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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



Robert Hinman
Chapter President

Region 11 Symposium

Have you registered for the Region 11 Symposium in Las Vegas yet? Have you purchased those airline tickets? If you haven't done so already this is definitely the year to attend. The Washington/Alaska Chapter has taken on a co-lead role in developing this year's program, and it will be the best Symposium yet.

This year's event will be held January 25th through January 28th at the Rio All-Suite Hotel & Casino. The keynote speakers include George Will, Pulitzer-Prize-Winning columnist and media icon; former Oregon Governor John Kitzhaber, a champion for healthcare reform; Stedman Graham, accomplished

speaker, author and entrepreneur; Steve Wetzell, one of the founding members of the Leapfrog Group; and Mark Russell, political humorist. The program also has 20 different breakout sessions to round out your educational opportunities.

So how did the Washington/Alaska Chapter help develop this year's Symposium? Well, it actually started many years ago with Al Hanson's ideas and persistence to develop an educational program for the region that would rival National's Annual National Institute (ANI). Al's foresight and persuasiveness with all of the Chapter's in the Region has resulted in the premier educational program for health care finance managers on the

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www.waakhfma.org

Contributing Writers

Peggy Figy
Bob Hinman
Tom Muller
Nolan Newman
Liana Smith

THANK YOU!!!

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West Coast. The Symposium has also become the major source of revenue for all of the Region 11 Chapters.

Our current involvement really started last year with Lee Johnson serving on the Symposium General Committee, which plans and organizes each year's meeting. Lee did a fantastic job and paved the way for Scott Nelson and myself to join the Symposium General Committee this year. The Committee meets once per month in Anaheim and is mainly made up of members from Southern California, along with 2 San Diego Chapter members.

This year, Lee Johnson managed the process of identifying keynote speakers, and Scott Nelson organized and managed the review process for selecting the 20 breakout session speakers out of 75 RFP's submitted. Both of these individuals did an unbelievable job and actually completed their tasks a month and a half earlier than previous years. Corey Shank has organized and recruited the pool of Course Coordinator volunteers for each of the educational sessions. Joyce Gibb and Robbie Wright are managing the bingo game for the Vendor Fair show. Keith Mock is managing the program evaluation process. Al Hanson has been working with the Symposium Sponsorship Committee.

So what was my role? Obviously to delegate. I am truly amazed at the ability of the people in our Chapter. Their ability to manage the education components and many of the support functions for this year's Symposium has been phenomenal. While our contribution is significant this year, it is really the coordinated effort between Washington/Alaska, Southern California, and San Diego that makes this an extraordinary event. I only hope that you have the opportunity to attend the Sixth Annual Region 11 Healthcare Symposium and experience the results.

For additional information regarding the Symposium go to www.hfmaregion11healthcaresymposium.org or call (909) 272-1694

I want to thank all of you who have volunteered your time and energy in making this year's Symposium the best ever. See you in Las Vegas!

P.S.: Don't forget about the opportunity to receive a \$200 rebate from the Washington/Alaska Chapter for attending this meeting. ■

TAX STRATEGIES for Structuring Programs

by Nolan A. Newman and Liana Smith
Clark Nuber, P.S.

As healthcare organizations operate and evaluate ways and means of accomplishing their charitable purpose and meeting the needs of their communities, an understanding of suitable platforms and legal structures for program development and activities is helpful. In addition to some straightforward structuring options such as a contractual relationship or an unincorporated division, there are other alternatives for structuring programs, activities, and collaborative relationships.

Why establish a separate organization?

Some of the reasons why a healthcare organization may form separate organizations include:

- To limit legal liability and prevent placing hospital's assets at risk.
- For purposes of segregation of operations, management and reporting.
- To establish an independent marketing presence.
- To segregate finances for contractual or reimbursement reasons
- Allows for outside owners/partners
- To preserve the exempt status of the hospital or parent organization if unrelated business income (UBI) tax activities are substantial.

Before deciding on the formation of a separate organization, the hospital should examine its strategy, its existing corporate structure and the impact on its tax exempt status. Some hospitals find that operating an additional organization spreads valuable administrative resources too thin, thus compromising the intended benefits of a separate organization.

