hfma Eastern Michigan Chapter
healthcare financial management association

HealthCents

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INSIDE THIS ISSUE

MAKING IT Count

President's Message

By: Elyse Berry, FHFMA

Happy New Year! It's great to be in a new decade. As I began to write this message, I decided to "google" (what else!!!) a review of events of the decade of 2000. Other than the technological advances which now *allow* me to google, link in, or tweet, the last decade was somewhat dismal----9/11, Iraq war, Bernie Madoff, and the bank & auto industry troubles. I'm sure we're all glad to have some of those events behind us.

I always like the turn of the year as a new beginning and an opportunity to set some "resolutions." Now that February is here, I hope that everyone is well on the way to keeping those resolutions. For myself, I resolved to do more leisure reading. I am happy to report that, as of this writing, I am on page 17 of a Julia Child book that I received for my birthday in July. The beauty of New Year's resolutions is that we have a whole year to accomplish them---or we can make the resolution again next year.

Speaking of being well of the way, your HFMA Eastern Michigan chapter is a little past the half way point for the chapter year. The amount of activity by our volunteers astounds me and makes me very grateful to be part of this chapter. As of this writing, we have 593 members, including 23 who have joined since the October newsletter. Our Membership Committee works very hard to grow the membership. See the new Chapter Recruitment Contest on page 6 and find out how you can help the Chapter and win a great prize.

The Program Committee has been extremely busy, planning and bringing a constant parade of high quality education events. Our RAC and Compliance seminars brought key information to the members, with high marks received from those who attended. We hope you are able to take part in our upcoming educational events, including three "free" Maria Todd "lunch & learn" webinars on various managed care contracting topics. If any of you have heard Maria speak in the past, you know she is a world-renowned expert in her field. We also hope to see you at the Insurance & Reimbursement Update in March, which always brings us critical information on our business.

The Chapter continues to move forward with our national goal of "Making It Count." During our March I & R meeting, we will collect items for the Ronald McDonald Houses in Ann Arbor and Detroit. Watch your email for more details.

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The Chapter will also bring a series, Healthcare Finance 101, to educate members and non-members on critical health care topics. Experts in the field will teach each session. The series includes a reference book and is recommended for both financial and clinical staff.

And let's not forget---**WE'RE NOT ALL ABOUT BUSINESS!** This is also the time our HFMA social calendar moves into full gear. I encourage you to have some fun with your HFMA colleagues at bowling, golf, or any of the other "yet to be announced" chapter events.

Please be sure to vote for new officers and board members before Friday, February 12. It is through your input we remain a strong chapter.

Best wishes for a healthy and happy 2010!

Up Front - Editor's Letter – "Keep it Simple"

By: Jo Ann Roberts
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Do you feel that your life has become complicated and cluttered? I often wish I could free myself of all the unnecessary clutter that just seems to complicate my life. We have been led to believe it takes more "stuff" to do a better job. An example that is fresh in mind is when I recently went shopping for an outfit for my first grandchild. It is truly amazing the amount of baby equipment available in the "baby stores." It is mind boggling to imagine how much we think we need to care for a human being that is less than 10 lbs. All a baby needs to survive are diapers, baby bottles, clothes, and more importantly, the human connection. But when we introduce too many gadgets and equipment, we can turn the relatively natural simple process of caring for a baby into something confusing and complicated.

We can also complicate our jobs by too much clutter. We need to draw out the basics and stay focused on our true mission. We complicate things by introducing too much information. I understand that we need to update and educate ourselves but at some point, we need to sort through the data and focus on what we actually need to perform more efficiently.

The intent of our newsletter is to provide the readers with an efficient tool and resource for making connections with other members, as well as, keep current with pertinent health care topics. Beginning with this issue, we are introducing a new column called "The Current" which will be written by Robert Murray, a senior analyst at William Beaumont Hospital. Bob's column will offer us simple and concise terms and techniques to help us "cut to the chase" so that we can eliminate the clutter and focus on what we truly need to know! Welcome Bob! A welcome also goes out to a new addition to the newsletter committee: Jason Pulis, Sr. Financial Analyst, Unified Revenue Organization, pulisj@trinity-health.org. Jason will serve the committee as a proofreader.

CALL FOR ARTICLES

Do you have a best practice in your field? Have you overcome a challenging business issue? Share your knowledge with your fellow HFMA members. Please submit articles to Maryanne VanHaitsma mvanhait@dmc.org or Jo Ann Roberts JRoberts@beaumonthospitals.com. Next HealthCents deadline is March 19, 2010.

