



Fall Institute

November 7-9, 2007 - The Wynfrey Hotel, Birmingham

We hope you are making plans to join us at the Alabama Chapter Fall Institute that will be held at the Wynfrey Hotel in Birmingham, Alabama on November 7th - 9th. We have excellent speakers for each of our tracks as well as time to network with colleagues.

Our kickoff to the Fall Institute is Wednesday, November 7th with an all day Certification Study Session for those interested in becoming a Certified Healthcare Financial Professional. This **Core Coaching Study Session** lead by Joseph Wewers will help you take the important step to invest time in your professional development and become certified!

The Fall Institute continues on Thursday, November 8th with several exciting events. The day begins with a **New Member Breakfast** as well as a **CFO/VP Finance and Diamond Sponsor Breakfast** both beginning at 7:00am. Our keynote speakers will be Gene Stallings and Pat Dye. Make sure you **"Wear Your Teams Colors"** as they share not only their memories of the Iron Bowl but many other exciting stories of their lives. The session is titled, **Leadership & Teamwork, Overcoming Obstacles**. The day will conclude with a Tailgate Reception including both games and door prizes.

Friday's agenda includes a session by Karen Northcutt with MMPI, Inc. detailing how **Medicare 2008 MS DRG Changes the Financial Impact**. Our Fall Institute will conclude with a final session lead by

Dr. Joe Zebrowitz of EHR entitled: **Surviving The Perfect Storm: The False Claims Woes of Admissions vs Observation Status; The Recovery Audit Contractor (RAC) Initiative; New Attention to Post-acute Transfer DRGs**. Don't forget to hang around for some fabulous door prizes!!

We'd also like to salute and thank our exhibitors and sponsors that continue support our chapter financially as well as bring us new products and services. Please make a special effort to not only thank them for their support but also make sure you check out the vendor exhibit area.

If you have not registered, there is still time to join us. Please see the agenda on our website: www.alabamahfma.org for the detailed schedule. Schedule includes CFO Track, Compliance Track and PFS Track specifics. We hope to see you there!



Gene Stallings



Pat Dye



President's Message

2007-2008 Leadership

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Greg Johnston
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I hope everyone is enjoying the change in temperature and all the fun that fall brings. Football is in full swing and we are all supporting our favorite teams, both locally and statewide. This brings me to one of the highlights of our fall meeting in November; Gene Stallings and Pat Dye are a sure hit for all of our attendees and guests. I hope we will provide a full house for them. It will certainly be a special morning for all of us.

Another emphasis at the meeting will be on membership awareness and education. We are making an extra effort this year to ensure our members are educated on the roles they play in our chapter. Ensure that you stop by the Membership Booth, hosted by Libby Bailey. There you can pick up a fresh copy of our membership directory and obtain some great information on HFMA and membership.

On Wednesday, November 7th Joe Wewers will be conducting an all day core coaching class for HFMA certification. I encourage you to attend the session and take the test to become certified. I will be in attendance; I hope you will be too.

The agenda and registration information for the fall institute is on our website, www.alabamahfma.org. If you have not already, go to the website, review the agenda, and register today!

As I stated in my last newsletter, my goal as Chapter President is to Make A Difference in the Alabama Chapter and leave it stronger than when I began. My question to you is "What will you do to Make A Difference in the



**Kim Shrewsbury, CPA
President**

Alabama Chapter?". I would love to hear your ideas, suggestions on how we can make our chapter stronger and beneficial to Alabama healthcare professionals. After all, that is the bottom-line mission of HFMA.

My next newsletter will contain an update on how we are performing at mid-year. I hope that each of you will help the chapter meet and exceed our chapter balanced scorecard measurements. Become involved, make it your mission!

See you at the Fall Institute...don't forget to wear your colors on Thursday, November 8th in support of your favorite college football team!

Kim

MEMBER TRIVIA

Summer Edition Winner

No one yet!!!

Fall Edition Question - Who was the President of the Alabama chapter of HFMA for the 1967-68 year? First response to Jason.frey@chsys.org gets a \$10 gift card!!!