If the formation of a separate organization is appropriate, the decision as to *choice of entity will surface*. Consideration of the choice of entity should include both for-profit and not-for-profit alternatives. *For-profit alternatives* include C corporations, S

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corporations, partnerships and multiple member limited liability companies (LLC). *Not-for-profit alternatives* include separate not-for-profit corporations and single member LLCs.

For-profit alternatives

C corporations offer the exempt parent limited liability and preservation of exempt status. Partly as a result of TRA 1986 as well as the acceptance of LLCs, C corporations are less popular than was the case during the 80s and early 90s. Provided the formalities of the separate organization are respected as enumerated in the *Moline Properties* case (such as a separate board, separate meetings and minutes, separate bank accounts and books and records as well as distinct and separate activities), for tax purposes there will not be attribution of the C corporation's income or its activities to its stockholders. As a result of the repeal of the *General Utilities* doctrine by TRA 1986, C corporations will generally be subject to double taxation. Income tax is imposed on the annual profits of the organization, irrespective of the character of the income and the nature of the activities. Tax is further imposed on the appreciation in value of the assets upon liquidation of a C corporation into the exempt parent unless the exempt parent uses the C corporation's assets in a UBI activity. This can be significant in the case of appreciated medical office buildings, other real estate and/or appreciated intangible property. However, C corporations can generally be merged or combined with other C corporations on a tax free basis.

An S corporation provides the same level of limited liability as a C corporation. For tax purposes its activities will not be attributed to its shareholders provided the formalities of the separate corporation are respected. S corporations file an annual informational return and tax is imposed on the S corporation's shareholder(s). The single biggest challenge with S corporations is the *per se* UBI characterization rule. Income related to the exempt parent's shares is considered UBI, regardless of its character and regardless of the nature of the activities conducted. Further, the gain from the sale of S corporation stock by an exempt parent is UBI. Because of the *per se* characterization rules, S corporation are very seldom the choice of entity in health system structures.

A partnership and a multiple member LLC (which has not elected to be taxed as a C corporation) are similar in that both are treated as partnerships for federal income tax purposes. Tax law treats partnerships as "flow-throughs" or conduits, in that no tax is imposed on the partnership. An annual income tax return is required. Items of income, loss and other separately stated items are reported by the partners on their tax returns in accordance with their tax status. In addition, the activities of the partnership are attributed to the partners including any UBI items. However, unlike S corporations, there is no *per se* UBI characterization rule for partnerships. Rather, each partnership activity needs to be evaluated whether it constitutes UBI under the general UBI definition of the IRC. Further, gain or loss upon liquidation of the partnership or LLC is generally not considered UBI. The most significant LLC advantage

is that it is a company under Washington law. As such, an LLC offers limited liability protection to its members. As various states have embraced LLC statutes, LLCs have become a very popular choice of entity for hospitals, particularly for of joint ventures. However, it should be noted that tax law for joint ventures between exempts and commercial organizations is complex and is evolving.

Not-for-profit alternatives

Many benefits of the for-profit alternatives such as limited liability and separate identity can be accomplished through a new not-for-profit alternative, although the choice of entity is more limited. One of the least complicated options would be to form a separate tax exempt subsidiary or affiliate such as another IRC §501(c)(3). A separate tax exempt organization will require application to the IRS for an exemption determination and the annual filing of Form 990.

Another not-for-profit alternative is to form a single member LLC. Unless otherwise elected, a single member LLC is treated as a disregarded entity for federal tax purposes. Instead, they are treated as an operating division of the exempt parent member. The IRS has also indicated that a single member LLC generally does not have to apply for tax exempt status. As an operating division, no separate income tax return is required and the income/losses and activities of the single member LLC will be treated by the exempt parent as though it conducted the activities and earned the income itself. Therefore, the exempt parent should be mindful of any items that may have a negative impact on its tax status as well as

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any items constituting UBI.

Both the separate tax exempt organization and single member LLC alternatives provide for limited legal liability under state law. In the last several years, healthcare organizations have begun to utilize the single LLC model quite frequently for risk management purposes such as real estate ownership.