Two Days at the National Health Service of Britain

By: Hugh Deery, CFO
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I was selected as a representative in the Healthcare Financial Management Associations (HFMA) US/UK exchange program this year. As such, Mr. Matthew Lowry, the CFO of the Rotherham Foundation Trust Hospital (Rotherham, located in the East Midlands, north central England) was my partner. He visited the United States in July 2009. We had a local CFO roundtable in Midland, MI and then Matthew and I had a two-day symposium in DC.

In September 2009, it was my turn to visit Rotherham and Matthew. We both attended the two-day symposium in Windsor, England. Below are my notes from the four days that I spent in Rotherham and at the symposium. I hope you find them informative.

It's off to work I go. There are two parts to the National Health Service. The first part is the independent General Practitioners (GP) who contract with the Service. The second part consists of three distinct groups. The first group is the PCT (Primary Care Trust). This group is the bank and negotiates contracts with the GPs, the Community Health Service and the Hospitals (high level hospitals are given the title of the Foundation Trust). We met with the Finance Director of the PCT, the Finance Director of the Community Health Services and Matt, who is the CFO of the Foundation Trust Hospital in Rotherham. The PCT had responsibility for the Rotherham District. The PCT negotiates contracts with the GPs on a per capita basis for standard services and then tacks on extra funding for things like flu shots, smoking cessation and alcohol counseling. Minor procedures can also be done by the GP as well. Secondly, they negotiate APC rates for the hospitals. The Community Health Service provides specialized care/diagnostics for the GPs and something new to this area, a Walk-In Clinic. (Note: takes work away from GPs and hospitals, seems a contradiction.) So, PCT pays the GP who refers to the hospital that gets paid by admission/patient classification and to the Community Health Service, so the money goes around in a circle.

We then attended an operations board meeting at Rotherham Hospital and it was amazing what the topics were THE SAME AS OURS. The first piece had to do with moving to a Sub Acute Unit (the hospital has only had acute beds). They referred to admissions that didn't meet Interqual criteria and they needed to get the patients into the appropriate level of care. Imagine this, the Admin Officers for Medicine and Surgery had some concern about this proposal. The second item was CAR PARKING and how much they were charging patients to park. They wanted to reduce the amount they were charging as a marketing tool, because they compete with three other hospitals in their area. Lastly they discussed core value statements for employees. They discussed using a 360 degree evaluation for stated levels of managers. The initial proposal was to do them every six months.

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National Health from page 3

We went to a Trust Board meeting (capital expenditures). They discussed the purchase of a new patient administration software package from Meditech. They are going against the national initiative (although their national initiative is about the same as our scheduling initiative). They talked about the offsite relocation of administrative staff and the renovation of the main entrance to the hospital. Matt asked to hold off on releasing the details of the main entrance renovation as he was still negotiating with the vendor that has the shops in the entrance foyer. It's sort of an enhanced use lease. They let an outside company build space in their entrance way and contract with private vendors to be in the shops. They get a minimal amount of land rent and the entrepreneur gets all the profits. They want to buy out the lease (three years left), so they didn't want the vendor to know they were actually going to renovate that entrance.

It's interesting that they have a guarantee that you will be able to see a GP within 48 hours. They also have a website that patients can access that has stats on all the GPs to help them make a decision. They talked about the fact that their patients are now starting to request specific items. They gave the example of the woman who was coming in for a hip replacement and had the model number of the hip she wanted. (It's apparently a new hip specifically for women who wear high heels, called the pink hip). Unfortunately for the woman, they didn't cover that hip. She could have paid the extra to get that hip, but decided not to.

Next Day

We toured the building and grounds with their Chief, Facilities. The building and grounds encompass 12 acres. The original building was constructed in the mid 70s. An addition was added in the late 70s and then a third addition was added in the mid 80s. They are moving their back office and some other folks to another site off the campus to make room for more clinical activities (sound familiar?). As we walked out of the main entrance to walk around the building, an elderly lady was trying to get her husband down this steep ramp in a wheelchair. I helped her because it was really difficult. The Chief Facilities stated this will be corrected as part of the renovation of the front entrance. They have found asbestos everywhere and are doing remediation in the whole building, piece-by-piece. They stated they had an industrial hygiene company come in and test the air where they were doing renovations and it was clear. I asked if they were putting up signs or notifying folks about that testing and they said they really didn't need to because everyone knew about asbestos (hmmm, could you imagine that in our country?).

