



# Outlook

October - December



2006



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### Editorial Policy

Opinions expressed in articles or features are those of the author and do not necessarily reflect the view of the Washington/Alaska Chapter, the Healthcare Financial Management Association, or the Editor. The Editor reserves the right to edit material and accept or reject contributions whether solicited or not. All correspondence is assumed to be a release for publication unless otherwise indicated.

### Publication Objective

The NW Outlook is the official publication of the Washington/Alaska Chapter Healthcare Financial Management Association. Our objective is to provide members with information regarding Chapter and national activities, with current and useful news of both national and local significance to healthcare finance professionals and to serve as a forum for the exchange of ideas and information.

## President's Message



by John Nutter, President

# Change.

( chānj ) v.

Webster's New World Dictionary defines change as a verb meaning to put or take (a thing) in place of something else. Ok, that part I understand. The dictionary also lists the origin of the word change as coming from the Latin word cambire, which means to barter. Last I checked, doesn't barter imply give and take on both sides? I have two very wonderful kids (Laura age 7, and Scott age 5), and change is pretty much a daily occurrence in my life, but for some reason not very many of my daily changes feels like they involve any kind of bartering. Most of us hate change to some degree, but I think we all agree change is inevitable and frequently necessary.

There are a couple of big changes coming to our local HFMA chapter. National HFMA has started two initiatives that will impact us as well as the other 69 local chapters in our nation. The first change involves our incorporation status and by-laws. To minimize various forms of risk, National is

asking all chapters to incorporate in the state of Illinois and adopt a common set of by-laws. As many of you remember, it was earlier this year that most of us voted on adopting a new set of by-laws that our past president Gregg Terreson had spend countless hours updating and revising after many years of sitting on the shelf. Unfortunately the national office felt no need to barter, and Gregg's hard work is headed for the electronic round file in the sky.

The other big change is to the Davis Chapter Management System (DCMS) – this is the process we use to report items such as education hours per member, member communications, new member

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

## Contributing Writers

Tom Cartwright  
Kimmie Delos Reyes  
Jim Heilsberg  
David Morgan  
John Nutter  
Jack Schmoll  
Jim Thoma

**THANK YOU!!!**

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retention ratios, and other data items to the national office. Based on those reports, National gives out annual performance awards to the chapters that have performed above average, and the Washington/Alaska chapter is a frequent recipient of these awards (Many thanks to our great volunteers that make this all happen). While some of the metrics such as registrant hours per member and member retention are still involved, national is adding some new performance metrics such as member satisfaction and days cash on hand to create a "Chapter Balanced Score Card" which will determine our eligibility to earn national awards in the future. The last few details of this change are still in process, and we'll be sharing more in the future as the new system is finalized.

While these changes will be fairly invisible to the majority of our members, they are significant changes to the core structure of our chapter, as well as how and what we communicate with National. With a team effort from the other officers and directors I'm confident our chapter will easily make these changes. No I didn't want to do this, no – no one offered to barter about our participation in all of this, but it's going to happen – and at the end of the day our chapter will be better for it. There will be less personal risk to chapter officers and directors, and our chapter will be better aligned with the goals and directions of the national office. All of which helps our chapter maximize our value and worth to our members.

As I finish writing this it's the end of my work day and time to head home. I think I know what I'm doing tonight, but undoubtedly Scott and Laura will have a different plan for me. I keep telling myself it's not change, it's a strategic opportunity to do something other than what I planned. Rats. Monday Night Football and a cold beer were sounding so good just a few minutes ago... ■



## The Squeezed Generation

by Jim Heilsberg | INHS

January 6, 2006 I looked at what was ahead for my job and others for 2006. I was responsible for implementing the following items for the hospital.

1. Normal job duties as CFO and CIO and safety officer, compliance officer etc.
2. Implement information systems in all clinical areas including nurse documentation that will impact all clinical departments.
3. Develop hospital wide plan to replace existing facility and assist in going out for bond levy for financing for project by end of year.
4. Bid project by end of year and start construction in January 2007.

At home:

1. I was going to become a grandfather and my daughter and grandson were going to live with us in our home.
2. Our son was a senior and we had graduation to deal with in May/June along with all his activities which were once in a lifetime events.
3. Have time for myself.

