have several more scheduled. In October, we held our Consumer's Perspective event with the CEO Panel in San Antonio. In November we had outreach education events in Corpus Christi and McAllen. In addition, the Region 9 Conference was held in New Orleans in November. We are currently working on the upcoming annual Healthcare Landscapes event for January in San Antonio. We have more outreach events planned for February with stops in Weslaco, Corpus Christi, Victoria, and Uvalde. In March, the Texas statewide meeting is being held in Austin.

### Committee involvement

Our committees are the backbone of our chapter. They provide the active groups that plan, direct, and deliver our chapter functions. We have openings on our Sponsorships, Newsletter, Membership, and Certification committees. The planning committee develops, organizes, and operates these



events and there are many opportunities to get involved in one or several aspects of these meetings.

Our Membership chair saw a need to reach out to diverse areas of our large chapter. She developed an innovative approach to bring educational events to these areas, both marketing the benefit of membership and giving educational opportunities to those who cannot easily attend. The response has been overwhelmingly positive. We hosted 2 events in the fall and have planned 4 more for the spring. We need you good ideas too.

### Strategic Planning meeting

We are holding our strategic planning meeting at the end of January. We are looking for new members to fill roles on several committees.

### ROI

The value you receive is proportionate to your involvement

Our chapter leadership is constantly looking for our next generation of chapter leaders to assume the responsibility of growing and serving our members. Please take the opportunity to speak to any of our officers or directors about opportunities to get involved.

## HFMA South Texas Chapter Office

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Houston, TX 77263-1206  
713.776.1314 office  
714.776.1308 fax  
[www.stxhfma.org](http://www.stxhfma.org)

Chapter Administrators:  
Dean & Terry Newton

## HFMA National Comes to South Texas

San Antonio will play host to HFMA National's Spring Seminar Series in February. The educational event will feature topics focusing on financial management strategies and operations as well as revenue cycle and reimbursement. The event will be held at the Hyatt Regency San Antonio on the Riverwalk on February 9-11, 2010. Please don't miss this educational opportunity!

# Best Practices for Controlling Labor Costs

Three workforce management tools can help hospitals more effectively schedule nursing hours—and dramatically reduce labor costs.

By Amy Avery

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The healthcare industry's ongoing labor shortage forces many hospitals, long-term care facilities, and clinics to rely on costly contract nurses and employee overtime to ensure adequate patient care. Temporary nurses are often compensated at rates 25 percent to 40 percent above the average employee's wage, according to a recent report from PricewaterhouseCoopers' Health Research Institute (*What Works:*

*Healing the Healthcare Staffing Shortage*, Pricewaterhouse-

Coopers Health Research Institute, 2007). This translates into a hospital paying \$250,000 to \$400,000 just for an agency's service for every \$1 million it spends on supplemental staffing, according to the report.

Modern workforce management software can help healthcare providers gain greater control over labor costs with more efficient clinician staffing and scheduling. By adopting three software-based workforce management tools—self-scheduling, online shift bidding, and proactive central staffing—hospitals can optimize scarce resources and dramatically reduce labor costs organization wide.

## Self Scheduling

Automated self scheduling is critical to improving nurse retention and reducing replacement costs, which can

equate to as much as two times a nurse's annual salary, according to the PricewaterhouseCoopers report. Self scheduling empowers nurses to create their own schedules from shifts required for the hospital to operate specific departments. This autonomy enhances employee satisfaction by supporting nurses' work/life balance within a 24/7 work environment.

**Together, these workforce management best practices can help hospitals gain greater control over labor costs while ensuring clinicians with the right skills are at the right place at the right time.**

Historically, hospitals have managed clinician scheduling with paper-based processes. Nurses would sign up for open shifts and a manager would manually balance those requests across the daily shifts needed for a four- to eight-week schedule.

This often led to unwanted changes to nurses' schedules and created a perception of inequity among staff.