2007-2008 Leadership

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THE FUTURE LEADER IN HEALTHCARE

I was recently talking with a gentleman whose father had been a hospital CEO for several years. As we discussed how his father entered the healthcare field, he commented that his father had been a business executive and community leader in his town. One day he was approached and asked to assume the duties of the CEO of the hospital, because they were looking for someone to lead their hospital. He accepted, with no previous healthcare training, and went on to be quite successful.

In the current environment, new healthcare leaders approach a career much differently. Most healthcare administrators coming into the field will have a background working in healthcare, while many of them will also have college training in healthcare administration, as well. There are over 70 accredited programs in healthcare administration at the master's degree level.

What should you expect from these recent healthcare administration graduates? What competencies should they be expected to have as they enter the workforce? The Commission on Accreditation of Healthcare Management Education (CAHME), the accrediting agency for healthcare administration programs, has developed a list of curriculum content areas for students that programs must

teach in order to be granted accreditation. The list includes 19 areas, ranging from population health status, to leadership, governance, financial analysis, quality, and ethics. In other words, most new graduates should have been exposed to many of the important topics in healthcare administration.

However, we all know that academic learning, while valuable and necessary, is not a substitute for experience. At the University of Alabama at Birmingham (UAB), we also try to provide our students with practical experience, as well. Most students have the opportunity to volunteer, work, or intern with a healthcare facility during their time at UAB. Additionally, at the conclusion of their coursework, all students are required to fulfill a one-year residency with a healthcare organization before they are awarded their master's degree.

At the conclusion, then, of their academic career, many graduate students would have a resume that includes not only exposure to a wide variety of academic experiences and classes, but also work experiences through residencies and internships. Not all graduate programs require a one year residency program of their students, as UAB does, but many include an internship between between the first and second year of their academic training.

At UAB, many of our students do have the opportunity to do both.

A typical graduate for the Master of Science in Health Administration program at UAB would look like the following:

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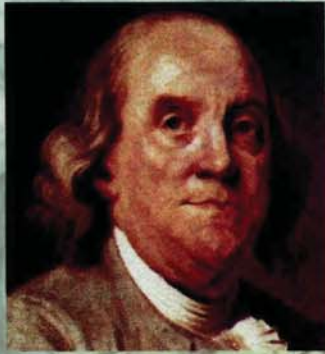
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Figure 1: New Graduate Resume

<p style="text-align: center;">John Q. CFO 1675 University Blvd Birmingham, Alabama 35242 (205) 555-1212 jfo@uab.edu</p>	
EDUCATION	
2005-present	The University of Alabama at Birmingham, Birmingham, AL Master of Science in Health Administration Degree expected upon completion of residency requirement.
2000 - 2004	Podunk University, Podunk, IL Bachelor of Arts Degree awarded August 2005. Major in Business
WORK EXPERIENCE	
2006 - present	University of Alabama Hospital, Birmingham, AL Administrative Residency Departmental rotations and special projects
2005 - 2006	University of Alabama Health Services Foundation, Birmingham, AL Administrative Office Specialist I, Billing Office Contact physician offices in the state of Alabama Patient information verification
2004 - 2005	AB&T Bank, Birmingham, AL Customer satisfaction representative Contacted dissatisfied bank customers to improve services provided by the bank.
2002 - 2004	Fraziers Grocery Store, Podunk, IL Grocery check-out clerk Ran cash register
ACTIVITIES AND AWARDS	
Volunteer, UAB Hospital, Birmingham, AL, 2007. Bannock Hospital, Shadow Volunteer, Business Office, Podunk, IL Dean's List, Podunk University, 2005. Honor Society, Podunk University, 2004. Little league baseball coach, 2003 - 2005	
PROFESSIONAL AFFILIATIONS	
Student Associate, American College of Healthcare Executives, 2005 to present. Student Member, Healthcare Financial Management Association, 2005 to present.	

Obviously, there is much that new administrators must learn as they gain experience in positions of responsibility. However, the work and academic experiences of new healthcare administrators far exceeds that of just a few years ago, and most come to their healthcare organizations ready to contribute immediately to any projects and duties that their employer may require. No longer does anyone need to depend on a local, non-medical executive being willing to accept the responsibility of running the local hospital because no experienced administrator can be found.