I made the statement, I would be glad when 2006 was over. It is now November and I am sticking to the story, kind of.

During the year two other events happened.

1. I became the high school golf coach.
2. My father in law had a stroke that caused them to have to move out of their current house and I was through a series of events charged with creating a lot on a sloped lot for a manufactured home. The in laws were coming to live by us as a result of my wife being most logical sibling to help take care of them.

If I was not feeling squeezed before, I was for sure

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squeezed as a result of all the events that happened. The above scenario is not uncommon for the baby boom generation. Many articles and books have been written about this phenomenon. This article is a reflection on impact I have seen in my life as a result of this series of events.

My life has taken on several common rules that have guided me through the last several years. I have added some more as a result of the above.

Additional life rule #1: Life is what it is, so get on with it.

We have no idea what life will bring us. We do have ability to determine our response to what life brings us. What I have learned from my faith is that I can not control my circumstances, but I can rely on fact that my circumstances are not by chance.

If my circumstances are not by chance then I have a choice each day. Look at life as it is against me or look at life that it is what it is and look to learn what life lessons God brings my way and look to share them with others as they look to learn life lessons and share back with me.

Additional life rule number #2 – It is important to figure out what is next priority and focus on it but don't forget to take time for yourself and help others do the same.

One definition of overwhelmed is that we see all the issues before us and can not determine which one to work on first. If we can break down lists into priorities and stick to them, we can find a level of peace and keep moving forward. For me, I have had to realize what the next priority is and focus on only it. For me, the home priorities are most difficult to keep this focus or obtain focus. This last year, the largest gift I can give to my wife is to help create a lot and house for her parents. Without that, she does not have balance. With it in place there still may be imbalance but for me focusing on building lot and getting house in has been where I focus.

At same time I have taken time for myself and encouraged my wife and kids to do same. We must be connected spiritually, mentally and physically. If

any are out of balance, we are out of balance but do not always recognize it. For me, I made working on the lot fun and made it my exercise as well as taking time to golf. I also tried to help my wife find time as well to be by herself. I think that is the more difficult time because she is much more relationship focused than I am and often feels more need to be with her parents sometimes at the expense of her own needs, in my opinion. Needless to say it is important to keep balance.

With the rules above and other rules I had from before, I have been able to keep some level of balance and make it through the year. While I can't say that it has all been fun, it has been a great growing year and I know when I look back in a year or so, I will see many different ways I have grown.

Isn't it funny how we can go through life and only see growth in looking back? I think if we saw growth looking forward we would probably not choose to go through it. Growth is painful. I have found that while painful, growth experiences are the greatest gift we receive in life. We often think our greatest gifts are bought. In reality the greatest gifts are things we experience that are painful. They teach us about ourselves and who we are in the whole scheme of life and who others are.

So... back to the beginning, we are becoming squeezed. We don't have time for all that is needed. We don't have time to not have time for all that is needed. The issues we deal with in life can often be put in perspective if we look backwards in time. One thing I like to do is to challenge myself when I come to a difficult decision and put myself forward 5 years and ask, what I will regret about a decision and what I will be proud of or value in a decision I have to make when I look back 5 years in the future. Often I see things put into perspective when I decide what I want to see looking back. Many things I am going through have to be done both personally and professionally or I will not look back with comfort that I did what I know is important.

It is important to help those that have helped us so much, our parents. I will regret if I look back and see a life spent on self and not on others. This has

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made me ponder what I do, now more than ever. It makes me look to relationships when my job often can be data driven and decision driven and people can get lost in the shuffle.

If you feel squeezed like me, realize we are quite elastic if we choose to be. We do have limits but often many of our limits are self imposed. While self imposed they are still real. These events often give us opportunity to look at ourselves in a different light and look to change to a more balanced level.

That is the trick then, isn't it? If you are squeezed, you can survive like a balloon by being in balance. A balloon bulges at different areas when squeezed. It does not resist it, it expands in other areas. Over time the pressure goes away and the balloon goes back to where it was to begin with but not without stretch marks and in some cases a little different shape. We should try not to be so rigid. Rocks can withstand significant pressure but they also can break apart. A balloon can pop with too much pressure but most of the time it just expands.