Today, self-scheduling software helps hospitals streamline scheduling. For example, nurse managers can enter a set of future 4-, 8-, and 12-hour shifts into the system along with specific credentials required to work each shift. Nurses access the self-scheduling system online from work or home and select their preferred shifts. The system displays only

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## Meeting Calendar

Mark your calendars **NOW** so you won't forget to attend STX HFMA's meetings during the upcoming year. Our scheduled meetings are:

Date	Meeting	Location
February 9-11, 2010	HFMA National—Spring Seminar	San Antonio, TX
February 9, 2010	Roadshow—Denials Management and Patient Access Auditing	Weslaco, TX
February 10, 2010	Roadshow—Denials Management and Patient Access Auditing	Corpus Christi, TX
February 16, 2010	Roadshow—Denials Management and Patient Access Auditing	Victoria, TX
February 18, 2010	Roadshow—Denials Management and Patient Access Auditing	Uvalde, TX
March 28-30	Texas State Conference	Austin, TX
May 20-21	South Texas Summer Institute/Annual Meeting	South Padre Island, TX
June 20-23, 2010	HFMA National ANI	Nashville, TN

Registration Forms and Agendas for each meeting will be distributed by e-mail to all members about one month prior to each meeting date. Registration Fees for members vary based upon the number of CPE hours credit provided by each session, and other factors. If you do not receive a Registration Form via E-mail, please contact Sue Thompson, Chapter Administrator, at [admin@stxhfma.org](mailto:admin@stxhfma.org).

## Test your Certification Knowledge

**1. APCs are a method of classifying outpatients into groupings based on common characteristics.**

- A. True
- B. False

**2. Which of the following refers to a dispute resolution that involves an independent third party who hears both sides and makes a recommendation for resolution?**

- A. Mediation
- B. Arbitration
- C. Litigation
- D. Legislation

**3. Which type of provider authorization is applied in emergency cases, such as a car accident or heart attack, in which prior authorization is impossible?**

- A. Prospective
- B. Concurrent
- C. Retrospective
- D. Subordinate

**4. Which of the following ratios measures the relationship between revenue and assets, i.e. to determine the financial efficiency of an institution's operations?**

- A. Profitability ratio
- B. Liquidity ratio
- C. Activity ratio
- D. Capital structure ratio

**5. How is uncompensated care recognized in financial statements?**

- A. Uncompensated care is shown as a receivable

B. Uncompensated care is shown as a revenue

C. Revenues and receivables are shown as net of uncompensated care

D. Uncompensated care is accrued

**6. All of the following are violations of the Anti-Fraud Legislation, EXCEPT:**

- A. Offering kickbacks
- B. Routinely waiving copayments
- C. Bundling claims
- D. Submitting duplicate claims

*Answers: 1-B, 2-A, 3-C, 4-C, 5-C, 6-C*

# HFMA'S 2010 SPRING SEMINARS

SAVE \$75  
BY REGISTERING  
ONLINE.

[hfma.org/seminars](http://hfma.org/seminars)

## 20 IN-DEPTH SEMINARS COVERING:

- Reducing RAC risk: Strategies for preventing improper payments
- Practical budgeting methods for better financial reporting, increased productivity and an improved bottom line
- Preparing cost reports for more efficient and accurate reimbursement
- Building a Chargemaster that will maximize payments
- Using Activity-Based Management and Lean Six Sigma to lower costs and improve quality
- Models for maximizing physician alignment and collaboration
- KPIs and denials management to maximize revenue

TWO GREAT  
LOCATIONS!

**SAN ANTONIO, TX:**  
FEBRUARY 9-11, 2010

**SEATTLE, WA:**  
MAY 4-6, 2010



**hfma** educational foundation  
healthcare financial management association

# Avoiding a Medical Data Breach

By Bruce Nelson, Vice President at SearchAmerica®, a part of Experian

More than 30 health care networks of all sizes recently have been victimized by identity thieves and data breaches and more are expected in 2010. These events are extremely costly to the organization. In the short term, the reparations and notices to patients and the fines imposed by government entities are quite costly. However, the greater risk is the long-term negative impact on the hospital's credibility and reputation in the community.

Unfortunately, experts predict this trend to continue well into 2010 and beyond, and hospitals want to mitigate their risk as well as protect their patients' medical information and their network from this potential financial and public relations disaster.

## Health care is well-suited for breaches

Most data breaches can be attributed to employee theft or mismanaged data practices, often initiated by disgruntled or departing staff. This is bad news for hospitals. Health care organizations experience a high churn rate of employees annually — 6.5 percent — almost double the general turnover average of 3.6 percent, according to the Ponemon Institute. With more employees entering and exiting the hospitals' payroll, the risk of breaches increases.