-Jeffrey H. Burkhardt, Ph.D., FHFMA
Associate Professor, Dept. of Health Services Administration, University of Alabama at Birmingham



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July 22, 2007

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Mark A. Sosebee

Mark A. Sosebee
Dalton, GA

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HFMA - NEWS YOU CAN USE!

Medicare Providers Should Rely Only on Their Contractors for Correct NPI Implementation Schedules: CMS

It has come to the attention of the Centers for Medicare and Medicaid Services that a trade publication recently published an incorrect schedule of implementation dates, by contractor, for claim rejections based on the inability to locate a National Provider Identifier (NPI)/legacy identifier pair on the Medicare NPI crosswalk. Providers will be advised by their Medicare contractor as to the particular timeframe for their transition. Any other published schedules are unofficial and may include inaccurate dates. Medicare providers are urged to rely only on information from their Medicare contractors.

CMS Issues Final Rule Prohibiting Physician Self-Referral

CMS issued final regulations prohibiting physicians from referring Medicare patients for certain items, services, and tests provided by businesses in which they or their immediate family members have a financial interest. This regulation--the third phase of the final regulations implementing the Stark law--responds to public comments on the Phase II interim final rule published March

26, 2004, in the Federal Register. The rule does not establish any new exceptions to the self-referral prohibition, but makes certain refinements that could permit or, in some cases, require restructuring of some existing arrangements, CMS officials explained.

Among other actions, the final regulation provides enhanced flexibility in structuring nonabusive compensation arrangements, provides relief for inadvertent violations of the self-referral prohibition under certain circumstances, reduces the regulatory burden for compliance with certain exceptions, and clarifies the agency's interpretation of existing regulations. The final rule will be published in the Sept. 5, 2007, Federal Register.

Hospitals Required to Submit Present-on-Admission Indicator for Medicare as of January 2008

Effective Oct. 1, 2007, Medicare will begin to accept a present-on-admission (POA) indicator for every diagnosis on inpatient acute care hospital claims; however, providers must submit the POA on hospital claims beginning with discharges on or after Jan. 1, 2008. Critical access, Maryland waiver, long-term care, cancer, and psychiatric hospitals, as well as inpatient rehabilitation and children's inpatient facilities, are exempt from this requirement.

CMS Issues Final Rule on Payment Error Rate Measurement for Medicaid and SCHIP

In the Aug. 31 issue of the Federal Register, the Centers for Medicare and Medicaid (CMS) published a final rule setting forth the state requirements to provide information to CMS for purposes of estimating improper payments in Medicaid and the State Children's Health Insurance Program. The Improper Payments Information Act of 2002 requires heads of federal agencies to estimate and report to Congress annually these estimates of improper payments for the programs they oversee, and submit a report on actions the agency is taking to reduce erroneous payments.

The rule includes state requirements for submitting claims and policies to CMS federal contractors for purposes of conducting fee-for-service and managed care reviews, and for conducting eligibility reviews and estimating case and payment error rates due to errors in eligibility determinations. The regulations are effective as of Oct. 1, 2007.

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RECOGNIZING THE VOLUNTEER IN YOU DO YOU KNOW HOW TO KEEP YOUR FOUNDERS POINTS UP TO DATE?

Did you know with Founders Points you end up the winner?

I want to remind each of you about reviewing your Founders Points on the HFMA website. Please let me know if you have any corrections or additions that need to be made. In an effort to recognize everyone for their hard work we want to ensure all of your points are recorded timely and accurately.

If you have written an article since June 1, 2004 you may or may not have received those points. Please send an email to lmaddox@medassistgroup.com with the date the article was published and the title of the article.

We look forward to a GREAT year and it takes every one of us to make that happen.

SO, LET'S GET "MAD" (Make a Difference) this year!