We met with the Finance staff (every clinical service has their own finance person who reports to the CFO). These operate like our Admin Officers, except for budget purposes only. They prepare financial statements for those services. I gave them the slide presentation on how our budget works and they were surprised at how alike our processes were. We discussed the implications of the proposed health care reform in the US.

I traveled to the mental health program site (about 20 minute cab ride) and met with the Finance Manager. This is another separate entity and is funded for both adult care and child care. There are two locked units (10 beds each). These can be voluntary and involuntary admits. They have one intensive therapy unit that has three beds. They also have a space for police admissions (what they call Article 136 admissions). If the police feel the individual is a danger to self or others, they have the ability to bring them straight to the mental health unit. It

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has a seclusion room and an interview room with view for the clinician to watch the patient interact with the police. THESE UNITS ARE SOMETHING OUR MENTAL HEALTH PROGRAM MANAGERS SHOULD LOOK AT. THEY ARE VERY PATIENT-CENTERED.

Final Day

We attended the Hospital Board meeting. This is a meeting of all executive managers and non-executive managers. Non-executive managers are members of the community who may or may not be patients. One was a retired educator and three were private business owners. They discussed many of the things that we discuss (Quality Improvement and Customer Service) and get reports from the other boards. It was an eight hour meeting. After the meeting, we drove to Windsor.

Summary & Final Remarks

Ok, here's what I learned. They are a fragmented system with a bunch of moving parts. This is how I perceive the system works:

Beginning in October, PCT negotiates contracts with the General Practioners. PCT assigns workload to the Community Services and Hospital branches based on the previous year's experience and those are funded by a national average tariff. Mental Health Services are funded on a historical cost basis, so no quality indicators are used.

The Community Services and Hospital branches get to keep any surplus they earn by being more efficient than the national average. For FY 2008, Rotherham had a $3 million surplus, thus the ability to do their front entrance renovation.

They are just beginning to use quality indicators. The second half of our symposium was led by Maureen Ba, from IHI and her British equivalent. They talked about the collaborative efforts to review high performers in both systems (Medicare and NHS). I asked Maureen if there was any thought of looking at co-managed care, especially in our system, because we quote a cost per patient, but we really don't know how much of their care is being provided by others.

All in all, a great experience. Matt and I have agreed to continue our conversations.

Changing of the guard in Windsor, England.

Dinner at Dronfield Trowney Inn. (Pictured Left to Right) Hugh Deery, Matthew Lowry, Matt's wife Louise and Hugh's wife Cindy.

Membership Committee News

By: Christina Wong and Michael Berryman

HFMA New Membership Discounts on Extended Memberhip – Encourage Your Colleagues to Join!

The extended membership option provides new members the opportunity to extend their HFMA membership through May 31, 2011, and save on their membership dues at the same time. There has never been a better time for new members to join HFMA. Encourage your colleagues to join!

Information can be found at:

http://www.hfma.org/membership/applications/

Welcome New Members

New members of the Eastern Michigan Chapter are an important part of the Chapter's continued success. Please take a moment to contact our new members and share your experiences about our Chapter. We value their membership and encourage them to become active on chapter committees.

Lisa M. Somes
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Timothy DiMartino, Vice President
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Welcome New Members (Con't)

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Bowling Night at Langan's NW Lanes

DATE: Wednesday, February 24, 2010

TIME: 6:00 pm start

Langan's Nor-West Lanes
14 Mile and Northwestern Highway
248-626-2422

Eight lanes are reserved for up to 40 bowlers

$20.00 per bowler (includes 3 games, shoe rental, pizza and soft drinks)

Cash Bar Available

Games, Prizes and 50/50 Raffle

If you would like to attend e-mail Sherrie White at slwhite@beaumonthospitals.com to reserve your spot!

Avoiding a Medical Data Breach

By: By Bruce Nelson,
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More than 30 health care networks of all sizes recently have been victimized by identity thieves and data breaches, and more are expected in 2010. These events are extremely costly to the organization. In the short term, the reparations and notices to patients and the fines imposed by government entities are quite costly. However, the greater risk is the long-term negative impact on the hospital's credibility and reputation in the community.