Additionally, health care is expensive, and identity thieves see it as a business opportunity. With more individuals out of work or underinsured, the market for health information is more lucrative, which draws even more attention from identity thieves.

## The government responds with the HITECH Act

Proactive protection of health information is now mandated under the Health Information Technology for Economic and Clinical Health (HITECH) Act — which requires health care institutions to develop notification and pre-breach programs — as well as state laws in California and Missouri. This 2009 legislation expands current federal privacy and security protections of health information.

According to the Energy and Commerce, Ways and Means, and Science and Technology committees, the HITECH Act strengthens the enforcement of federal privacy and security laws by increasing penalties and providing greater resources for enforcement and oversight.

Among other mandates, the HITECH Act outlines how hospitals notify their patients and community of a breach through the following notice types:

**Actual notice:** Affected individuals, guardians or next of kin

must receive written notice at their last known mail or email address.

**Substitute notice:** If contact information is not available, the health care network must provide substitute notice, usually in the form of a conspicuous posting on the network's Website or other location and/or a media notice, as soon as reasonably possible.

**Media notice:** For breaches affecting 500 or more residents of a single state or jurisdiction, the hospital is required to provide notice to prominent media outlets in that area.

**Secretary notice:** Hospitals must notify the U.S. Department of Health & Human Services in all instances of breach. The format and timing of the notice vary based on the number of affected individuals.

Given these guidelines and penalties, a hospital's best choice is to proactively curb medical data breaches before they occur.

## Best practices for hospitals

Deterring and detecting data breach threats don't happen by chance. Leading health care companies are taking advantage of new processes and proven solutions used in other industries, namely financial and credit card markets, to prevent breaches from occurring. The following are a few best practices that hospitals should consider implementing in 2010:

**Appoint a responsible party.** Hospitals should make data breach avoidance part of an individual's or a team's job description. Naming an accountable resource will initiate process improvements, direct non-compliance inquiries to a centralized area, determine who would perform any investigations, and lead all legal and notification efforts in the event of a breach.

**Expand compliance training.** A variety of individuals need access to patient health information to perform their job. They may be staff, contractors, third parties or temporary workers. Hospitals need a process to ensure that all these individuals participate in annual compliance training. No exceptions.

**Build a compliance culture.** The entire hospital community should value the privacy of patients' data as part of the organization's mission. This includes offering trusted avenues to report noncompliance activities. All individuals — staff, contractors and partners — should be diligent in their compliance and alert the responsible party to processes and/or individuals who may be operating outside of privacy policies.

**Monitor information.** Automated monitoring of employee and patient information will alert hospitals of possible data breaches, often before they impact hundreds of individuals. Used by thousands of corporations

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# Preparing for the Certification Exams: Study Guides

By Lenora Johnson

The South Texas Chapter is committed to helping our members achieve the Certified Healthcare Financial Professional (CHFP) status. Achieving this designation helps prepare you – the healthcare finance professional – for increasingly responsible positions in the healthcare industry. Additionally, the designation of CHFP demonstrates your dedication to professional development.

You can study and prepare for the exams through a variety of methods. One way is using the HFMA study guides as part of independent or group study. The South Texas Chapter has a complete study guide set available for Chapter mem-

bers to borrow which includes the Core as well as Specialty exam study guides of your choice, applicable for exam dates through 12/31/2010. The Chapter will loan you any of the study guides for a two (2) week period, depending upon availability. Please contact LeNora Johnson, Certification Chair, at [durango500@sbcglobal.net](mailto:durango500@sbcglobal.net) for details.

## Exam Information

Every candidate must pass the Core Exam which is general in nature and covers a broad array of financial topics pertinent to healthcare. These topics include accounting, finance, patient financial services, physician practice management and managed care. Every candidate must also pass one of the following specialty exams.

**Accounting and Finance:** Content consists of accounting and finance theory and application as it applies to the healthcare industry. Having a CPA designation is not directly related to passing this specialty exam. A candidate can expect to spend about 15 hours of study in preparation.