-Linda Maddox
Secretary
lmaddox@medassistgroup.com

HFMA CALENDAR OF EVENTS

October 22 - *Optimizing Charge Capture and Maximizing Revenue: It All Begins with the Charge Master*, Thomas Hospital, **Fairhope**

October 23 - *Optimizing Charge Capture and Maximizing Revenue: It All Begins with the Charge Master*, Trinity Medical Center, **Birmingham**

October 24 - *Optimizing Charge Capture and Maximizing Revenue: It All Begins with the Charge Master*, Huntsville Hospital, **Huntsville**

November 3 - CPAR Exam - Mobile Infirmiry Medical Center & Northeast Alabama Regional Medical Center

November 7 - 9 - Fall Institute, The Wynfrey Hotel - Birmingham

February 19 - 22, 2008 - Region V Dixie Institute - The Rosen Centre Hotel, Orlando, FL

June 3 - 6, 2008 - Alabama Annual Institute, Hilton Sandestin Beach & Golf Resort, Destin, FL

For information on registration for these events, please visit our website - www.alabamahfma.org.

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Compliance Forum Update

Congratulations to the Alabama Chapter for co-hosting the Annual Health Law Day presented by Cumberland School of Law and also co-sponsored by the Health Law Section of the Alabama State Bar. This was held at the Cahaba Grand Conference Center in Birmingham on September 14, 2007. The 142 in attendance made it the largest session in the 14 year history of the day-long seminar. We doubled our number of HFMA attendees and thank the planners for giving our members a discount to attend.

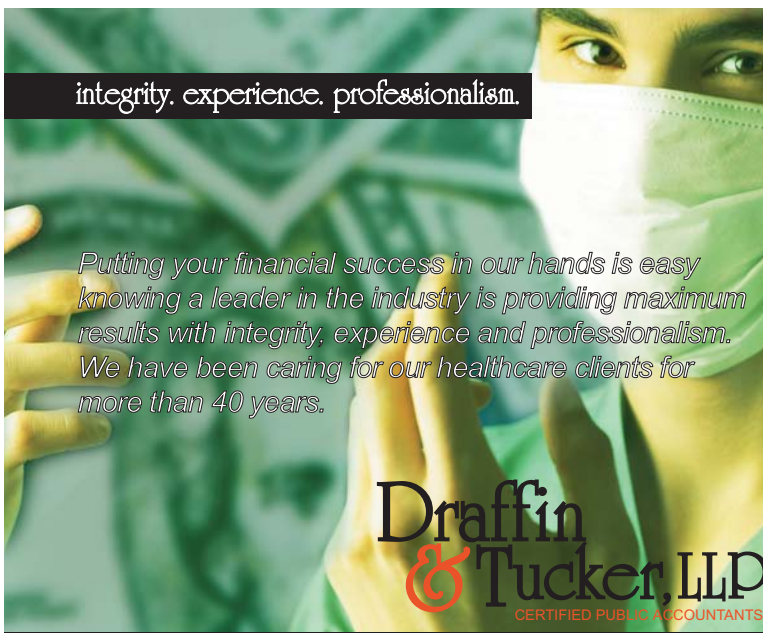
Once again, our chapter donated six \$50 gift cards to Belk as door prizes. Sandy Woodring and Pam Fitch at the Belk -Brookwood Village donated two his and her fragrance baskets valued at \$250 each. Next time you are in their store, thank them for their support.

Eighty of us have registered for the "Road Shows" scheduled October 22, 23, 24, 2007. They will be held in Fairhope, Birmingham and Huntsville. Day Equisquiza will speak on "*Optimizing Charge Capture and Maximizing Revenue: It All Begins With The Charge Master.*" Hurry and register on line today. Only register for one of the three sites. Thanks especially to Kristina Davis, Tavia Bender, Laura McRea and Craig Tolbert. With their efforts, this WILL be a great success.

Our track for the Fall Institute is as topical as we can get. All of our speakers are members or sponsors. Chris Christie from Bradley Arant will speak on E-Discovery, Jim Pool of Maynard, Cooper will speak on Health Law and the newly released Stark 3, Ryan Shultz and Dana Altieri of PWC will present on the IRO involvement in a Corporate Integrity Agreement, and Leigh Aufdemorte from Callahan Eye Foundation will give an overview of the 2008 OIG Work Plan.