I encourage you to expand and let the pressure wash over you and impact you to a more balanced life.

I can now look back and while I did wish this year away, I realized I would grow and gain much from the year. I know that I have grown and look forward to how God will use these new gifts he has given to me. I hope you find ways to look forward now to challenges and squeezes that comes your way and to look for the gifts that lay within those challenges. ■

## Financing Hospital Energy Service Projects

by Tom Cartwright | Bank of America  
Vice President of Healthcare Finance &  
Jim Thoma | Bank of America

Senior Vice President of Energy Service Finance

Capital allocation on mission critical investments is a challenge for many hospitals and health systems. Many hospitals have chosen to minimize or defer capital investments in non-core competency assets such as central utility plants and other facility infrastructure assets. Properly developed and financed energy services projects can help hospitals reduce and manage energy costs, while funding important facility infrastructure renewal.

A recent Healthcare Financial Management Association publication entitled "How are Hospitals Financing the Future?" reported that half of the surveyed healthcare chief financial officers believe their infrastructure is deteriorating faster than they can make capital improvements. Statistics for average age of plant support these beliefs. HFMA concludes: "These findings suggest that deteriorating plants are likely to demand significant capital investment in the next five years."

Deferring energy efficiency and facility improvements leads to unfunded or even unrecognized capital expenditures and higher operations and maintenance costs for utilities, labor and repairs. This results in a subtle but steady decline in facility performance, financial performance and environmental stewardship. Increasing energy costs compound these challenges for energy-intensive healthcare institutions with around-the-clock operations.

Energy services projects require significant design, engineering and development efforts to create projects that are technically and economically compelling for the hospital's facilities and financial executives.

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## Getting Started

There are typically three parties involved in an energy-services project transaction:

- the hospital or health system (end use obligor)
- the energy services company (ESCO)
- the lender or investor representing the broader capital markets.

The first step in developing an energy services project is a thorough assessment of the existing energy and operational costs, supported by a detailed engineering analysis of infrastructure assets and systems. This process, commonly referred to as an **investment grade audit**, is normally conducted by an independent third party ESCO or engineering firm working in partnership with the hospital. The objective is to identify opportunities for greater efficiency and to suggest a mix of facility improvement investments, energy conservation measures and operational changes to produce savings.

In many cases, projects are developed to be self-funded, meaning the savings achieved are greater than the cost of the project, with the savings guaranteed by the ESCO contracted to do the work. Other times, projects are developed to satisfy acute technical needs, such as additional heating and cooling capacity for facility expansions or improved conditioning of existing space such as operating rooms or patient towers. Such projects might not be self-funding, but are usually developed to achieve maximum energy efficiency and lowest lifecycle cost with the ESCO assuming guaranteed performance obligations.

Healthcare executives are faced with varying financial objectives for facility renewal. The energy services market offers a wide range of technical and financial solutions.

### Private Placement, Tax-Exempt Financing

The most common solution that results from an investment grade facility audit is an **energy performance contract (EPC)** project. EPC projects

are developed to be self-funding, meaning the project costs, including financing and ongoing service, are less than or equal to the savings developed during the investment grade audit. The scope of work in an EPC project is dictated by the amount of savings identified. The larger the savings opportunity, the broader the mix of asset renewal, energy conservation and facility improvement measures that can be funded by the guaranteed savings.

**Tax-exempt private placement debt** is the most common financing solution for EPC projects. Tax-exempt debt is normally issued through the same financing conduit as the hospital's bonds and is typically structured with amortizing terms of seven to ten years or longer. By documenting the transaction as a tax-exempt lease or loan, the hospital is able to access attractively priced tax-exempt capital with significantly lower cost and greater ease than a public bond financing. Because the issuance, underwriting and documentation of private placement financing is highly standardized, transactions can be completed in as little as two months from origination to closing. The overall efficiency of private placement financing enables borrowers to issue tax-exempt debt as small as \$2 million or less and still achieve significant savings over commercial rate debt financing.

### Off-Balance-Sheet Financing

For institutions concerned about adding leverage to their balance sheet, off-balance-sheet financing is available.