Conclusion

Choice by a hospital of a suitable platform, legal structure and entity for program development will be dependent on a variety of factors including liability, preservation of exempt status, separation of business identity, reimbursement, protection from UBI and operational independence. The decision to create a separate organization will also depend on a myriad of other business factors. Insights into the various tax considerations for choice of entity as described above may be helpful in making the appropriate strategic decisions. Since existing tax exempt rules are complex and the law pertaining to joint venture taxation is evolving, healthcare organizations should understand and evaluate the various tax considerations, including state and local taxes, as they make decisions regarding an appropriate corporate structure and choice of entity. ■

HFMA Fellowships— September and October 2003

Washington-Alaska
Peggy A. Figy, FHFMA
Spokane, WA
figyp@holy-family.org

MAKE THINGS HAPPEN IN WA-AK HFMA

by Tom Muller,
Membership Services Chairman

Since the Washington-Alaska chapter of HFMA is a volunteer run organization, it is the members like you that make things happen in the chapter. Participation in the LCC is the way to make those things happen.



Ideas

The LCC is a combination of councils and committees of HFMA members. LCC members provide the direct input that determines the direction of the chapter. Some of the activities of LCC include:

- Deciding topics and speakers for chapter educational programs
- Determining location and timing of programs
- Assessment of past programs through analysis of program evaluations
- Recruiting corporate sponsors
- Planning for the annual Region 11 Symposium in Las Vegas
- Setting strategies for recruiting and retaining members
- Determining appropriate methods for member recognition
- Promoting member career advancement
- Insuring that the needs of rural and Alaska members are not neglected
- Responding to emerging healthcare issues
- Planning networking opportunities and activities for members
- Maintaining liaison relationships with other professional organizations

Professional development is one of the primary reasons for joining HFMA. By participation in LCC you have a direct influence on the programs that provide that professional development.

LCC meetings conclude with a dinner hosted by the chapter. Not only is the dinner itself a benefit of LCC participation, it also provides an opportunity for networking with LCC members from other councils and committees.

As an additional incentive, all members attending the LCC meeting, except current officers and directors, are entered into a drawing. The winner of this drawing receives a prize of \$50. You could be the next winner. But, you must be present at the LCC meeting to win.

Don't wait any longer to become a part of LCC. The next LCC meeting will be Wednesday, February 18, 2004 at 5:00 PM at the Sheraton Tacoma Hotel and Conference Center in Tacoma. The LCC meeting will immediately follow the workshop on Wednesday afternoon. ■



hfma washington / alaska chapter
healthcare financial management association

Job Opportunities

POSITION AVAILABLE	ORGANIZATION	LOCATION
Accounting Manager	Large Healthcare Center	Metro Portland, OR
Accounting Manager	Nat'l Medical Mgmt	Bellevue, WA
Billing Manager	Providence Physician Services	Spokane, WA
Business Information Manager	University Washington Physicians	Seattle, WA
CFO	Quincy Valley Medical Center	Quincy, WA
CFO	Portneuf MedicalCenter	Pocatello, ID
CFO	Valdez Regional Health Authority	Valdez, AK
CFO/Controller	Klickitat Valley Health Services	Goldendale, WA
Controller	230-bed Acute Hospital	West/Central WA
Corporate Compliance Office	Evergreen Healthcare	Kirkland, WA
Financial Analyst II	Wilcox, Miller & Nelson (Recruiter)	(North Bay area) San Francisco, CA
Internal Auditor	Children's Hosp & Regional Med Ctr ..	Seattle, WA
Manager – Managed Care	Evergreen Healthcare	Kirkland, WA
Medicare Financial Analyst	Oregon Health & Sciences Univ	Portland, OR
Patient Business Services Director	Kaiser Permanente NW	Portland, OR
Patient Financial Services Manager	Norton Sound Health Corp	Nome, AK
Reimbursement Manager	Legacy Health System	Portland, OR
Revenue Cycle Specialist	Harborview Medical Center	Seattle, WA
Senior Accountant	Providence Health Care	Spokane, WA
Staffing Coordinator-Medical Division	Guidance Corporation (recruiting)	Federal Way, WA

FOR MORE INFORMATION...