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- Maron J. Boohaker, MPH, FHFMA
Compliance Chair
maron.boohaker@healthsouth.com



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CFO FORUM UPDATE

Just some quick reminders about upcoming education opportunities:

Fall Institute, November 7 - 9 at The Wynfrey Hotel. The CFO track has 4 A&A CPE's with Dr. Steve Grice presenting on recent updates in Auditing & Accounting. Along with the CFO Luncheon featuring John Gladney presenting ***Pushing Electronic Supplier Payments Instead of Paper.***

If you have any topics or speakers that you would like the CFO Forum to present to the Chapter, please let me know.

-Craig Tolbert
CFO Chair
craig.w.tolbert@us.pwc.com

MAD Membership Chatter



Membership Committee

Libby Bailey, Callahan Eye Foundation Hospital
Denise Hamilton, UAB
Carol Slivka, Marshall Health System
Phyllis Boone, UAB Health System
Raymond Butler, Callahan Eye Foundation Hospital
Al Kohler, Baptist Health System

Get Mad and Get Glad -

**Membership Recruitment slogan for this year -
GET "MAD" and GET GLAD with \$\$\$\$**

Recruit a new member or a "past member" and receive anything from \$25 gift cards up to \$150 THEN be entered into a drawing for \$3,000 cash prize plus a \$2,000 cash prize for your favorite charity. Please go to the National HFMA website for details.



Don't forget locally - we'll "give" you cash too:

Each quarter there will be a **\$50** cash prize from the person's who name is drawn from the magic "smiley hat". We've changed how you get your name in the hat:

For each Sr. Financial Executive you recruit you get:

5 chances in the hat

For each Provider/Vendor you recruit you get:

3 chances in the hat

For each Faculty/Student you recruit you get:

1 chance in the hat

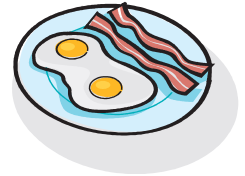
And if your "recruit" had become inactive and you reactivated them - you get an extra chance

Each quarter we will draw for **\$50**. . . THEN at the end of the year, there will be 3 drawings for an addi-

tional **\$500, \$400, and \$300**. So GET BUSY- "MAD" (Make A Difference) in Your Chapter and in your wallet - recruit. BE SURE to tell your recruits to put your name and membership number on their membership application.

Our first drawing will be during the Fall Institute.

A New Members' Breakfast



If you've joined the Alabama Chapter of HFMA since April 2007, look for your "New Member Breakfast Invitation" in the mail. If you are a new member and for some reason you do not receive one, PLEASE contact Denise Hamilton (deniseh@uab.edu) for details.

For our "seasoned" members, find those new members before noon on Thursday - and who knows there just might be something in it for you!

Look for balloons with a "MAD" smile on them at the Fall Institute. The Membership Committee is feverishly working to have a Membership Booth at the Fall Institute. We'll have a chance for you to win prizes, as well as be there to answer your questions about membership in general, how you can get involved, how to find out where you might be in the Founders Points arena and how to win HFMA awards, etc. Just cause you may have "been around" for a while doesn't mean you don't need to come see us - DON'T turn our smiley face into an unhappy face. All of us have got to get "MAD" together. Come see us and see how to Make A Difference!

That's enough of the "MAD" Membership Chatter for this edition. Stay tuned...and in the meantime -**Be a "MAD" HFMA member.**

-Libby Bailey, CPA
VP Membership
ebailey@uabmc.edu



AAHIM & HFMA Symposium

The 1st Annual AAHIM & HFMA Symposium was a HUGE success. There were approximately 200 people in attendance at the meeting which was held at the Botanical Gardens in Birmingham on Wednesday, September 12. We had so many people interested; unfortunately we were forced to turn a few away because the room was already at "more than capacity".

Valuable educational information was shared with HIM coders, Directors of Quality, CFOs, Business Office Directors, Admitting Directors, Case Managers, CDM Coordinators, Reimbursement Managers, Compliance Officers, etc. There were members from HFMA as well as AAHIM and those that weren't members of either association, but had a need for the subject matter that was offered.

This was a "first attempt" at HFMA to work collectively with the Health Information Management folks to see if there may be an interest or a need for the sharing of information between the two organizations. HIM is a huge part of the revenue cycle and it is extremely important that everyone involved in the revenue cycle understand the pressures that facilities are facing with coding changes, which affect our daily processes, and ultimately our reimbursement.