**Patient Financial Services:** Content consists of claims administration, patient access issues, collections processes, and other issues pertinent to the entire revenue cycle. The content focuses primarily on issues applicable to hospitals and health systems and requires about 12 hours of study in preparation for the exam.

**Physician Practice Management:** Content consists of issues pertinent to the physician practice, including ICD-9 and CPT-4 Coding, physician compensation methods, Relative Value Units, and credentialing. This exam requires about 12 hours of study for preparation.

**Managed Care:** Content consists of issues pertinent to managed care companies as well as to providers of care participating in managed care contracts. A candidate can expect to spend approximately 14 hours of study in preparation for this exam.

## 2010 Exam Dates & Proctor Information

### Friday, February 12, 2010 at Noon

LeNora Johnson - 210.394.1521  
[durango500@sbcglobal.net](mailto:durango500@sbcglobal.net)

### Friday, April 16, 2010 at Noon

LeNora Johnson - 210.394.1521  
[durango500@sbcglobal.net](mailto:durango500@sbcglobal.net)

Baptist Health System—School of Health Professions  
8400 Data Point, San Antonio, TX 78229

Sample exam questions: [www.hfma.org/certification/chfp/examcontent/SampleExamQuestions.htm](http://www.hfma.org/certification/chfp/examcontent/SampleExamQuestions.htm)

Purchase printed Study Guides at: <http://www.hfma.org/certification/chfp/selfstudy/>

Additional information is available at <http://www.stxhfma.org/pages/certification>  
and <http://www.hfma.org/certification/chfp/>

## HFMA National's On-line Membership Directory

Have you visited HFMA National's On-line Membership Directory lately? Here's the link:

<http://www.hfma.org/login/index.cfm>. When you select "HFMA Directory", not only can you search for members of our chapter, you can also search for all of your HFMA colleagues by name, company, and location - regardless of chapter! Using an on-line directory instead of a printed directory ensures that you always have the most up-to-date contact information.

While accessing HFMA National's On-line Membership Directory, you may view your current contact information and make edits to your profile. You can also view any products you have ordered, events you have registered for, your CPE credits, your Founders points, and more!

It is vital that HFMA has your correct information, so please take a moment to review your record now. By doing so, you will ensure that HFMA continues to provide you with valuable information and insights that further your success.

# The Staggering Costs of a Mis-Hire

By Scott Sette, CPC

Recently, I was having a conversation with a CFO who said that he had to replace one of his key Finance leaders. I asked him why that person needed to be replaced. The CFO said, "Scott, he is not meeting minimum expectations in a number of areas. He hasn't been able to provide the supporting analysis to back up his numbers, he lacks strategic vision, and he can't effectively communicate with Executive Leadership or non-Finance people. Therefore, we need to make a change." I asked him if there were any missed opportunities that resulted directly from this person being in this position. The CFO's answer was quite telling. He said, "I don't know what I don't know." In other words, since this Finance leader had a certain degree of autonomy, the CFO wasn't aware of exactly what opportunities were lost or the impact of those lost opportunities.

We live in a world that is inundated with metrics. At times, it can feel like information overload. However, for some reason, we have surprisingly little information available regarding the cost of managerial hiring successes or failures. What is

the total impact to an organization who hires the wrong Manager? What about the wrong VP? The wrong CEO?

In his book *Topgrading*, Dr. Bradford Smart provides, for the first time, the staggering impact of mis-hires. Information that had been presented previously on the subject just scratched the surface of the true cost an organization incurs by hiring the wrong person for a position. As a result of his research, Dr. Smart concluded that the average cost of a managerial mis-hire is *24 times base salary*, with an ROI of -497%!

There are 6 main costs that need to be calculated to properly evaluate the impact of a mis-hire:

1. **Total Hiring Costs** (HR Department time, travel costs, search fees, testing, relocation)
2. **Compensation** (base salary, bonuses, benefits, stock options, car allowance)

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## South Texas Chapter Career Opportunities Listings...

### Make Your Job Openings Accessible to Over 2000 HFMA Members in Texas !

The HFMA Career Opportunities section of the South Texas Chapter website is accessible by over 2000 HFMA members statewide. HFMA members typically hold senior positions in healthcare finance including: CEO, V.P Finance, CFO, Controller, Department Head, etc.

