



Vital Signs of Northeastern New York

January 2009

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

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President's Message

Dear members,

2008 has come and gone. We reflect on a turbulent economic year. However as a Chapter I would look at it as a successful year. While we have only completed one half of our fiscal year, we got off to a fast start. Our educational hours are increasing and our treasury is in excellent shape. We have added fresh faces to the board and committees and anticipate that this trend will continue. We are currently discussing the need to once again reach out to our membership for volunteers. You don't have to wait, if you have an interest in becoming more involved please contact me or Rick White.

The Region 2 Institute held in October at Turning Stone saw an increase in attendance. Over 250 individuals attended this year. The Planning Committee is hard at work planning this year's Institute. The date and location have been set, October 7 through October 9th at the Turning Stone Casino.

I know that many if not all will be facing major economic challenges this year. Eyes will be on Washington and Albany this spring. Severe cuts in both Medicaid and Medicare reimbursements may jeopardize the way healthcare is delivered in New York. I wish you luck during this stressful time and will speak to you in the spring.

Larry

Chapter President NENY HFMA
Lawrence A. Melita, FHFMA



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Northeastern New York Chapter

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Committee Chairs and Members:

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Educational Events:

Interesting educational topics that you may find useful:

Audio Webcasts:

Healthcare Bond Ratings: Current Healthcare Rating Trends and Related Developments

Date and Time

January 28, 2009, 2:00 – 3:45 Central Time

You'll Learn

- What are the big picture trends that threaten near-term and long-term stability in the healthcare sector
- Recent rating trends and prospects for 2009
- How Standard & Poor's is factoring weak investment returns into its ratings

Audio Webcast Summary

The past year has been tumultuous for many healthcare providers. Weak investment performance and capital market dislocations have come on top of weakening operating performance. Downgrades have accelerated throughout the year even as many ratings have been affirmed. Capital budgets and forecasts are being rewritten and a new administration is once again raising the specter of healthcare reform.

Martin Arrick and other members of the Standard & Poor's not-for-profit healthcare team will discuss recent rating trends and their sector outlook for 2009.

As a proactive leader in your organization, you need to find out the factors considered in assessing the capacity to repay debt and what Standard & Poor's expects of management and governance. As a key player in the rating process, it is imperative that you are aware of the latest information affecting bond ratings.

Level

Intermediate

Intended audience

Chief financial officers, chief executive officers, board members, controllers and financial managers in hospitals and integrated delivery systems.

Speakers

Martin Arrick

Managing Director, Public Finance Ratings
Standard & Poor's

Conferences:

HFMA's 2009 Spring Seminar Series: San Antonio, TX (Jan 21-23, 2009)

Please join us for a great learning opportunity in San Antonio, Texas. Many new programs are being added. For example, in the Revenue Cycle improvement track just added is "Achieving Revenue Cycle Regulatory Compliance" and "Bottom Line and Patient Loyalty". Also new to the track is "Revenue Cycle Legal Issues". In the Financial and Management Strategies and Operations track several new topics were also added such as, "Audit & Compliance Update: Completing the New Form 990", "Building a Better Organizational Budget" and "Successful Physician-Hospital Alignment" Many more topics are being added to other tracks and will provide members with many educational opportunities, ability to earn up to 7-14 CPE credits, network with friends and colleagues, meeting and listening to expert speakers who will ensure that you'll get the highest quality learning experience. Did I mention its a little warmer in San Antonio?

Upcoming Events

2009 Region 2 Institute – Turning Stone Casino

Date and Time:

October 7th through October 9, 2009

More information to follow....

Feature Article

2008 Rural Hospital Renovation Study

by Bill Watson

In Summer 2008, Lancaster Pollard, Critical Access Group, McClure and Associates and Graham Construction surveyed rural community hospitals

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that had renovated or expanded in the past three years to learn more about the projects' scopes and impacts on health care delivery. The results were presented at the National Rural Health Association's annual conference in October.

Hundreds of Hill-Burton era hospitals face the challenges of maintaining 50-year old buildings while medical service models continue to evolve. Since standing still is essentially moving backward, hospitals have two basic options: build a replacement facility or renovate and/or expand existing facilities. Excellent studies have been conducted regarding replacement hospitals, but not all communities can afford to build new, and not every board can get comfortable with taking on that financial and operational risk. The goal of this Study was to review the experiences of hospitals that recently pursued renovations and expansions, and to provide hard data to track the impact of major renovations on small facilities.