Joy King, RHIA, CCS with Joy King Consulting, LLC began our meeting by talking about the Medicare changes from the DRG payments to the MS-DRG payments that started on October 1st. She helped us understand about data quality and how important it is to all of us. Joy then spoke about the "Keys to Reimbursement" and the "Factors Impacting Hospital Payment", followed by MS-DRG's and how it will drastically impact the revenue cycle. For example, DRG 316 which is renal failure now has a relative weight of 1.2596. With the MS-DRG's renal failure has three categories with a relative weight ranging from .9835 to 1.4664 depending on what other complications and comorbidities the patient has. She also explained how the Medicare changes would impact the productivity of coders and the need for more time to code records. She also discussed that more coders would potentially be needed at the facilities to get the best documentation possible while the patient is still in the facility and how that will be the key to success - is the documentation. She closed out her session talking about the "Keys to Quality of Care". Joy talked about the quality measures and the present on admission indicators that will be required as of January 1, 2008. Her last statement summed it up by saying "Reflection of Quality of Care - All of these functions and decisions depend ultimately on

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Alabama Hospital Association Investment Pools



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the quality of the data which depends largely on the quality of physician documentation.

Dr. Greg McKinney, Contractor Medical Director with Cahaba GBA did an excellent job clearing the fog about the current Medicare contractors and what the future of those contractors may look like. A picture paints a thousand words and his pictorial of the United States and how it is currently divided up and where it may go in the future was the light bulb many of us needed to understand "almost totally" the changes. He then covered the functions of the medical reviews conducted by GBA, the staff involved in those reviews and then further explained the process GBA and the entities work through in an effort to correct any issues. I think many of us left there having a true appreciation for the advice, education and direction that is offered by Dr. McKinney and his staff.

The evaluations for this meeting resulted in 85% of the participants scoring "excellent" for the information and presentation. Excellent/Good scored 98%. There was a resounding YES for future AAHIM/HFMA joint meetings, and some even wanted more than 1 per year. We will continue to talk with our friends at AAHIM and begin plans for our next meeting. Some of our HFMA members are also members of AAHIM - proving it is important for people involved in the revenue cycle to understand the entire process from beginning to end.

Thanks to our HFMA/AAHIM members for sharing the "spotlight" with us on this VERY successful venture. Also, thanks to the many volunteers that helped put this symposium together!

- Libby Bailey and Laura McRea

MEMBER NEWS

Sherrie Harper - Please keep Sherrie's son in your thoughts and prayers. He continues to recover from a critical motorcycle accident.

MEMBERS ON THE MOVE

Jason Frey -
1st place overall HFMA ANI 5k (17:44)

Kim Shrewsbury -
Vice President, Finance
St. Vincent's East
Birmingham, AL

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SEVEN STRATEGIES FOR ACHIEVING THE BEST POSSIBLE BOND PRICING

by
Therese L. Wareham

Few healthcare organizations have the cash to fund strategic investments without incurring debt. During the next decade, most hospitals and health systems are likely to access the capital markets to meet short-term and long-term strategic capital needs. Whether or not the 14 percent increase in annual capital spending as projected in HFMA's Financing the Future Report 3: How Are Hospitals Financing the Future? (March 2004) is achieved and sustained, a sizeable number of hospitals will be financing strategic initiatives by issuing bonds. An understanding of the bond pricing/selling process and use of seven strategies outlined here will help hospital borrowers achieve the lowest net interest cost possible consistent with the successful sale of the bonds.

Devise an Optimal Plan of Finance

Interest rate costs incurred by hospitals do not result only from market conditions at the time of the bond sale. The approach to and structure of the hospital's debt transaction directly affects the cost of that debt: the better the approach and structure, the more favorable the interest rate. A high quality plan of finance, devised jointly by the hospital's leaders and its financial adviser, reduces average debt cost. Essential aspects of a plan of finance include use of bond insurance or other credit enhancement, fixed-rate or variable-rate debt, call or prepayment terms, security and covenant provisions, and the amortization schedule. Other bond marketing issues to be defined in advance of a bond sale include use of original issue discount and/or premium, call periods, and a bond sale strategy (for example, retail versus institutional sales, priority of orders). All of these factors can significantly affect the ease of bond distribution and the ultimate interest rate paid by the hospital.