Unfortunately, experts predict this trend to continue well into 2010 and beyond, and hospitals want to mitigate their risk as well as protect their patients' medical information and their network from this potential financial and public relations disaster.

Health care is well-suited for breaches

Most data breaches can be attributed to employee theft or mismanaged data practices, often initiated by disgruntled or departing staff. This is bad news for hospitals. Health care organizations experience a high churn rate of employees annually — 6.5 percent — almost double the general turnover average of 3.6 percent, according to the Ponemon Institute. With more employees entering and exiting the hospitals' payroll, the risk of breaches increases.

Additionally, health care is expensive, and identity thieves see it as a business opportunity. With more individuals out of work or underinsured, the market for health information is more lucrative, which draws even more attention from identity thieves.

The government responds with the HITECH Act

Proactive protection of health information is now mandated under the Health Information Technology for Economic and Clinical Health (HITECH) Act — which requires health care institutions to develop notification and prebreach programs — as well as state laws in California and Missouri. This 2009 legislation expands current federal privacy and security protections of health information.

According to the Energy and Commerce, Ways and Means, and Science and Technology Committees, the HITECH Act strengthens the enforcement of federal privacy and security laws by increasing penalties and providing greater resources for enforcement and oversight.

Among other mandates, the HITECH Act outlines how hospitals notify their patients and community of a breach through the following notice types:

- **Actual notice:** Affected individuals, guardians or next of kin must receive written notice at their last known mail or email address.

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- **Substitute notice:** If contact information is not available, the health care network must provide substitute notice, usually in the form of a conspicuous posting on the network's Website or other location and/or a media notice, as soon as reasonably possible.

- **Media notice:** For breaches affecting 500 or more residents of a single state or jurisdiction, the hospital is required to provide notice to prominent media outlets in that area.

- **Secretary notice:** Hospitals must notify the U.S. Department of Health & Human Services in all instances of breach. The format and timing of the notice vary based on the number of affected individuals.

Given these guidelines and penalties, a hospital's best choice is to proactively curb medical data breaches before they occur.

Best practices for hospitals

Deterring and detecting data breach threats don't happen by chance. Leading health care companies are taking advantage of new processes and proven solutions used in other industries, namely financial and credit card markets, to prevent breaches from occurring. The following are a few best practices that hospitals should consider implementing in 2010:

- Appoint a responsible party. Hospitals should make data breach avoidance part of an individual's or a team's job description. Naming an accountable resource will initiate process improvements, direct noncompliance inquiries to a centralized area, determine who would perform any investigations, and lead all legal and notification efforts in the event of a breach.

- Expand compliance training. A variety of individuals need access to patient health information to perform their jobs. They may be staff, contractors, third parties or temporary workers. Hospitals need a process to ensure that all these individuals participate in annual compliance training. No exceptions.

- Build a compliance culture. The entire hospital community should value the privacy of patients' data as part of the organization's mission. This includes offering trusted avenues to report noncompliance activities. All individuals — staff, contractors and partners — should be diligent in their compliance and alert the responsible party to processes and/or individuals who may be operating outside of privacy policies.

- Monitor information. Automated monitoring of employee and patient information will alert hospitals of possible data breaches, often before they impact hundreds of individuals. Used by thousands of corporations across the United States, third-party products and services are available to monitor credit reporting agencies and proactively alert organizations of fraudulent events. Equipped with this unbiased information, hospitals can take appropriate action.

Medical data breaches are problematic for hospitals. Progressive health care professionals are looking at new means to protect themselves, and they are finding their answers from colleagues in other industries. To provide maximized results, hospitals need to advance their culture, training and systems to encourage compliance in every activity and have planned responses to potential threats.

Save these Dates!

HFMA Annual Insurance & Reimbursement Update - Thursday, March 25, 2010

Time: 8:30 – 12:30 AM

Topics & Speakers To Be Announced

Location: DoubleTree Hotel – Novi, MI

April 27 or April 29, 2010 Date - TBD
Annual HFMA/MACPA Conference

May 26 – 28, 2010
HFMA MI Chapters
Spring Conference
Soaring Eagle Conference Center
Mt. Pleasant, MI

Thursday, June 10, 2010
HFMA Annual Golf Outing
Tanglewood Golf Course, South Lyon, MI
Shot Gun Start 10:30AM