Major areas reviewed included Project Impact, Financial and Utilization Trends and Lessons Learned. The respondents' project scopes were between \$1 million and \$17 million. Expansions and renovations were generally focused on improving outpatient services. Specific examples included new specialty clinics, radiology departments and rehabilitation services.

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](#)

The Results

Overall, the community hospital respondents succeeded in completing their projects and maintaining their financial strength. Of note, they experienced significant growth in outpatient services. Almost all noted challenges associated with undertaking a project and the need for prudent planning.

Brand New, or Rebrand Old?

Hospitals and their bankers face key underwriting issues when deciding whether to build or rebuild.

The true cost of staying in the current location:

- How old is the building?
- Is adjacent land available? At what cost?
- Can the hospital continue operations where it is?
- What is the competitive impact of staying put?

The true cost of moving:

- What other land is available?
- How much will site costs ultimately total?

Available and required financial resources must be determined. Initial development costs are significant: Hospitals need a minimum liquidity level in cash and investment reserves to maintain a cushion once the project begins. Equity alternatives like federal programs, capital campaigns, and direct or indirect tax support can be considered.

Welcome New Members

Dean A. Iacovetti
Primacy Search

Noel C. Hogan
Albany Medical Center

Welcome Back!

Andrea M. Betts
Liberty Management Group, Ir

The team players

As noted by Study participants, hospitals pursuing even limited renovation projects should engage investment bankers, architects and contractors experienced with rural health care, and do so early on. A full and competent project team will have a process that can swiftly address known pitfalls as they arise, assist in anticipating the project risks, and help build conservative assumptions.

Team members include the hospital leadership and its representative team leader, who coordinate the current facility's building analysis and manage all site studies, testing and equipment planning; the health care operational analyst, responsible for strategic planning and space usage considerations; the financial consultant, often the investment or mortgage banker, who helps the hospital determine how much it can borrow, which financing option is best given the goals and the markets, and who also executes the financing; and the architectural and construction team, which should be able to provide early conceptual estimates and a maximum price guarantee, and keep the project on schedule.

Current Financing Availability

At publication, credit markets remain tight, but financing is still available. The Federal Housing Administration's Section 242 Mortgage Insurance program is an excellent option in such a market, providing a guarantee on, in some cases, up to 100% of hospital debt. Tax-exempt bonds can be used, and processing time has been reduced.

Bank qualified loans are a viable option in this market, generally for amounts of \$10 million or less. The recent federal decision to insure deposits of up to \$250,000 will hopefully re-energize banks' lending appetites because depositors should be less likely to withdraw their assets. Finally, bank letters of credit remain a viable credit enhancement option whose structure has withstood the market swings. With properly articulated strengths, hospitals still should be able to access letters of credit, especially now that Federal Home Loan Bank legislation offers new lending opportunities for local banks. Many hospital projects are critical and cannot wait for optimal capital markets. Study results suggest that through well-coordinated renovation and expansion projects, hospitals can meet community and medical staff expectations and increase utilization while limiting financial risk.

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[Benefits of membership!](#)

Lessons Learned

The key lesson noted by renovating hospitals was that a hospital should take the planning of its renovation or expansion every bit as seriously as that of a full replacement facility. While hospitals eventually met project expectations, as well as positive financial and utilization results, Study participants offered several suggestions to make the process smoother. The most consistently noted issues were challenges experienced during the renovation itself.

Study participants recommend:

- Begin using a project team approach early on to assist with the development process.
- Plan ahead to accommodate patient flow and operations during the actual renovation.
- Choose taking more time to plan versus rushing to save money.

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Interesting Tidbits

Congratulations to Mollie Kennedy and Family on the birth of a future HFMA member, Kaitlyn Anne Kennedy born on December 1, 2008 at 11:36 pm. She weighs in at 5lbs and 13ozs and is 19 inches tall. As you can see mom, dad and baby are all doing fine!



Kaitlyn Anne



Kaitlyn



Mollie and Kaitlyn



Mollie and Family

Become a HFMA chapter leader today!

Allows you to invest in your personal growth, build your self-confidence and sharpen your leadership, interpersonal, team-building, organization, planning, and mentoring skills.

Expand your influence-have a voice in your chapter's future and the ability to initiate change.

Help you grow in your profession-advance your career while having access to unmatched technical resources.

Broaden your professional network, enhance peer interaction, and foster lifelong personal friendships.

Start being a leader now. Send an email to Larry Melita at lamelita@nlh.org if you are interested.