The most common approach to achieving off-balance-sheet accounting treatment is to structure the energy project financing as an operating lease. To do so, the lease must satisfy the lease classification criteria of Statement of Financial Accounting Standards No. 13 (FAS 13) which governs lease accounting. To obtain such off-balance-sheet treatment, operating leases are usually structured with relatively short terms, ranging from three to seven years.

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## Off-Credit Financing

For many healthcare institutions, the key structural objective is actually **off-credit financing** of their energy services projects. This objective may be driven by internal capital policies, balance sheet impact, credit capacity concerns, external credit analyses and strategic interest in outsourcing non-core competencies such as facilities management and central plant operations. In this case, the structural solution is a highly customized transaction wherein the customer pays for energy services under some type of long-term contract, such as an Energy Services Agreement, Utility Services Agreement or Shared Savings Agreement. In order to gain off-credit treatment, these contracts must be truly executory, requiring ongoing performance by the parties and not containing a mandatory payment obligation based upon the passage of time. The customer's payment obligation is based upon outcomes, such as actual energy savings or the provision of thermal power.

Structuring an off-credit energy services transaction requires close collaboration among the three key parties: the customer, the ESCo and the lender or investor. Although the parties share the objective of achieving an off-credit transaction for the customer, each party also has their own requirements and limitations to consider. Therefore, it is essential for the parties to work closely in good faith negotiation to achieve a successful result, the basic framework of which would include a contingent "pay-for-service" payment obligation for the customer, a clean sale of the project assets by the ESCo in conjunction with an ongoing services agreement and a bright line separation of performance and credit risk for the lender or investor.

## Summary

By being aware of investor solutions and working collaboratively with a knowledgeable and experienced financing partner from the earliest stages of project development, hospitals and their ESCo partners can avoid delays and develop

compelling financial solutions. The capital markets have an unlimited capacity to fund creditworthy, properly structured energy services transactions. Whether the concern is cost of capital, balance sheet impact or credit exposure, there are numerous solutions available with experienced capital providers.

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# Alaska Healthcare Watch



This column is intended to share and inform the Chapter Members about Alaska healthcare financial news



**Happy Holidays!** Are you prepared?

*Written by David Morgan,  
Reimbursement Director,  
Southcentral Foundation*

*Edited by, Cathy LeMay,  
Patient Accounts Director,  
Southcentral Foundation*

## 3<sup>rd</sup> Annual HFMA Anchorage Alaska Workshop:

The 3<sup>rd</sup> Annual Alaska HFMA Workshop was held October 12-13 at the Sheraton Anchorage Hotel. Seventy-nine individuals attended the Workshop.



**HFMA members network at the Sheraton Anchorage Hotel.**

The Alaska Conference Workgroup team members would like to thank the sponsors, presenters and attendees for making this educational event a success.



**Tom Dingus gave the Medicare Reimbursement update.**



**Day Equisquiza presenting Charge Master Training.**



**Michael Bell spoke on Maximizing Cost-Based Reimbursement.**

## Enrollment Open for Medicare Prescription Drug Benefits:

Enrollment dates for Medicare prescription drug benefit run from November 15 to December 30, 2006. During this time period, enrolled beneficiaries can switch drug plans and newcomers can enroll in a drug plan for the first time. This year, Alaskans have 45 drug plans to choose from plans have enhanced coverage for the "donut hole,"

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with several co-payments and deductibles. Seniors may call 1-800-Medicare (1-800-633-4227) for more information, and to sign up during open enrollment. The line is open 24 hours a day, including weekends. For additional detail Medicare, see [www.medicare.gov](http://www.medicare.gov).

Beneficiaries may be eligible for additional assistance through the Federal Low-income schedule from the State's SeniorCare Program, which covers drug premiums and deductibles for singles with incomes up to \$20,913 and couples to \$28,053. For more information on programs visit the State's Senior Information Office Website or call 907-269-3680.

## **VA to Authorize Payment for Lodging to Qualified Veterans:**

One of the biggest concerns that Alaska veterans have shared with patient Account staff, the need to travel healthcare services, sometimes at the veteran's own expense. Alaska VA Health System has begun to authorize lodging expenses for qualifies veterans who require care in Anchorage.