Member Profile – Christine Hom, CPA

Organization: **William Beaumont Hospital**

Title: **Senior Financial Analyst**

HFMA Member Since: **2006**

Years in Current Position: **2 1/2**

Joined HFMA because: **To meet colleagues and stay informed.**

"Get to Know You" questions:

1. Greatest indulgence? **A personal chef and massage for my husband and I (a gift)**
2. If I had time, I would like to learn: **to be graceful…or become a master gardener.**
3. If I had time, I would like to travel to: **New Zealand or Greece.**
4. Greatest career achievement: **Attaining CPA Licensure**
5. In case of fire, I would grab my**: My cat and my husband (maybe not in that order)**
6. Favorite breakfast: **Eggs Benedict and a Mimosa (in any order)**
7. Favorite saying: **If you're not part of the solution, you're part of the problem.**

The Current

By: Bob Murray
William Beaumont Hospitals
Bob.Murray@beaumonthospitals.com

Hey, did you see that Tweet the other day?"

"No, but I'll Facebook you later. By the way, did you listen to that song my brother's band posted on their Myspace page?"

"Oh yeah, I did, but before I had a chance to email you, I hopped on YouTube and got lost in my search results for Fizzy Cola + Mentos. You should SEE what happens when you mix those two together!"

If you were to overhear this conversation five years ago, you'd think the participants were either speaking their own language or that they were simply a pair of those Super Geeks who constantly have ear buds in their ears and drink high-priced lattes. But fast forward to February 2010, and the majority of our pop culture knows exactly what's going on in that conversation.

Social networking and media internet sites have risen dramatically in popularity, so much so that everyone from cellular device manufacturers to retail conglomerates are clamoring at the chance to promote their services to users of these sites. As companies, they're even *using* sites like Twitter, Facebook, and YouTube to do so! Companies like Dell and Wal-Mart boast of their own Twitter pages offering access to various employee tweets or first dibs on new deals and company information. But what exactly *is* a tweet? And what is the difference between Twitter and Facebook? And why does Myspace have its own Twitter page?

The major players in this field are (in no particular order) Facebook, Twitter, YouTube, and Myspace; all of which were founded between the years of 2003-2006. Facebook and Myspace function generally as full-scale social media sites that allow participants to share personal information, photos, blogs, and endless other types of information. While both started in 2004, Myspace was bought by News Corporation (NASDAQ: NWS, NWSA) in 2005 and currently claims to have over 100 million monthly active users across the globe, with more than 68 million total unique users in the US. Myspace also seems to be the social media site of choice for musical artists, both independent and national/professional. Artists have the ability to post songs, show dates, and display pictures for free. Facebook, on the other hand, presents (solely of the author's opinion) a site format that's "easier" and "cleaner" on the eyes. With multiple rounds of capital investment from 2004-2007 allowing it to bolster its services, Facebook now boasts of an active roster (defined by "users who have returned to the site in the last 30 days") of over 350 million users.

Twitter and YouTube remain fairly focused in their purpose amidst the World Wide Web. From Twitter's own webpage, they promote their simple focus: "Twitter asks one question, 'What's happening?' Answers must be under 140 characters in length and can be sent via mobile texting,

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instant message, or the web." These answers are what we call tweets. Tweets can range from statements like, "I'm taking out the garbage…yuck, it smells!" to "Wow, I can't believe my jerk friend stood me up for lunch today!" Unfortunately, for that user, they must've missed their friend's tweet that said, "Can't believe it…got a flat tire on the way to meet my best friend for lunch!" It's estimated that Twitter has 12.1 million users (as of April 2009), many of whom are celebrities and professional sports players. Usage among athletes has become so rampant during games (during games!) that some leagues have discussed implementing a ban on tweeting during game-time ("…but sitting the bench just became so much fun!"). YouTube's focus also remains simple: allow people to easily upload and share video clips on www.YouTube.com and across the Internet through websites, mobile devices, blogs, and e-mail." In short, people can begin searching YouTube for a specific inquiry, such as food recipe how-to's with demonstrations, only to find themselves two hours later reviewing the wicked-mad slam dunks from last night's Pistons game, or the ever-famous rotation of people slipping and falling, a la America's Funniest Home Videos. Again, from YouTube's stat sheet, "People are watching hundreds of millions of videos a day on YouTube and uploading hundreds of thousands of videos daily. In fact, every minute, 20 hours of video is uploaded to YouTube."