After the borrower has constructed an appropriate plan of finance, obtained ratings and/or bond insurance, and completed documentation, the transaction moves into the bond pricing/selling stage. Technically, the borrower (through its issuer) sells the debt obligations at particular agreed-upon rates and terms to an underwriter, who in turn, sells the debt obligations to investors. The underwriter, who functions as the broker between the borrower and the investors, establishes a market for the debt.

Ensure a High-Quality POS and Rating Reports

To achieve maximum bond marketing value, the borrower needs to tell the best credit story possible to potential bondholders through two documents: a high-quality preliminary official statement and the rating reports distributed by the rating agencies(y) that rate the bonds. The POS is the central document circulated to investors during the bond marketing and sales process. As both a promotional and disclosure tool, its purpose is to generate interest in the bonds and to provide all of the information that would be "material" to a prospective purchaser, including a description of the borrower (Appendix A) and the bonds, the plan of finance, redemption provisions, bondholder risks, continuing disclosure requirements, the borrower's recent audited financial statements, and a description of covenants. Underwriter's counsel typically drafts the POS while the rating analysts, with some editorial input by the borrower, draft the rating reports. Both of these documents are usually made available to potential investors a week before the sale date to give investors time to determine their level of appetite for the bonds and specific desired rates.

Participate in Investor Calls

Depending on the nature of the plan of finance (fixed-rate versus variable-rate debt) and credit support (insured versus unenhanced), it may be necessary and in the borrower's best interest to participate in investor calls, and potentially in an in-person "road show." In each case, the underwriter or financial adviser arranges a structured forum in which the borrower can provide potential investors with a brief overview of the organization and key credit attributes. Potential investors typically ask the borrower direct questions. Many institutional investors require direct communications with the borrower in advance of investment decisions. As such, investor calls and road shows can greatly enhance market competition for the bonds.

Keep Apprised of Rates

On a regular basis, the borrower should keep informed of current market rates and conditions during the bond pricing/selling process. Financial advisers, investment bankers, and others who negotiate deals daily can properly apprise the borrower. In advance of a sale date, the borrower and financial adviser should conduct conference calls to discuss current market condi-

tions, economic indicators, competing bond issues coming to market, and initial investor interest in the bonds.

Evaluate Underwriter's Scale

If the plan of finance calls for fixed-rate bonds, the underwriter presents a "scale." A scale is a matrix of expected maturities of serial or term bonds along with a coupon rate, dollar price, and effective yield. The coupon rate is the stated face value rate of interest to be paid by the borrower for each maturity. The dollar price, expressed as a percentage of the par amount of debt, reflects whether the bonds will be sold at par (100 percent), at a discount to par (less than 100 percent), or at a premium to par (more than 100 percent). Within certain limitations, the couponing approach (i.e., setting the nominal coupon rates above or below market rates to achieve a premium or discount from par) can be in the borrower's best interest to maximize marketability and lower effective costs.

The proposed scale reflects where the underwriter believes investor interest in the bonds is likely to occur and at what rate. The borrower should ensure objective evaluation of the underwriter's scale by the financial adviser, who can obtain comparative interest rates scales from other current transactions and from investment banking firms that are not involved in the specific bond sale. A comparative evaluation helps determine whether the proposed scale matches going market rates and if it is the best time to enter the market. If the proposed scale is not consistent, the financial adviser can challenge and negotiate a revised scale, continuing this process until a price acceptable to the borrower and financial adviser is reached.

Keep Informed of Bond Sale Progress

On the day of pricing, the underwriter requests authorization to enter the market using an agreed-upon scale. This opens an order period during which the underwriter obtains bond purchase orders from investors, oftentimes based on certain priorities of orders that were defined earlier in the marketing plan. The order period can run several hours to more than one day, depending upon market conditions. The orders are not binding; the investors "subscribe" for certain bonds but are not committed to purchase those bonds until the purchase contract is signed. The underwriter assumes the risk.

