



Vital Signs of Northeastern New York

May 2009

HFMA's Vision Is "To Be An Indispensable Professional Resource For Healthcare Financial Managers."

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President's Message

Dear Members;

The end of another chapter year is rapidly approaching. This will be my final correspondence to the membership. I would like to thank the Board and committee members for their continued support and commitment to our chapter. Your commitment to the chapter is very important and will determine the future success of our chapter.

We have had some success in the recruitment of new individuals who will hold office for the next 3 years. A solid succession plan will be required to continue our chapter's long term viability.

Rick White will be the incoming president and will be holding a meeting in the near future with current board and committee members. I have also included a directory of Board and committee members in this newsletter. If you have a specific interest in any committee and would like to become more involved let Rick know as soon as possible.

It has been a privilege to serve as President and I wish you all continued success during this difficult economic period.

Have a great summer...

Larry

Lawrence A. Melita, FHFMA
President NENY HFMA

making
connections

2009-2010 Northeast Chapter Leaders

hfma Northeastern New York Chapter

Officers

President : Richard White, FHFMA
President Elect Mollie Kennedy
Secretary Mike Wallner, CHFP
Treasurer Robert Shwajlyk

Directors

Larry Melita, FHFMA
Rick Henze
Ronnie Loughridge
Mary O'Connell
Rico Viscusi , CPA
Frank Isele
Antonella Margison
Jan St. Croix

Committee Chairs and Members:

Certification

Joan Ehlinger , FHFMA, Chair
Richard C. White

Compliance Committee

Steve Rinaldi

Education Committee

Antonella Margison

Founders Contact

Rick C. White

Membership Directory

Mary O'Connell, Chair

Membership

Rick Henze Jr, Chair
Rico Viscusi

Newsletter

Rabin Kayastha, Chair

Reimbursement Committee

Richard C. White

Revenue Cycle Committee

Veronica Loughridge
Mollie Kennedy

Social/Awards Committee

Rick Henze
Bill Walbridge

Sponsorship Committee

Jan St Croix
Frank Isele

Website

Robert Shwajlyk



Educational Events:

Interesting educational topics that you may find useful:

Audio Webcasts:

Medicare's Proposed Inpatient Payment Rule for FY2010

Date and Time: May 20, 2009, 2:00 – 3:45 pm Central Time

What You'll Learn

- Proposed changes to DRGs and their weighting for the FY 2010 IPPS, as well as the recurring changes to long-term care DRGs, capital payments and the outlier threshold.
- CMS' response to proposed changes to the area wage index methodology and what it could mean for your organization.
- The FY2010 CMS "behavioral offset" amount, if it's changed as a result of analysis of recent claim data and changes to the medical education (IME & GME) adjustments.
- The next phase of Medicare's emphasis on quality and the hospital-acquired conditions requirements.
- Any changes stemming from the recent Stimulus bill (PL 111-5) and changes that may be the result from President Obama's FY2010 budget.

This audio webcast will provide you with the in-depth look at the details you need in order to prepare your organization for the evolving Medicare Program.

Key Areas Covered:

- Refinements to the DRG system
- Rationale for changes
- Redistribution of payments
- How CMS may modify cost reporting requirements
- What's in store or other aspects of hospital payment, such as:
 - New technology payments
 - Reporting of hospital quality data
 - Hospital wage index and occupational mix
 - Indirect and Graduate Medical Education

Level: Intermediate

Intended audience

Audio webcast is intended for CFOs, reimbursement directors, managers, controllers and other senior financial executives working in hospitals and health systems. Financial managers of ASCs and physician groups should also benefit from the information and discussion.

Speaker: Lawrence S. Goldberg

Senior Advisor for Legislative and Regulatory
Matters for Grant Thornton

Conferences:

HFMA's ANI: The Healthcare Finance Conference 2009

At HFMA's 2009 Annual National Institute (ANI)—to be held this year at the Washington State Convention and Trade Center from June 14-17—you'll get the ideas and tools you need to achieve outstanding results in your career and organization.

ANI is the premiere education and networking event for healthcare financial professionals! ANI offers you:

ANI Inspiring Keynotes

Monday, June 15: The Five Temptations of a Leader, presented by Patrick Lencioni

Tuesday, June 16: Thinking Green: Economic Strategy for the 21st Century, presented by the Honorable Al Gore

Wednesday, June 17: Moving Toward a High Performance Health System, presented by Karen Davis, joined by Leading Hospital Executives

Breakout Sessions

There are 84 Breakout Sessions offered at ANI that address topics in the areas of financial management, patient financial services/revenue cycle, payment/reimbursement/managed care, compliance/legislative and the new Peer Review® Showcase track. You'll walk away from these Breakout Sessions with ideas and tools you can use throughout your organization. Attendees also receive access to every handout and tool from all four topic areas – that's complete information from all 84 sessions!

Preconference Programs

Gain access to more ideas and tools when you sign up for Preconference Workshops or a Preconference Seminar. All Preconference Programs will be held Sunday, June 14.