So to summarize:
1) YouTube plays videos
2) Twitter shares small snippets of information (answers the question "What's happening?").
3) Myspace is a full-fledged social media site, but in my opinion, the current site of choice for starving musicians who now have access to a free website to post their music and keep us posted on their show dates.
4) Facebook is the other fully-armed social media site used for sharing thoughts (like Twitter), pictures, videos, blogs, and whatever else 350 million people like to share amongst themselves on the Internet.

All in all, the information (and non-information) available at the click of a mouse is increasing faster than this author can comprehend. The internet seems to have evolved into a whole new level of connectedness. One can only imagine our next breakthrough. And of course, whenever that breakthrough happens, we'll be sure to see everyone tweeting about it.

(In our next issue, we'll dive into the world of LinkedIN and discuss how it's using social media strategies to immediately impact our corporate environment.)

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How to "Counter-RAC" the RAC: What Every Provider Should Know

By: Kenneth R. Marcus, Partner
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While the increasingly shrill alarms regarding impending recovery audit contractor (RAC) alerts rival the Y2K frenzy of a decade ago, the reality is that the RAC process is about to begin in Michigan and providers are well advised to prepare. This article briefly highlights recommended RAC readiness requirements.

Know Your RAC Contractor

The RAC Contractor for Region B, in which Michigan is located, is CGI Technology Solutions, Inc. The website is http://racb.cgi.com. The email contact is racb@cgi.com. The CMS RAC contact for Region B is Scott Wakefield, 410 786 4301.

The RAC Scope of Work

The RAC will conduct two types of reviews. The "automated" review is conducted off site without reference to the medical record. This review, for example, investigates excessive units or incorrect codes. The "complex review" involves medical record review, with a focus on medical necessity and whether the medical record supports the payment claim. Note that the RAC is legally authorized to extrapolate the error rate. CMS has established rules generally limiting the RAC to requesting no more than 200 records per provider per 45 day period. Whether two facilities are considered to be the same provider for this purpose, and thus will not each be required to submit up to 200 records, depends on whether they have the same federal EIN and share the first three numbers of their zip code.

Note the following are excluded from the RAC scope of work:

- Services provided under a program other than Medicare FFS (i.e., Medicare Advantage)
- Cost report settlement process (IME or GME payments)
- Claims more than 3 years past the claim paid date.
- *Claims paid earlier than October 1, 2007.*
- Claims where the beneficiary is liable for the overpayment because the provider is without fault with respect to the overpayment.
- Claims in a demonstration program or with special processing rules
- Prepayment Review

The Provider's RAC Team

While many an attorney, consultant and vender will "come a calling," the single best defense is for the provider to establish its internal RAC team, with external expertise engaged as necessary. Ideally, the provider's RAC Team should be the "defensive" counterpart of the RAC's own staffing. Thus, just as the

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RAC possesses a variety of expertise, so must the provider in order to "counter-Rac" the RAC. This process involves a multidisciplinary group, with assigned responsibilities, such as the following "who is doing what" considerations:

- Documentation
- Focus on target areas from demonstration states
- Contact person for document requests and responses
- Prepare for low-tech document production and communication
- Include physicians
- Communicate findings and best practices

Note that a provider's investment of internal and external resources should be based on the provider's assessment of exposure to liability. Thus, for example a provider estimating an exposure to $100,000 of liability should not spend that much, or more, engaging outside consultants. From review of the demonstration project, as well as review of the issues that the RAC has published on its website, the provider can conduct a self assessment of its exposure to liability. *It is recommended that such an assessment be conducted within the scope of the attorney-client privilege to protect the provider from a potential would be whistleblower in its midst.* Note that the additional benefit of this type of exercise is that it enables the provider to take remedial action on a prospective basis to enhance the provider's compliance and thus to reduce if not eliminate future exposure to liability.