**Employers:** There is no charge for any organization directly offering a position to post that job to the HFMA website. Simply download the Career Opportunity form, complete the information, and return it via email or fax. Jobs must include the name and location of the institution and a contact email address. Jobs are posted on all three Texas Chapter websites.

Jobs must be approved by HFMA prior to final publication. The approval process will typically take 1 to 4 business days. HFMA reserves the right to reject any job posting deemed inappropriate. You will receive an email confirming that we have posted your job to the website.

**To Post a Job:** <http://www.stxhfma.org/pages/jobpost>

**To see Job Openings:** <http://www.stxhfma.org/jobs> (member access only)

**Search Firms/Recruiters:** There is a \$50 per job fee for job postings by Personnel Agencies, Executive Search Firms, or Healthcare Recruiting Agencies. Please complete the Career Opportunity form with your credit card information and fax to the HFMA office at 713.776.1308. Upon payment and final approval, your job will be published to the website and you will be notified by email.



## Best Practices for Controlling Labor Costs

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shifts that meet an individual nurse's qualifications and work parameters, such as a requirement to work two weekends per month. And once a nurse selects a shift, other staff can no longer view it.

As a result, self scheduling helps improve nurse satisfaction by offering clinicians more variety and flexibility in shift length and department as well as a more equitable way to assign shifts. Self scheduling also delivers, on average, an 80 percent reduction in the time nurse managers spend creating staff schedules.

### Online Shift Bidding

Online shift bidding helps hospitals cut costs by minimizing overtime and use of contract nurses in order to comply with state mandates for the minimum number of nurses per unit. Specifically, electronic bidding software enables nurse managers to post open shifts to thousands of qualified clinicians instead of spending hours calling nurses to fill shifts at the last minute. Similar to a reverse auction, this process enables hospitals to fill shifts with qualified nurses at the least cost.

First, hospitals post open shifts to a secure web site accessible to a large pool of prequalified clinicians several weeks in advance. Hospitals can start the bidding for a specific shift at a standard hourly rate, time-and-a-half, double-time, or a premium rate. They also can customize shift parameters to reduce the cost of filling that shift even further. For example, hospitals could start the bidding for a shift at an hourly

rate \$10 less than it would have to pay a contract nurse. Or the hospital could stagger when a shift posts online. An open pediatric shift, for instance, might post to the hospital's pediatric nurses first, then to a pool of supplemental nurses 24 hours later, and finally to a larger group of clinicians after 48 hours. Hospitals also can attach bonus points or dollars to hard-to-fill shifts as an additional incentive for nurses to select open shifts.

Next, nurses bid on the open shifts they want from any computer with an Internet connection. The software allows nurses to only view and bid on shifts that fit their qualifications and existing work schedule by housing employee profiles and schedules in one central system. And because the lowest bid wins, online shift bidding helps hospitals cost effectively fill open shifts.

### Central Staffing

Demand-based central staffing also plays a key role in helping hospitals control costs. Without a clear understanding of which departments or facilities need staff and which may send nurses home, hospitals miss opportunities to address fluctuating demand with internal resources.

Using workforce management software, hospitals gain a real-time, organization-wide view of current patient census and acuity. Armed with a visual representation of required staffing levels for the next shift and shifts up to 14 days out,

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# HFMA Texas State Conference 2010

## Healthcare: The Next Generation



**Thomas Suchs**  
Executive Commissioner  
Texas Department of Health  
and Human Services



**Thomas Royer, MD**  
President and CEO  
CHRISTUS Health



**Robert I. Bonar, Jr., Dr. H.A.**  
President and CEO  
Dell Children's Medical Center  
of Austin



**Roy Spence**  
Chairman and CEO  
GSD&M

**March 28-30, 2010**  
**The Driskill Hotel**  
**Austin, Texas**

**18 CPE Hours**

Sponsor #00713  
HFMA Texas Gulf Coast Chapter

[www.hfmatexas.org](http://www.hfmatexas.org)



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healthcare financial management association  
lone star | south texas | texas gulf coast



## Best Practices for Controlling Labor Costs

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central staffing personnel can proactively balance staff across departments and facilities. For example, if one medical/surgical unit is understaffed while another is overstaffed, qualified staff can be moved from one unit to the other instead of using an expensive contract nurse.