- Preconference Workshops are half-day programs led by facilitators that are designed to give you hands-on experience with tools and solutions

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that relate to a topic. Choose to attend one workshop in either the morning or afternoon or maximize your opportunity by attending both morning and afternoon workshops.

- Preconference Seminars are full-day programs led by speakers that include lunch and are held from 8:00 a.m. to 5:00 p.m. Seminars are taught in a classroom setting with techniques and approaches incorporated into the lecture.

Sunday Opening Reception

Kick off ANI by greeting old friends and making new ones at this year's Opening Reception.

Idea Exchange Exhibit

Get up to speed with the latest ideas and newest solutions during the ANI Idea Exchange Exhibit! During Monday's and Tuesday's lunch and evening receptions, you'll get a chance to meet and mingle with more than 400 healthcare financial management suppliers, as well as your fellow attendees.

Annual Chairman's Reception and Banquet

The Annual Chairman's Reception and Banquet is always one of the most memorable times at ANI. Enjoy dining and dancing and be a part of the installation of HFMA's new Board of Directors and the presentation of the Frederick C. Morgan Individual Achievement Award, the Association's highest honor for career-long contributions to healthcare financial management and HFMA.

And this is just a sample of what's going on at ANI! There's also a Forums Networking Breakfast, the Saturday Golf Outing and the Sunday post-welcome reception at Tap House Grill...the list goes on and on. For complete information on ANI and to register, visit www.hfma.org/ani or call (800) 252-4362, ext 2.

Check it out on the Web:

[HANYS Launches New Web Site That Gives Public a Powerful Voice in the State Budget Process](#)

[Governors State Budget Proposal 2009-2010: The Public's View](#)

[2009 ICR HANYS Seminar Presentation in PowerPoint](#)

Upcoming Events – Save the Date

hfma 2009 Region 2 Institute – Turning Stone Resort and Casino

Date and Time: **October 7th through October 9, 2009**

With our Keynote Speakers: **The Afterburners**



The Flawless Execution Model

At Afterburner they will make you a successful "Business Fighter Pilot". Regardless of your role they will dramatically improve your performance!

For more information : <http://afterburnersseminars.com>

Feature Article

Stepping Back: How has access to capital changed?

By Tanya K. Hahn

Day to day, minute to minute focus on the capital markets can make it harder to see where we are compared to where we were a few months ago at the height of (one hopes) the market fallout. The markets have obviously not stabilized. Yet there has been some improvement since a low point in October, when investors were playing hot potato with variable-rate bonds, and some banks turned away depositors and borrowers and closed their doors – permanently.



Borrowers with outstanding debt or who plan to issue bonds or notes in the near future are in slightly improved positions in February 2009 compared to fall 2008 (though they may look wistfully back at 2007). The overall landscape of both variable-rate bonds/notes and fixed-rate debt changed considerably in the past few months. Much of this can be understood through changes in the banking world over this short period of time.

Banking on change

Many banks had quite a wake-up call last fall when variable-rate bonds failed to find buyers and banks had to extend cash and credit in connection with draws on letters of credit that were enhancing billions of dollars in floating-rate debt. Never in the history of this financing structure had there been such widespread draws on letters of credit. Already reeling from the fallout and negative impact to their financial positions from sub-prime mortgages, many banks realized too late how vulnerable they had left themselves by lending more than they could safely support in both capital and liquidity. Many banks have since had their credit ratings downgraded by rating agencies as a result of declining financial performance.

This situation is part of a spiraling chain reaction. As part of this complex spiral, a bank's strength impacts the decisions of investors (primarily money market funds) that purchase bonds/notes backed by letters of credit. Many of these funds are legally forbidden from holding more than a certain amount of bonds from lower-rated banks. If a bank is, or might be, downgraded, investors may be less likely to buy debt backed by that bank, or they may require a higher interest rate to offset perceived risk.

Therefore some banks, often mid-size regional banks, are trying to reestablish their capital and liquidity positions and attempting to shore up the market's perception of their credit risk by removing what they see as riskier assets from their balance sheets. In some cases, this has resulted in banks asking borrowers to pay loans back, sometimes on technical violations of debt

Welcome New Members

Alain Marcedo
KPMG

Allyson K. Ferris
St. Mary's Hospital – Amsterdam

Michael Towle
Alice Hyde Medical Center

Welcome Back!

Pamela J. Payette
Hospital Association of NY State

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agreements that normally would prompt a warning rather than loan termination.

Current Impact on Letters of Credit and Variable-Rate Debt

In February, variable-rate bonds are again finding buyers. The letter of credit (LOC) structure functioned exactly as intended as a stopgap for borrowers, but the fall 2008 invocation of banks' responsibility to take on these bonds has left banks looking at borrowers through a new lens. Increased scrutiny of borrowers has tightened the credit markets and limited access to necessary capital for renovation and improvement projects.

Reflective of this, the borrowers getting their deals done with bank LOCs are typically very strong or may have stand-alone investment-grade ratings. Investors who buy these bonds and notes are also looking not just at the rating of the bank involved in the transaction, but also at the borrower's liquidity and credit strength in relation to the transaction size. Bigger and stronger, right now, is not just better; it is almost all that is getting done. Big banks are doing big deals with highly-rated borrowers.