During the order period, the underwriter provides the borrower and financial adviser with a progress report

on the orders, and recommends maintaining or adjusting the interest rate scale. For example, if a certain maturity of bonds is oversubscribed, the underwriter may lower the interest rate. Conversely, depending upon other bonds in the market and general conditions, the underwriter may ask for approval to "sweeten" the scale by raising the interest rate(s). Sometimes investors require certain bond structures whereby the maturities could be shifted or revised to lock in a buyer for the same or lower rate.

Once the underwriter believes it has sufficient orders for bonds, it will propose a final scale at which it agrees to underwrite the bonds. Most likely, the underwriter will commit some of its own capital and will inventory certain unsold bonds for a period of time. The underwriter asks for the borrower's verbal approval, which constitutes an award of the purchase contract. Final numbers are run, and the sale is essentially complete.

Close Deal and Provide Continued Disclosure

Closing generally occurs within several weeks of the pricing date for fixed-rate bonds, a day or two for variable-rate demand bonds, and about a week for auction-rate securities. Final documents are signed, and bond proceeds are delivered to the bond trustee and disseminated across different funds, as appropriate (for example, construction fund, cost of issuance fund, debt service reserve fund, principal and interest fund).

The borrower is proactively obligated to provide prompt, accurate, complete, and continuing disclosure as outlined in a continuing disclosure agreement. Capital market constituents often consider the timeliness and quality of information provided by the borrower as an indicator of management quality. In the interest of stronger working relationships with investors, rating agencies, bond insurers, and other constituencies, borrowers should make annual update calls and more frequent calls in advance of material positive or negative market or financial events. Capital market confidence in a hospital's management team can make the difference in future ratings, bond insurability, and interest in the borrower's future debt issues.

Bio:

Therese Wareham is a partner, Kaufman, Hall & Associates, Skokie, Ill. Questions or comments about this article can be sent to twareham@kaufmanhall.com.

Welcome New Members

NEW "MAD" Members (August - September 07)

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Editor's Note

Have YOU Made A Difference?

What would it take for you to run a 5k road race? A cure for rabies? To reverse a curse? I hope not.

I hope getting you motivated is easier than what it took to get Michael Scott (i.e. the main character from NBC's sitcom The Office) to run a 5k. It is estimated that over 500,000 Americans completed their first 5k during 2006. For most of these individuals, that was a life changing experience.

Our chairman, Mary Beth Briscoe, has made the theme **'Make A**

Difference' our slogan for the 2007-2008 year. Thus far, there have been so many wonderful examples of differences healthcare providers have made as part of their daily activities.

My challenge to you is.....Make A Difference in your OWN life!! Making a positive difference in your own life will make you a happier and more satisfied individual. There are so many different ways that you can Make A (Positive) Difference in your life. One example, next time you are at the elevator - go ahead and take the stairs to your destination. Little steps (get it....steps..haha) like these are guaranteed to make a difference in your life.

I believe that once you have started down the path to your own self-improvement then you will then take the opportunity to also positively influence someone else's life. Trust



Jason M. Frey, CPA

me, Make A Difference for yourself and this positive behavior will inevitably spread to those around you.

By the way, a 5k is 5,000 kilometers (3.125 miles) and not 5,000 miles. Again, I challenge you to take the opportunity to Make A Difference in your OWN life ASAP.

-Jason M. Frey, CPA
Newsletter Chair
jason.frey@chsys.org

Save The Date!

HFMA Summer Institute

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Hilton Sandestin Beach &
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Editorial Mission

The Bama Chatter supports the mission of the Alabama Chapter by serving as a key resource for individuals involved or interested in the financial management of health care.

Editorial Policy

Opinions expressed in articles or features are those of the author and do not necessarily reflect the view of the Alabama 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 Bama Chatter is the official publication of the Alabama Chapter of HFMA and is written and edited principally to provide members with information regarding Chapter and national activities, current and useful news of both national and local significance, information about seminars and conferences and networking with colleagues, and to serve as a forum for the exchange of ideas and information.

Article Submission

The Bama Chatter encourages submission of material for publication. Articles should be typewritten and submitted electronically to the Editor. The Editor reserves the right to edit, accept or reject materials whether solicited or not. HFMA Founder Points are granted for any articles published in the Bama Chatter.

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Please refer questions to our editor:
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