For information on the new lodging benefit contact the Beneficiary Travel Section at 907-257-4738 for Anchorage and for outside Anchorage call 1-888-353-7574, ext. 4738.

## **Medicaid Updates...**

November 23<sup>rd</sup> marks 6 months remaining until the National Provider Identifier (NPI) compliance date. Do you have your NPI yet?

All HIPAA healthcare providers, whether they are individuals or organizations, must obtain and NPI for use to identify themselves in HIPAA standard transactions. Once enumerated, a provider's NPI will not change. The NPI remains with the provider regardless of job or location changes.

As always, more information and education on the NPI can be found at the CMS NPI pages [www.cms.hhs.gov/NationalProvidentStand/Downloads/NPI\\_Training\\_Package.pdf](http://www.cms.hhs.gov/NationalProvidentStand/Downloads/NPI_Training_Package.pdf) on the

CMS NPI Page.

## **HFMA Educational Workshop in Fairbanks, Alaska March 2007:**

**MARK YOUR CALENDARS!** Planning for the 1<sup>st</sup> Annual Fairbanks WA/AK HFMA Workshop is underway. The Workshop will be held March 15-16, 2007 at the Westmark Fairbanks Hotel and Conference Center.

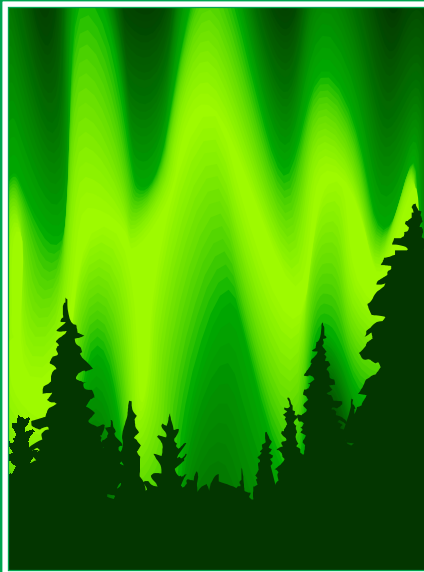
Hotel reservations should be made early since this is a very busy time in Fairbanks.

- Reservations can be made by calling 1-800-544-0970.
- Be sure to identify the group ("HFMA – WA/AK Chapter") at the time of booking to get the special group rate.

If you would like to become involved please contact Cathy LeMay at Southcentral Foundation at 907- 729-5453 or by email at [clemay@scf.cc](mailto:clemay@scf.cc).







## Upcoming Event in Fairbanks, Alaska

**March 15 & 16, 2007**

You will have the opportunity to see the incredible Ice Sculptures and Northern Lights during the HFMA meeting in Fairbanks, Alaska.

See the Alaska Healthcare Watch Section in this publication, watch for upcoming details, or contact Cathy LeMay at 907-729-5453 or via email at [clemay@scf.cc](mailto:clemay@scf.cc) for more information.

## HFMA Region 11 Symposium Speakers Confirmed

HFMA's Region 11 Symposium Committee has confirmed the featured speakers for the upcoming Symposium to be held January 28<sup>th</sup> – January 31<sup>st</sup>, 2007 at Caesars Palace Resort in Las Vegas.

Regina Herzlinger leads off the program with the topic from her book *Consumer-Driven Health Care: Implications for Providers, Payers, and Policymakers*. Ms. Herzlinger, a professor of Business Administration at Harvard Business School, will discuss how the consumer-driven health care movement is being implemented and its impact on insurers, providers, new intermediaries, and governments.

Lou Holtz will open our Tuesday program. Mr. Holtz is a master motivator who guided Notre Dame to the 1988 national college football championship and he will pass on his "Game Plan for Success" to you. Coach Holtz will reveal how you can acquire the focus and commitment it takes to be a champion.

Dr. Dean Ornish will close the conference on Wednesday. Dr. Ornish is the founder, president, and director of the non-profit Preventive Medicine Research Institute in Sausalito, California. Dr.

Ornish teaches that through lifestyle change, you can often reverse the progression of heart disease through diet and exercise. He is the first doctor to prove that there are alternatives to surgery for clearing clogged arteries—namely, diet, exercise, and stress management.