Response To RAC Requests For Medical Records

A request for a medical record results in automatic denial of the underlying claim if the provider does not respond within 45 days. **Thus, if it did nothing else, the provider should assure that a medical record response process is in place.** To assure compliance, the provider should take the following steps:

- Give RAC the address and contact person for Medical Record Request Letters
  Call the RAC
  Use the RAC websites
- Follow up to assure receipt

Issues Under Review

CMS must approve the RAC review issues. The CMS-approved issues are posted on the RAC's website, http://racb.cgi.com/Issues.aspx. At present, among other the review issues include the following:

- Blood Transfusions
- Bronchoscopy Services
- CSW During Inpatient Hospital
- Hospital to Hospital Transfer
- Intravenous Infusion Chemotherapy and Non-chemotherapy – Excessive Units Reported
- IV-Hydration
- Neulasta
- Once in a Lifetime Procedures
- Oxaliplatin
- PreAdmission Testing

Please see **Counter-RAC** on page 16

Counter-RAC from Page 15

- Separately Paid Ambulance Service during Inpatient Hospitalization
- Untimed Codes
- Wheelchair Bundling

RAC Appeals

Ultimately it will be necessary for the provider to appeal RAC determinations, depending upon the amount at stake, the cost of the appeal and the estimated probability of success. The RAC appeals process is identical, except in one respect, to the Medicare claims appeals process (for which CMS recently has published revised regulations with which the provider should familiarize itself). The special provision for RAC determinations is that the first step is a request for discussion, which must be filed within 15 days. The remainder of the Medicare appeals process, as follows, is applicable:

- Fiscal Intermediary: 120 Days; prevent recoupment if file within 40 days
- Qualified Independent Contractor: 180 Days After FI Decision
- Administrative Law Judge: 60 Days After QIC Decision
- Departmental Appeals Board: 60 Days After ALJ Decision
- US District Court: 60 Days After DAB Decision
  Demo: Average appeal time was 12-24 months

Conclusion

Taking steps to prepare to Counter-Rac the RAC, including the appropriate allocation on internal and external resources, will not eliminate but will serve to reduce a provider's exposure to liability, and will enable the provider to take prospective action to reduce liability to future audits.

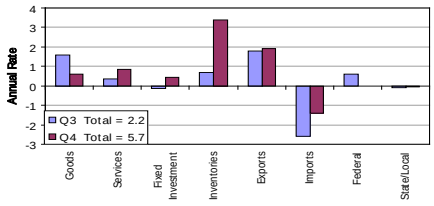
This information is provided as a courtesy reprint from the Monthly Market Review. Stratford Advisory Group releases a monthly assessment of current market conditions.

January 2010

Economic Review

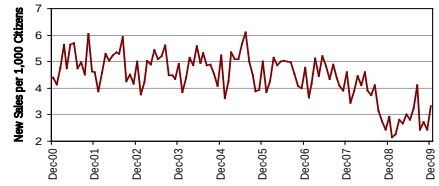
A devastating earthquake in Haiti destroyed much of Port-Au-Prince early in January and caused tremendous loss of life. Outpourings of financial assistance from around the world were immediate, although logistics hampered recovery efforts on the ground. The Massachusetts Senatorial election sent shock waves through the country as the Senate seat occupied by the Democratic Kennedy family between 1953 and 2009 (with the exception of 1961 and 1962) was won by Republican Scott Brown. The victory effectively ended a filibuster-proof majority and cast doubts about the passage of pending healthcare and energy tax legislation. Venezuelan citizens flocked to stores to buy goods before a 50% currency devaluation went into effect. The Venezuelan economy has fallen severely as oil demand dropped and Chavez's rule gutted private industries. Barclays PLC won the first foreclosure case granted by the courts in Dubai. The ruling opens up avenues for property transfers in the once booming Persian Gulf market.

Major Components of GDP



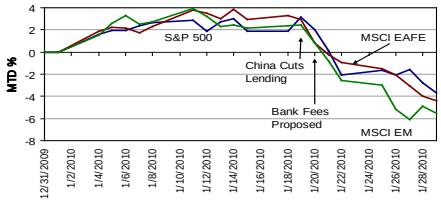
Sources: Bureau of Economic Analysis

Auto Sales Show Improvement



Sources: Bloomberg, U.S. Census Bureau

Equities Fall After Policy Notices



Sources: Bloomberg, MSCI

Market Returns

As of January 31, 2010

	January	3 Months	One Year
S&P 500	-3.6%	4.2%	33.1%
Russell 1000 Value	-2.8%	4.5%	31.4%
Russell 1000 Growth	-4.4%	4.7%	37.9%
Russell 2000	-3.7%	7.3%	37.8%
MSCI EAFE	-4.4%	-1.1%	39.7%
Emerging Markets	-5.6%	2.4%	80.7%
Barclays Agg	1.5%	1.2%	8.5%
3-Month T-Bills	0.0%	0.0%	0.2%

Fourth quarter GDP expanded at a 5.7% rate, marking the biggest increase since Q3 2003. During calendar year 2009, GDP fell 2.4%. By far the strongest component was inventory growth, which contributed 3.4%. Household consumption improved, along with business equipment and software spending. Exports markedly improved at an 18% rate during the quarter, well above the 10.5% rate at which imports grew. The growth in imports was heavily dependent on petroleum.