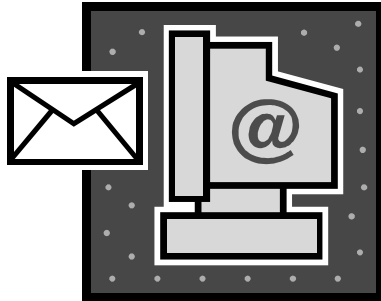
...on these listings or to include a listing, please contact

Peggy Figy, (509) 482-2160 or figyp@holy-family.org

See also National HFMA's website (www.hfma.org) for additional job listings.

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.

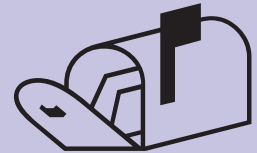
- 1. Log on to <http://www.hfma.org>**
- 2. Go to the membership section**
- 3. Log in using the username and password prompts**
- 4. Follow instructions to access your Profile**
- 5. Edit information.**

WIN \$100.00



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:



Ginger Rhoades
Mount Carmel Hospital
982 E. Columbia
Colville WA 99114

Phone:
509-685-2406

E-mail
rhoadev@mtcarmelhospital.org



Don't Miss This...

Feb 18-20, 2004

**HFMA Workshop,
Meeting & Vendor Fair**

**Sheraton Hotel &
Conference Center
Tacoma, Washington**

SEE YOU THERE!

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

*Individual scoring records
for the Founders Merit
Award program are main-
tained for chapter members
by LCC Council III.*

*To receive a copy of your
record,
please contact*

Tom Muller

Telephone: (360) 236-4215
Facsimile: (360) 664-8579
Email: tom.muller@doh.wa.gov

CORPORATE ●●●●●●●●
SPONSORS

The Chapter would like to thank
the following companies
for 2003 - 2004 sponsorships:

PLATINUM LEVEL

Bank of America
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HFMA Region 11 Symposium

Las
Vegas

The Chapters of Region 11 are providing a most exceptional educational and networking experience from January 25-28, 2004, at the Rio All-Suite Hotel & Casino in Las Vegas, Nevada. The keynotes alone are worth the attendance and registration.

George Will is the lead keynote – a Pulitzer Prize-winning columnist, Newsweek essayist, media icon, founding and current panelist on ABC's This Week with his hard hitting and witty commentary on issues of national importance. He was named one of America's top 100 public intellectuals, is a prolific author, and devoted baseball enthusiast.

Stedman Graham will present a Nine-Step Plan to Success. He is an accomplished speaker, author, entrepreneur, and corporate and community leader. Chairman of Stedman Graham Training and Development, he is dedicated to providing quality educational seminars and products.

Mark Russell, who turns the Washington D.C. scene in to a musical comedy tour-de-force, will leave audiences rolling in the aisles for an encore. He writes a nationally syndicated column, has recorded numerous CDs, tapes, and videos, and is best known for his live specials on PBS where his material changes right up to air time as headline stories emerge from near and far. One of his frequently asked questions is, "Do you have many writers?" "Oh, yes, I have 535 writers, 100 in the Senate and 435 in the House of Representatives and don't forget the President."

The Symposium will also feature the **Honorable John Kitzhaber, M.D.**, former Governor of Oregon, who will discuss Reframing the National Health Debate. Dr. Kitzhaber continues to champion healthcare reform on a national level.

Four tracks of breakout sessions (payment and regulatory, revenue cycle, CFO/strategic, and other) will also be offered including topics such as Medicare appeals and updates, Managed Care issues, customer focused pre-registration, insurance denials, improving financial metrics, the future of hospital/physician joint ventures, evaluation issues in healthcare, successes and testimonials of exceptional finance executives, and understanding personality differences in the workplace.

Check out our website www.hfma-region11-symposium.org, browse and review our program offering for which we suggest you budget for and save the date.

See you in Las Vegas!