The Symposium will also present an array of other educational sessions, including a panel of executives from the State Healthcare Associations from

California, Nevada, Oregon, Washington and Hawaii. The conference also has 16 educational programs on a wide variety of subjects impacting all healthcare executives, including presentations on Hot Topics in Fraud and Abuse and a PFS Roundtable discussion. Also, a National panel will discuss what hospitals and medical professionals must do to respond to pandemics and calamities and HFMA President, Dr. Richard Clarke, will moderate a panel regarding Health Plan Responses to Transparency and Quality Initiatives.

Be sure to mark your calendar now to attend starting Sunday, January 28<sup>th</sup>, 2007, or go to [www.HFMARegion11Symposium.org](http://www.HFMARegion11Symposium.org) for more details.



**hfma** washington / alaska chapter  
healthcare financial management association

# Job Opportunities

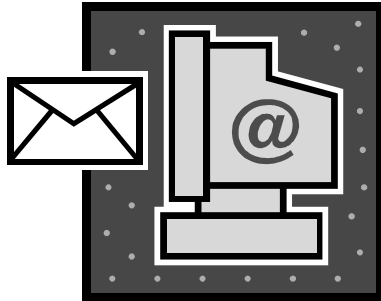
TITLE	ORGANIZATION	LOCATION	CONTACT
Accountant	Franciscan Health Systems	Puyallup, WA	
Accountant	Franciscan Health Systems	Puyallup, WA	LanceBabb@fhshealth.org
Accountant	Multicare	Tacoma, WA	Julie.Wood@multicare.org
Analyst – Risk & Reimbursement	Providence Health Systems	Portland, OR	
Analyst Underwriter	Providence Health Systems	Portland, OR	
Business Office Manager	Mary Bridge Children’s Health Alliance	Tacoma, WA	paul@themanagementtrust.com
CFO	Quincy Valley Medical Ctr	Quincy, WA	
CFO	KPS Health Plans	Bremerton, WA	
CFO	Samaritan Hospital	Moses Lake, WA	KGarza@samaritanhealthcare.com
Chief Financial Officer	The PolyClinic	Seattle, WA	www.polyclinic.com
Compliance Specialist	Alaska Native Medical Center	Anchorage, AK	
Controller	Kadlec Medical Center	Richland, WA	nelsoa@kadlecmed.org
Controller/Materials Mgr	South Peninsula Hospital	Homer, AK	
Decision Support Coordinator	St. Johns Medical Center, PeaceHealth	Longview, WA	
Director Fiscal Services/Decision Support	Central Washington	Wenatchee, WA	
Director of Finance	Country Doctor Community Health Centers	Seattle, WA	lmmcveigh@cdchc.org
Director of Finance	Providence Holy Family Hospital	Spokane, WA	simpsjoj@holy-family.org
Director of Finance - CFO	Providence St. Vincent Med Ctr	Portland, OR	
Director, Finance	Salem Hospital	Salem, OR	
Financial Analyst	350 bed III Trauma Center	Suburb Seattle	
Financial Analyst	Overlake Hosp & Med Ctr	Bellevue, WA	
Financial Analyst	Providence Health Services	Everett, WA	
Financial Analyst	Multicare	Tacoma, WA	Julie.Wood@multicare.org
Financial Analyst II	Columbia Memorial Hospital	Astoria, OR	Kelli_Brenden@columbiamemorial.org
Financial Analyst II	Children’s Hosp & Reg Medical Center	Seattle, WA	www.seattlechildrens.org
Financial Operations Mgr	Northwest Hospital & Med Ctr	Seattle, WA	
Financial Systems Analyst - Hosp Info Systems	Yukon-Kuskokwim Health Corporation	Bethel, AK	David_Friday@ykhc.org
Internal Audit Manager	CAHN	Pendleton, OR or Nampa, ID	
Manager Financial Accounting	Swedish Medical Center	Seattle, WA	
Manager Managed Care Contract Collections	Healthcare Provider	Tacoma, WA	
Manager, Budgeting & Financial Planning	Children’s Hosp & Reg Medical Center	Seattle, WA	www.seattlechildrens.org
Manager, Patient Access	Skagit Valley Hospital	Mt. Vernon, WA	
Mgr Reimbursement	Providence Health Systems	Portland, OR	
Patient Financial Svc Dir	Coulee Community Hospital	Coulee, WA	
Payroll Customer Svc Specialist	Providence Washington Regional Svcs	Renton, WA	
Payroll Specialist	Providence Washington Regional Svcs	Renton, WA	
Payroll Supervisor	Providence Washington Regional Svcs	Renton, WA	
RCM Revenue Control Specialist	Sisters of Providence Health Systems	Spokane, WA	pwrsrcruit@providence.org Regional
Hosp Network Coordinator/Director	CAHN - Garfield County Hospital	Pomeroy, WA	JoannaLueck@hotmail.com Revenue
Cycle Management Auditor/Analyst	Providence Washington Regional Services	Everett, WA	pwrsrcruit@providence.org Revenue
Cycle Mngt Auditor/Analyst	Providence Washington Regional Svcs	Renton, WA	
Senior Reimbursement Analyst	Providence Regional Services	Renton, WA	pwrsrcruit@providence.org Service Area
Director – Revenue Cycle Mgmnt	Providence	Walla Walla, WA	pwrsrcruit@providence.org Sr.
Accountant	NW Emergency Physicians of TeamHealth	Federal Way, WA	ashley_swor@teamhealth.com
Sr. Reimbursement Analyst	Multicare	Tacoma WA	Julie.Wood@multicare.org