Effective demand-based central staffing also requires an internal, supplemental staffing pool of hundreds of highly skilled employees. Often managed by internal agencies called “supplemental staffing offices” or “resource centers,” these clinicians typically have a marginally higher hourly rate than unit-based staff. When central staffing personnel see scheduling gaps or a departmental spike in demand, they can quickly reallocate nurses from this supplemental pool to fill gaps before shifts start. For instance, hospitals can pre-schedule nurses from a supplemental staffing pool to a virtual unit assigned to cover employee sick days and changes in demand. This increased scheduling flexibility enables hospitals to quickly fill gaps and minimize situations that require contract nurses.

### Establishing Clinician Buy-In

Together, these workforce management best practices can help hospitals gain greater control over labor costs while en-

surging clinicians with the right skills are at the right place at the right time. And by proactively addressing several common change management challenges, hospitals can reap those savings faster. For example, involving clinical staff in the software selection process is critical to ensuring end user buy-in. Workforce management functionality differs greatly by vendor, and a hospital's CNO, vice president of patient care, and operations managers can help the CIO understand key differences and choose the system that best meets the organization's needs. They also can help CIOs determine which option will support an optimal workflow--from vacation requests to scheduling to payroll--based on existing hospital policies and procedures.

Hospitals also should clearly communicate how new workforce management tools will benefit clinical staff. This communication, along with executive sponsorship and a strong project team, helps ensure successful adoption of these cost-saving best practices in the face of the industry's long-term nursing shortage.

*Amy Every, RN, is a product management director for Lawson Software, Annapolis, Md. (amy.every@us.lawson.com).*



## Avoiding a Medical Data Breach

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across the United States, third-party products and services are available to monitor credit reporting agencies and proactively alert organizations of fraudulent events. Equipped with this unbiased information, hospitals can take appropriate action.

Medical data breaches are problematic for hospitals. Progressive health care professionals are looking at new means to protect themselves, and they are finding their answers from colleagues in other industries. To provide maximized results, hospitals need to advance their culture, training and systems to encourage compliance in every activity and have planned responses to potential threats.

## Editor's Alley

For the last few years, this newsletter has been a joint effort between the newsletter committee and Becky Turner of NPSC. Becky would do all of the layout and design work while the newsletter committee would provide the content and editing. Becky has decided to devote more time to her family and has relinquished her duties as newsletter designer. I want to thank Becky for all of her work on behalf of our chapter and wish her well. Having just completed the layout of the first newsletter on our own, I can say without a doubt that we will miss Becky's contribution!

As always, this newsletter depends on input and feedback from the membership. If you have any comments or suggestions relating to any aspect of the newsletter, please let us know. Thanks.

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Newsletter Committee

## Clarke Outlines the Role of Finance in Turbulent Times

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The healthcare industry is at a point of transformational change, HFMA President and CEO Richard Clarke, DHA, FHFMA, told those who attended ANI: The Healthcare Finance Conference, held June 14-17 in Seattle--and healthcare finance professionals should prepare now to lead their organizations through the process of reform that soon will come.

Both the economic recession and the turmoil of the financial markets have put increased pressure on healthcare organizations' resources. The economic recession is "something that has caught a lot of us off guard, frankly. Just think of it: Where were we a year ago, and where are we today?" Clarke said.

The recession, combined with the volatility of the financial markets, has led to an increase in unemployment rates as well as an increase in people who are putting off medical care in response to concerns about the economy--and the effect on the healthcare industry has been significant. Today, 40 percent of hospitals are reporting a decline in revenue due to a decrease in patient volumes, and more than 50 percent of hospitals say they have had negative total margins.

Most hospitals also are experiencing a decline in days cash on hand and a rise in charity care and bad debt expense. Fourteen percent of hospitals indicate an extreme increase in charity care expense, and 15 percent indicate an extreme increase in bad debt expense, according to research conducted by HFMA.

Today, key issues facing healthcare organizations include:

- \* How do you budget for volume and revenue shifts?
- \* How do you organize for increased outcomes risk?
- \* What investments should you make in personnel and technology?
- \* What integration strategies should organizations develop?