Region 11 Symposium Planning Committee



Welcome New Members



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

Allison Bailey
Corporate Contract Specialist
Good Samaritan Hospital
Puyallup, WA

Sara A. Blair
Access Manager
Northwest Hospital &
Medical Center
Seattle, WA

Rebecca Marsh
Empire Health Services - PFS
Spokane, WA

Lynn McLeod
Accountant Executive
Phillips Medical Capital
Wayne, PA

Alicia C. Francois
Contract Analyst
University of WA
Medical Center
Seattle, WA

Zachary Thornton
Product Specialist
Soft Med Systems, Inc.
Elkridge, MD

Pete Lolos, Jr.
Assistant Administrator
Wenatchee Valley
Medical Center
Wenatchee, WA

Ona V. Orffer
Internal Audit Manager
Chan
Tacoma, WA

Elizabeth A Caldwell
Research Accountant
Childrens Hospital
Mukilteo, WA

Kevin D Hamilton
Senior Consultant
Protiviti, Inc.
Seattle, WA

Maryann Yates
Account Executive
Rainier Collection Services,
Inc.
Bellevue, WA

Roger Jansson
Associate
Bennett, Bigelow, And
Leedom
Seattle, WA

Deanna Drake
Senior Accountant
Swedish Health System
Seattle, WA

David A Balencia
Multicare
Tacoma, WA

Craig S Lutz
Student
Shoreline, WA

Dwane W Liuska
Senior Consultant
Protiviti
Seattle, WA

Michael Dietzel
Reimbursement Analyst
Sterling Life Insurance
Bellingham, WA

Dee Nobsch
Chief Financial Officer
Samuel Simmonds
Memorial Hospital
Barrow, AK



***Get
Connected!***



hfma™ washington / alaska chapter
healthcare financial management association



American Association of Healthcare
Administrative Management

The Evergreen Chapter

Joint Meeting & Vendor Fair
Sherton Tacoma Hotel
February 18 - 20

7th Annual

2004

**You Won't
Want to Miss
This One!**

Hotel Deadline is
January 23rd
For Reservations Call:
1-800-845-9466

Registration Deadline is
Wednesday, February 11th

The program brochure and registration information is on its way or you can go to our web site www.waakhfma.org and register on-line. If you have any questions call Gregg Terreson at 206-361-7416 or e-mail him at gregg_terreson@kindredhealthcare.com

Featuring Keynote Speakers

J. Michael Rona
President of Virginia Mason Medical Center who will talk about financial and other healthcare issues from a President's perspective.

Bobette Gustafson
President of Gustafson and Associates on "The Changing Self Pay Market and Continuing Denial Management Challenges"

Other Topics Include:

- HIPAA Business Associates Issues
- HIPAA Enforcement
- A-133 Audits and Grant Compliance
- Federal Tax Update
- Important Revenue Cycle Implications in the 2004 CPT Updates
- Building A New Self Pay World
- Reimbursement Update
- WSHA Update
- Hot Topics in Employment and Labor Law
- Rural Update
- Investment Strategies
- Cost Containment Strategies
- Beyond Denial Management

and there's more! A record number of vendors have agreed to attend the fair. Please stop by to visit and get to know them.

3rd Annual

Casino Night

Thursday Feb. 19th

Parlay your craps & blackjack winnings into some great prizes.

UPCOMING CHAPTER MEETINGS

EVENT	DATE	LOCATION
HFMA Region 11 Symposium	January 25-28, 2004	Rio All Suites & Hotel – Las Vegas
HFMA Workshop, Meeting & Vendor Fair	February 18-20, 2004	Sheraton Hotel & Conf. Ctr. – Tacoma
HFMA Workshop & Meeting	May 19-21, 2004	CDA Resort – Coeur d’Alene
National HFMA ANI Conference	June 27 to July 1, 2004	Opryland Hotel - Nashville
HFMA Workshop & Meeting	September 22-24, 2004	Alderbrook Inn – Union, Wa
HFMA Workshop	December 2, 2004	Embassy Suites – SeaTac
HFMA Region 11 Symposium	January, 2005	Las Vegas
HFMA Workshop, Meeting & Vendor Fair	February 16-18, 2005	Sheraton Hotel & Conf. Ctr. – Tacoma
HFMA Workshop & Meeting	May 25-27, 2005	Campbell’s Resort - Chelean, Wa
National HFMA ANI Conference	June 26-30, 2005	Las Vegas
HFMA Workshop & Meeting	September, 2005	Joint Meeting w/Oregon – TBD

www.waakhfma.org



NW Outlook

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