For more information on these listings or to include a listing, please contact  
 Kimie Delos Reyes at (360) 906-9258, ext 2711 or  
 mailto:kdelosreyes@professionalcredit.com

See also National HFMA’s website (www.hfma.org) for additional job listings.  
 [Last Update: December 1, 2006]

# HOW DO I CHANGE MY HFMA INFORMATION?

All of our chapter directory information including e-mail and addresses



for the newsletter are received from the National HFMA database.

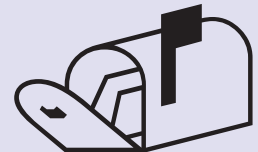
The easiest way to make changes is via the internet. Simply follow these steps to change any of your personal information.

- 1. Log on to <http://www.hfma.org>**
- 2. Go to the membership section**
- 3. Log in using the username and password prompts**
- 4. Follow instructions to access your Profile**
- 5. Edit information.**



You could win \$100 by writing an article for N.W. Outlook! Share your knowledge & experiences with other HFMA Members. You can help make a difference!

Please send information & articles for upcoming newsletters to:



Fredrik Andreasson  
Outreach Services  
1120 Cherry Street, Ste 300  
Seattle WA 98104

Phone: 206-215-2333  
FAX: 206-215-2344

E-mail:  
[fandreasson@outreachservices.com](mailto:fandreasson@outreachservices.com)



## ***New Members***

The Washington/Alaska Chapter is pleased to announce the following new members:



**Mel Ahrens**  
Garfield County Public Hospital

**Barbara Anspach**  
Vha West Coast

**Lee Bennett**  
Sitka Community Hospital

**Susanne Boddie**  
Harrison Medical Center

**Carley Bollen**  
University of Washinton  
at Seattle

**Stacy Cooper**  
Providence Health System Alaska

**John DeBarber**  
Alaska Regional Hospital

**Marc Fernando**  
Group Health Cooperative

**Philip Gerity**  
ECG Management Consultants Inc.

**Brian Heagler**  
Key Bank

**Kara Hops**  
Harrison Medical Center

**Pamela Hutchins**  
Inter Island Medical Center

**Gregory Jarvis**  
Martin, Bircher, Buller & Flynn

**Byron Kaerstner**  
Highline Community Healthcare

**Svetlana Mack**  
Providence Health System Alaska

**Michele McCracken**  
Financial Consultants Of Alaska

**Mark Ostrow**  
Red Cedar Partners Llc

**Michael Peluso**  
Kreg Information Systems

**Sven Peterson**  
Foster Pepper Pllc

**Theresa Robinson**  
Keybank

**Aaron Solomon**

**Christi Stephens**  
Alaska Regional Hospital

**Rebecca Wetzler**  
Providence Health System Alaska

**Pia Wonchala**  
Providence Health System Alaska

***Get  
Connected!***





## Mark Your Calendar

**Jan. 27-31, 2007**

### **HFMA Region 11 Symposium**

**Caesars Palace  
Las Vegas  
Nevada**

**SEE YOU THERE!**

Would you like to check your progress toward a Founders Merit Award.

