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the numbers

# HFMA Today

Official Newsletter of the North Dakota Chapter of the  
Healthcare Financial Management Association

Volume 8, Issue 2 April 2005

## Presidents Message

BY JERRY PEELER



Spring is finally here and usually with the thoughts of spring we think of new growth, rejuvenation and fresh perspectives. That is exactly what we will have with our new leadership. I am very confident that our officers and board members will bring new and innovative ideas to our chapter to make it better than ever.

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At the annual planning session in March we evaluated our chapter with the input you gave at the programs we conducted this year. According to those evals we are doing what you want in providing quality education. Please continue to give your ideas to the officers and board members so they can put these into action. Mike Schumacher will be the new program chair for next year, so if you would like to discuss your evaluation comments or volunteer to be on the education committee, please contact Mike. Also, we came up with an idea to try something new this coming year with a planned summer meeting at Lake Metegoshe in July. I've heard rumors there will be a planned outing, possibly a golf tournament. Please keep your eyes and ears open for this one. In June, the EideBailly conference will be held in Fargo.

National has a CFO recruiting initiative to get more CFO's involved in chapter activities. If you know of a CFO that is not a member please forward their name to me, any one of our chapter officers, board members or to our membership chairperson, Tim Blasl. To reach Nationals goal we need to recruit 2 CFO's prior to June 1.

We have had a great year and I look forward to going to the Annual National Institute (ANI) to receive our chapter awards. I'm really excited because we had a positive membership growth this year and hopefully that trend will continue.

In closing, I want to thank each and every one of you, the board of directors and the officers for allowing me the opportunity to serve as your chapter president this past year. It's just awesome, when you commit to 5 years as an officer, how fast the time goes, how many new people you meet and the huge bank of wonderful memories you accumulate. I encourage each and every one of you to get involved and support your chapter leadership. You will never regret it.

Enjoy the spring and up coming summer.



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**INPATIENT PPS PROPOSED RULE WOULD INCREASE TRANSFER DRGS**

CMS would expand the Medicare post-acute care transfer policy to 223 DRGs, thereby reducing program expenditures by \$880 million in fiscal year 2006 (FY06), under the hospital inpatient PPS proposed rule posted April 25. The rule would continue to reward institutions for reporting quality data on services to Medicare beneficiaries with a payment update of the full market basket (currently estimated at 3.2 percent); the update for the few hospitals that do not submit data would be market basket minus 0.4 percent.

On average, CMS estimates that the combined changes in the proposed rule would produce the following payment increases:

- Government-owned hospitals: 2.9 percent
- Rural hospitals: 2.6 percent
- Urban hospitals: 2.5 percent
- Large teaching hospitals: 2.1 percent
- All hospitals: 2.5 percent

Comments will be accepted on the proposed rule until June 24, 2005.

**GAO RECOMMENDS MORE SPECIFIC CRITERIA FOR IRF CLASSIFICATION**

Greater clarity is needed about what type of patients are most appropriate for the intensive level of services provided in inpatient rehabilitation facilities (IRFs), according to a GAO report released this month. In FY03, only six percent of IRFs were able to meet a 75 percent threshold of required levels of services; less than half of all IRF Medicare patients were admitted with conditions listed in the 75 percent rule. Further, nearly half of the patients admitted for conditions not on the list had orthopedic conditions, and of those patients, the majority required joint replacements that did not meet the list's criteria. Very few of these patients had comorbid conditions requiring a need for IRF care.

To help ensure that IRFs are classified appropriately and that only patients requiring IRF services are admitted, GAO recommends that CMS provide a thorough description of the subgroups of patients within a condition that require IRF services, encourage research on the effectiveness of intensive IRF care, and ensure routine review of IRF admissions for medical necessity.



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· Download the GAO report at <http://www.gao.gov>

**ADDITIONAL SARBANES-OXLEY GUIDANCE PLANNED FOR MAY**

Plans are underway to release guidance in May 2005 on reducing the cost of implementing the internal controls provisions of Section 404 of the Sarbanes-Oxley Act of 2002, William McDonough, Chairman of the Public Company Accounting Oversight Board (PCAOB), recently told the House Committee on Financial Services.

Among its many provisions, the Sarbanes-Oxley law set new standards for corporate governance,

created the PCAOB to oversee public accountants, increased criminal penalties for a broad array of white collar crimes, boosted funding for the Securities and Exchange Commission (SEC), required CEO and CFO certification of corporate financial statements, and created a fund to return civil penalties to harmed investors. Michael Oxley (R-Ohio) chairman of the Committee on Financial Services and co-author of the law, has endorsed efforts at the SEC and the PCAOB to adjust and refine the law's implementation.

**WAYS AND MEANS RESUMES TAX-EXEMPT HEARINGS**

Scrutiny of not-for-profit organizations is intensifying on Capitol Hill. On April 20, the House Ways and Means Committee will resume its series of hearings on the tax-exempt sector. The hearing follows on the heels of one last week by the Senate Finance Committee, which is considering developing legislation to regulate tax-exempt organizations. The Ways and Means Committee will hear from the Government Accountability Office, the Congressional Budget Office, the Joint Committee on Taxation, and other legal experts. In announcing the hearing, chairman Bill Thomas (R-CA) said, "Congress has a responsibility to oversee and assure the American taxpayer that the tax-exempt sector is living up to its responsibilities."