Following a contentious review of his performance as chairman of the Federal Reserve, Ben Bernanke was appointed to a second term. The Federal Reserve continued to hold the Fed Funds rate near zero, while citing slight improvements in the labor market. Housing sales wavered more than expected in December, partly due to a late renewal of the homebuyer tax credit. The outlook for housing in 2010 remains weak as tax credits and Federal Reserve support for low mortgage rates are scheduled to end in the spring.

Equity markets moved downward after China announced plans to tighten lending, following 10.7% GDP growth in the fourth quarter. China faces inflationary pressures as it grows quickly, yet maintains currency parity with the U.S. dollar, which had fallen in value through much of 2009. The other blow to stocks came after President Obama proposed banking sector reforms. The two pronged approach consisted of levies on large banks and an eventual splitting of the investment side of banks from the traditional deposit/lending functions. Adding further tension to markets were realizations about sovereign debt levels. State borrowing in Greece and fears of default sent the Euro into a slump as the European Central Bank and European Union searched for solutions to the fiscal crises in several countries.

Financier T. Boone Pickens dropped part of his alternative energy plan to build massive wind farms in Texas in favor of increasing natural gas exploration and extraction. He reasoned that natural gas prices were too low to justify the investment in wind power, at a time when new extraction methods were yielding exponential growth in usable reserves.

As the car industry continued to rebound from an abysmal first half of 2009, Ford posted a $2.7 billion profit for the year. Toyota was dealt a setback as it halted a large part of its production while it searched for a solution to malfunctioning accelerators.

The Supreme Court overturned campaign finance laws relating to certain aspects of corporate and union monies. The ruling will allow entities to fund issues-based ads during elections. The ruling is expected to increase the amount of money spent on political advertising. President Obama pledged $30 billion for small business loans.

Internal Revenue Service Tax Enforcement Update: Insights and Observations

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International transactions recently have faced intense scrutiny by the U.S. government from a tax and financial reporting perspective. There is a growing consensus among federal authorities that the "tax gap" is significantly attributable to a less-than-robust enforcement of U.S. international tax rules and the inappropriate use of offshore companies to reduce or avoid the payment of U.S. federal taxes. The Internal Revenue Service ("IRS") is responding to the call to curb this perceived abuse and raise much needed revenue by expanding its efforts to identify areas of the tax law that may have been neglected from an enforcement perspective and otherwise may foster aggressive positions from taxpayers due to a lack of clarity regarding the applicable rules or the IRS' position in a particular situation.

Captive insurance arrangements have historically been on the IRS' "hit list," but the government's scrutiny in this area has typically been more narrowly focused on challenging a taxpayer's position that a particular captive structure should be respected as "true" insurance for U.S. federal tax purposes and essentially allow for the acceleration of expense deductions associated with the business risks of an enterprise. However, over the course of the past 12-18 months, we have noticed a significant expansion of the IRS' attention to captive insurance arrangements involving tax-exempt healthcare providers taking the position that a particular situation is not insurance from a U.S. federal tax perspective and consequently, is not subject to the U.S. federal excise tax ("FET") on insurance premiums paid to non-U.S. carriers. Due to the quantity and scope of self-insurance transactions evident in the marketplace, especially in the healthcare world, the IRS has expressed its willingness to assert that true insurance classifications may be appropriate in situations traditionally not considered to be subject to FET. We also have noticed the IRS taking positions regarding FET that negatively impact both taxable and tax-exempt providers participating in captive arrangements. While the rationale for the some of the IRS' more recent positions can be viewed as inconsistent with either the case law or their own prior guidance, it is little consolation to those who are under examination and must overcome challenges that may not have been anticipated and for which proper preparation has not been made. Accordingly, it would appear prudent for taxpayers (including tax-exempt organizations) participating in alternative risk financing arrangements to review the primary captive insurance court cases as well as recent IRS revenue rulings and updates to the IRS website, audit technique guides and manuals to assist in the development of a tax audit file / contingency plan in the event that they are selected for examination by the federal tax authorities.

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