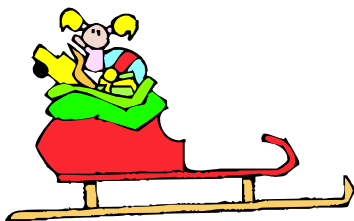
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# Tricky Taxes for Public and Non-profit Hospitals: Sales and Use Tax, Property Tax and Leasehold Excise Tax

by Jack Schmoll | Clark Nuber

Juggling Washington state's major taxes can be a challenging issue for public and non-profit hospitals. If not handled correctly, Sales and Use, Property, and Leasehold Excise taxes can prove to be quite troublesome for healthcare entities.

This article, the second of three, will focus on "Tricky Taxes for Public and Non-profit Hospitals." In the next issue of Northwest Outlook, I will focus on "Hidden Revenues: The Taxable Revenues Hospitals Often Overlook."

Limited tax exemptions are available for sales and use taxes, along with property and leasehold excise taxes. By understanding and applying the rules for these taxes, hospitals can save money and avoid contingent liabilities. Here's how:

**Property and Leasehold Excise Tax:** Most non-profit and district hospitals enjoy property tax exemptions. The real property of public hospitals is automatically exempt because these entities are considered to be a division of the state. Public hospitals can also apply for personal property tax exemptions for items used in the hospital. Non-profit hospitals can apply for, and are generally granted, real and personal property tax exemptions for the hospital and the personal property used in the hospital.

The leasehold excise tax is in lieu of the property tax. When a government entity (such as a public hospital) owns property, it does not have to pay property tax. But if the entity rents space to a non-exempt entity, the hospital has to charge leasehold tax and then pay that to the state.

Certain activities can trigger leasehold excise tax for public hospitals or put property tax exemptions at risk for non-profit hospitals. These activities include rental or use by non-qualifying parties and certain hospital uses. Since the loss of an exemption would be for at least an entire calendar

year and the leasehold excise tax rate is 12.84 percent, the tax consequences can be substantial. It is important to have a facilities rental policy in place to manage the tax impact of the property rental, use, or loan.

Personal property is not automatically exempt from property tax. Therefore, public hospitals must apply for an exemption with the state Department of Revenue. This can be done once, but must be renewed each year. Hospitals that don't do this will have to pay personal property taxes on all assets, including expensive MRI machines, all beds, and all other personal property used in the hospital.

**Sales and Use Taxes:** Sales and use taxes for hospitals are complex and involve large sums of money. Vendors often do not appropriately charge tax, which places the burden of correctly assessing the tax on the hospital. Regular reviews of sales and use tax can substantially reduce the total tax being paid.

Generally, any personal property and certain services - like construction services, landscape services, and repair services - are subject to sales or use tax unless an exemption exists. This causes most hospitals to overpay their sales and use tax.

There are many different exemptions for sales and use taxes for hospitals. Generally, things that go in the body are exempt, but those out of the body are taxable. Even with that rule of thumb, determining the taxability of certain items is very complex. For example, a heart catheter coated in heparin is not subject to tax, but one that is not coated with heparin is subject to tax.

Understanding the intricacies of these taxes is technical and can be confusing. This is clearly an area that should be regularly reviewed with a tax professional.

Please look for article No. 3 - "Hidden revenues: The taxable revenues hospitals often overlook" - in the next issue of Northwest Outlook.

[Jack Schmoll is a Manager with Clark Nuber in Bellevue, Wash. He specializes in state and local taxes and can be reached at 425.709.6712 or JSchmoll@clarknuber.com.]



## UPCOMING CHAPTER MEETINGS

January 27-31, 2007

### **HFMA Region 11 Symposium**

Caesars Palace - Las Vegas

February 14-16, 2007

### **HFMA Workshop, Meeting, & Vendor Fair**

Sheraton - Tacoma

May 16-18, 2007

### **HFMA Workshop & Meeting**

CDA Resort - C'ouer d'Alene

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