The focus of the hearing will be on the tax-exempt sector's size, scope and impact on the economy, the need for Congressional oversight, and what the IRS is doing with regard to oversight and compliance. Any individual or organization may submit a written statement for inclusion in the printed record of the hearing.

**FASB ISSUES INTERPRETATION ON ASSET RETIREMENT OBLIGATIONS**

The Financial Accounting Standards Board (FASB) recently published FASB

*continued on page 4*

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Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. FASB says that Interpretation 47 will result in:

- More consistent recognition of liabilities related to asset retirement obligations,
- More information about expected future cash outflows associated with those obligations, and
- More information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets.

FASB states that this interpretation was necessary because diverse accounting practices had developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and method of the obligation settlement are conditional on a future event. Interpretation 47 clarifies terms used in FASB Statement No. 143, Accounting for Asset Retirement Obligations. Interpretation 47 is effective no later than the end of fiscal years ending after December 15, 2005.

• Get the full text of Interpretation 47 from the FASB web site at <http://www.fasb.org>

### **CMS CLARIFIES ASC CODE PAYMENT POLICY**

CMS has clarified payment policy regarding HCPCS code Q3001 for radioelements for brachytherapy services performed in ambulatory surgical centers (ASCs). According to CMS, providers are required to use the code instead of CPT code 79900 (discontinued as of January 1, 2005) for billing brachytherapy seeds used in ASCs. Previously, Q3001 was only paid under the outpatient PPS and billable only to fiscal intermediaries. However, effective for dates of service on or after January 1, 2005, it became carrier-priced in the 2005 Medicare physician fee schedule database.

CMS attributes the confusion regarding the use of Q3001 to an earlier HCPCS processing note indicating that the code could not be used for Part B services. The note has since been deleted in the HCPCS database. Carriers are required to process claims containing HCPCS code Q3001 and adjust claims brought to their attention.

### **STUDIES FOCUS ON UNINSURED WORKERS**

More than 20 million working adults do not have healthcare coverage, according to a study released Wednesday by the Robert Wood Johnson Foundation in conjunction with "Cover the Uninsured Week," which begins May 1. The study, which analyzes data from the Centers for Disease Control and Prevention, shows that in eight states, at least one in five working adults is uninsured. In 39 other states, at least one working adult in every 10 does not have healthcare coverage. The report further reveals that nationwide, between one-fourth and one-half of all uninsured adults were unable to see a doctor when needed in the past year because of cost.

Separately, a new report from The Commonwealth Fund shows that most state-level, Federal-funded pilot projects to expand coverage to the uninsured have focused on reforms that build on employer-sponsored insurance. To help states address their uninsured populations, the Health Resources and Services Administration provides state planning and pilot project planning grants. Most pilot project planning grantees found that an overwhelming majority of the uninsured are workers; as a result, most are actively exploring employment-based coverage through publicly funded premium assistance and tax-credits to subsidize employee and employer premium shares, as well as premium assistance through Medicaid and the State Children's Health Insurance Program.

### **CMS SEEKS COMMENTS ON EVIDENCE-BASED NCDs**

CMS has released draft guidance on the factors to be considered when making national coverage determinations (NCDs) for certain items and services related to protocol-driven, prospective data collection efforts. CMS refers to this approach as coverage with evidence development (CED). The intention is to identify a small group of high priority pilots on topics for which there is substantial agreement that better evidence would contribute to expanding access to specific technologies and services.

CMS plans to hold an Open Door Forum on May 9, 2005, to allow for public dialogue about the CED

policy and encourage feedback on other potential venues for information sharing. Comments on the draft guidance are due June 5, 2005, and can be submitted online to [CAGInquiries@cms.hhs.gov](mailto:CAGInquiries@cms.hhs.gov).

· Get the complete draft CED guidance document from the CMS web site at <http://www.cms.hhs.gov/coverage/download/guidanced.pdf>

**PRIVATE PAYERS FALL BEHIND IN MENTAL HEALTH SPENDING**

More of the financial burden of mental health treatment shifted to public programs during the decade ending 2001, according to new research published March 29 on the Health Affairs Web site. Mental health spending by public programs, such as Medicare and Medicaid, grew at an annual rate of 6.8 percent, while spending by private payers grew at an annual rate of 3.7 percent.

Annual Spending Growth Rate by Behavioral Health Service, 1991-2001

All health: 6.5 percent

All behavioral health: 5.6 percent

Substance abuse: 4.7 percent

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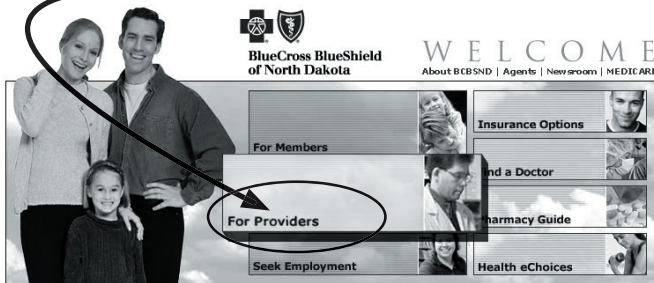


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Inpatient specialty units in general hospitals: 1 percent

Researchers also found that while the share of spending for inpatient mental health services declined 12 percentage points to 28 percent by 2001, the share of spending for mental health drugs grew 11 percentage points, to 17 percent, in 2001.