Local community banks should not be forgotten, however. Many of these escaped the fallout of the subprime mortgage crisis and were not as leveraged as their regional bank counterparts. They are often still strong and willing to participate in financings.

Borrowers with existing LOCs and variable-rate debt are overall in decent shape. In the fall, variable rates spiked to at least 8% at the height of the liquidity crisis. Now, variable-rate, tax-exempt bonds are generally being remarketed at less than 3% depending on the LOC bank and region of the country. The difference between the high and the low ends of the remarketing range, however, is dramatic. Large national banks' bonds are resetting at 0.25 to 0.50%, while regional banks are resetting in the 2 to 3% range. An individual bank's LOC interest rates can vary widely depending on different investors' perceptions of that bank's credit risk.

Stronger borrowers paying higher-than-market interest rates may have opportunities to replace their LOCs with ones from a higher-rated bank, potentially lowering interest cost. However, many borrowers will be better off staying with their current LOC provider and working with the bank to ensure the LOC stays in place and is renewed, even if it means paying a higher annual bank fee. Rates on existing LOC-enhanced, variable-rate debt are low compared to fixed-rate transactions, but few new deals are getting done due to banks' judicious allocation of capital and liquidity. Some banks are charging more for the risk they are taking, setting higher covenants and requiring the movement of substantial banking business to them in return for use of their capital.

A borrower should seek advice from its financial adviser or investment banker if the borrower's LOC will expire within two years, or if the bank's willingness to work with the borrower has changed. Most LOC borrowers, however, should be in a good place, with rates as low as they are.

Current Impact on Fixed-Rate Debt

Many borrowers that issued fixed-rate debt in recent years should have locked in very low rates and be in a good position to weather this market.

Few new fixed-rate health care and housing deals have closed since the fall, and fixed-rate debt issuance has not heated up to the levels anticipated at the close of 2008. Long-term investors in tax-exempt bonds and taxable loans have experienced reduced liquidity and hence a limited ability to purchase new debt issues. Willing investors are demanding a higher rate of return (interest rate) for perceived higher-risk borrowers, like health care and housing entities, in comparison to governmental borrowers who can rely on tax revenue for debt repayment and are perceived as lower risks.

Borrowers looking to use fixed-rate debt for a current project often have a 10-year prepayment penalty period. In the current environment, they may have the ability and desire to negotiate a shorter prepayment penalty period in return for paying a higher interest rate to investors. This serves to attract potentially more investors to the transaction and also provides future financing flexibility to refinance when the markets have settled down.

What Now and What Next?

Several financing strategies are still viable for new debt issuances, or for refinancing troubled debt. The Federal Home Loan Bank can wrap LOCs for its member banks, many of which are small and lack their own credit ratings. This lets borrowers turn to their local banks for a cost of capital similar to that usually available only to larger, rated organization. Government enhancement programs, such as the FHA Sections 242, 232 and 221 mortgage insurance programs, also remain strong options for hospitals, senior living, and affordable housing projects. Health care and housing providers also may consider doing a straight term loan with a bank, building in plans to refinance later down the road. Finally, organizations that are strong within their sector could consider paying to get an independent credit rating from a rating agency, possibly enticing investors by setting their transaction apart from a non-rated deal.

Many borrowers who issued debt recently are in a good position. Those who need to issue debt in the near future will have to look to new, alternative and creative ways to access capital. Working with an investment bank or financial adviser who understands and monitors how banks and enhancement options are viewed by investors, and what new options are coming available, will provide the borrower the best access to capital.

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Interesting Tidbits

At the Annual Breakfast this year, Mike Wallner was presented with a certificate from HFMA. After years of studying he finally accomplished his dream of becoming a Certified Healthcare Professional with a specialty in Accounting and Finance, proving he is certainly “Certifiable”.

Also honored at the breakfast this year were Rick Henze and Molly Kennedy each of whom received a Follmer Bronze Award for their service to HFMA and its chapter members. It’s this kind of dedication that makes us all proud to be HFMA Northeast Chapter members.

The LTC conference in Ft. Lauderdale is now over and all of us returned refreshed and renewed and prepared for the coming year. This is the first time I’ve have attended the LTC and I was very excited to learn about my new role as Newsletter Chair and to meet fellow HFMA members. It was privilege to finally meet the people I am going to work with now, and hopefully in the future. I was honored to meet Rick White our upcoming Chapter President and his family, Bob Shwajlyk, Treasurer and Antonella Margison our new Education Chair. The LTC was a fun and educational experience!

LTC – Fort Lauderdale Florida, Marriot Harbor Beach Resort



Rick White (President Elect), Sheila Boyce (Past President), Bob Shwajlyk (Treasurer)



Bob Shwajlyk (Treasurer), Antonella Margison (Education)



When one cup is just not enough!



Rick White with the Blues Brothers
"We're on a mission from God!"



Bob Shwajlyk



Antonella (Education), Rabin
(Newsletter), Bob (Treasurer), Rick
(Chapter President)

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