"What (HFMA has) been doing is to try to get a pulse on what's happening, what our members are going through, and what they have done in response so far," Clarke said during his presentation, titled "Leading Through Turmoil: The Role of Finance." The results of HFMA's research into the effects of the economic recession and the volatility of the financial markets on healthcare organizations can be found at [www.hfma.org/pulse](http://www.hfma.org/pulse).

As the healthcare industry prepares for reform of the nation's healthcare payment and delivery system under the Obama administration, there are steps healthcare finance leaders can take now to prepare their organizations for reform.

HFMA's second report on payment reform--*Healthcare Payment Reform: A Call to Action*, released this week at ANI--identifies key competencies that providers should develop to position themselves for payment reform.

*Integration.* "The ultimate success of payment reform will depend heavily on collaboration among stakeholders across the care continuum, especially between physicians and hospitals," the report says.

*Risk management.* "Payment reform may shift portions or all of the financial risks among industry stakeholders, making the ability to manage these risks essential for success under payment reform," the report says.

*Pricing.* "Under payment reform, providers will need to set prices for brand-new bundles of services at levels that allow them to recoup costs (both direct and indirect), include some measure of the risk involved in providing the service, and incorporate a margin that allows the provider to make necessary capital reinvestments and fund programs central to the mission of the organization," the report says.

Organizations must develop these competencies in order to survive the process of transformational change, Clarke said. "Without (these competencies), the organization will flounder," he said.

## The Staggering Costs of a Mis-Hire

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**3. Maintaining person in job** (office furniture, computer, utilities, travel, training)

**4. Severance** (salary, outplacement fee, lawsuits, loss of corporate “good will”)

**5. Mistakes, Failures or Missed Opportunities** (drove away key customer, unnecessary capital projects, failure to launch new service lines, embezzlement)

**6. Disruption** (Lower morale, lower productivity, impaired teamwork)

Now that we have identified the main cost areas of a mis-hire, let’s look at the results of Dr. Smart’s research. He has organized his findings into 3 categories: Base salary of less than \$100,000; Base salary between \$100,000 and \$250,000; and an average of all the cases in his study.

	<i>Base Salary Less than \$100,000</i>	<i>Base Salary \$100,000 – \$250,000</i>	<i>All Salaries</i>
	N = 28	N = 26	N = 54
Base Compensation	\$62,000	\$168,000	\$114,000
Number of Years in Job	2.5 years	1.75 years	2 years
1. Cost in Hiring	\$13,000	\$101,000	\$55,000
2. Compensation (All Years)	\$188,000	\$555,000	\$364,000
3. Cost of Maintaining Person in Job	\$44,000	\$99,000	\$70,000
4. Severance	\$17,000	\$168,000	\$90,000
5. Mistakes, Failures; Wasted and Missed Business Opportunities	\$536,000	\$3,559,000	\$1,192,000
6. Cost of Disruption	\$47,000	\$226,000	\$133,000
<b>7. Sum of Costs (#1-6)</b>	<b>\$840,000</b>	<b>\$4,707,000</b>	<b>\$2,709,000</b>
	(14 x salary)	(28 x salary)	(24 x salary)
Value of Contribution	\$126,000	\$436,000	\$272,000
Investment *	\$240,000	\$756,000	\$489,000
Return on Investment (ROI)**	-298%	-565%	-497%

Investment = #1 (cost in hiring) + #2 (compensation) + #3 (cost of maintaining)

\*\*ROI =  $\frac{\text{Value of Contribution} - \#7 (\text{Sum of Costs})}{\text{Investment}} \times 100$

Mis-hires can be disastrous for companies, destroy careers, and wreak havoc on people and families. Do you know the costs of mis-hires in your department or company?

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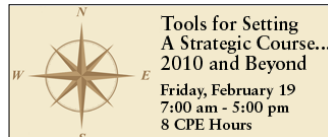
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## Other Happenings:

“Other Happenings” is where we will list educational and networking opportunities in collaboration with other HFMA Chapters, primarily the Gulf Coast and Lone Star Chapters here in Texas. We will work in conjunction with the Newsletter Chairs from these Chapters to provide you with as many educational opportunities as possible.

## Gulf Coast Chapter HFMA Events:

A full schedule of GCC events can be found at <http://www.hfmatxgc.org/calendars>



Crowne Plaza Hotel  
8686 Kirby Drive | Houston, TX

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