**PROPOSED RULE WOULD LOOSEN MEDICARE HOSPITAL CONDITIONS OF PARTICIPATION**

Certain hospital requirements for completing history and physical examinations, authenticating verbal orders, securing medications, and completing post-anesthesia evaluations as part of Medicare conditions of participation would be relaxed under a proposed rule published in the March 25 Federal Register. According to CMS, the proposed revisions are intended to remove burdensome regulations for clinicians. The revised requirements include:

- Additions to the practitioners who may perform the H&P
- Less stringent H&P required completion times
- Permitting the authentication of verbal orders by "whomever is responsible for providing or evaluating a service provided,"
- Allowing the post-anesthesia evaluation report to be written by an individual qualified to administer

anesthesia

The proposed rule also would add flexibility in how hospitals may secure medications. Comments on the proposed rule are due by May 25.

**CMS CLARIFIES RHC/FQHC BILLING FOR OFF-SITE SERVICES**

The services of rural health clinic and federally qualified health center physicians, physician assistants, and nurse practitioners caring for patients in skilled nursing homes or swing beds, may be billed by the RHC or FQHC rather than included in the skilled care consolidated bill. CMS staff provided that clarification at the March 30 rural health Open Door Forum. It is immaterial whether the swing bed is part of a CAH or other facility, said CMS staff. CMS is currently developing a transmittal to address this issue.

The professionals can, however, bill for themselves for such off-site services as independent practitioners, CMS noted, if such an arrangement is documented in an agreement and any related costs are excluded from the RHC/FQHC cost report. That flexibility has existed since the inception of the program, CMS said.

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## HFMA “OFFICER SPOTLIGHT”

*Michael Schumacher, Secretary*

### **What is your current job/position?**

Senior Audit Manager, Health Care Services, at Eide Bailly LLP

### **What are the responsibilities of your position?**

My job responsibilities include directing and managing the wide array of services my Firm provides to my clients, managing and mentoring staff, and involvement in the day-to-day operations of my Firm.

### **How long have you been at your current position?**

I started working with Charles Bailly & Company in October of 1987 as an office runner while I was in college. I had an internship with them in the summer of 1989 and came on full time after I graduated from Moorhead State University in December 1989. Charles Bailly & Company merged with Eide Helmeke in May of 1998.

### **What was your very first job in healthcare?**

This is it. I have been a health care auditor with Eide Bailly LLP since I graduated from college.

### **What do you like best about your current job?**

I love working with my clients and my staff. The public accounting profession is ever changing and I enjoy the challenges it brings on a day to day basis.

### **What are your hobbies?**

I love all sports, but football is by far my favorite. I also enjoy coaching my son's football and baseball teams. Oh, almost forgot, fantasy football is high on my list of favorite hobbies (if you consider it a hobby).

### **What has been your proudest moment (personally or professionally)?**

**Personally:** It has to be watching my children grow up. They are wonderful kids, excellent students in school, and are involved in many after-school activities (dance class, football, baseball, tennis, soccer, orchestra, kid's church, etc.). I am very proud of my children and my wife, Barbara.

**Professionally:** I don't have a specific moment, but I am proud of how I have been able to help my clients over the past 15 years to become more profitable, help them with accounting issues, and develop strong friendships. I am also proud of my involvement with developing staff at Eide Bailly and, although several of them have moved on, it makes me feel good to see how successful many of them have become. I am also proud of my involvement with HFMA.

### **What has been the best advice you have ever received?**

My Mom and Dad always preached to me to treat people with respect, to show an interest in others and they will show an interest in you, and to do your best always!! Oh, also one that I use quite often now as a parent is “Mom and Dad are never wrong!” (Ha-ha).

### **Why did you join HFMA?**

I joined HFMA to get involved with the health care industry in North Dakota and to network with others involved in health care.

### **What are your favorite foods?**

Pizza (any kind, hold the anchovies though), steak, chicken, and I love potatoes.

### **Share with us one of your favorite quotes.**

Two that I enjoy are “call on the past, relate it to the present and then use them both to provide a link to the future” and “Honesty is the best policy” (Lincoln on Leadership). The Golden Rule, “Do unto others as you would wish them do unto you” is a favorite also.

### **How did you first become involved with HFMA?**

#### **Committee? Director? Officer?**

I was on several committees, including the membership and audit committees, before I ran for the board.

### **What is your current role with the North Dakota Chapter of HFMA?**

Secretary

### **What have been the personal and/or professional benefits you've realized from your HFMA involvement?**

Throughout the years, HFMA has provided me with the opportunity to network with my peers and has provided me with excellent education on health care and other related topics.

# 2004/2005 HFMA Meetings

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**April 2006**  
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