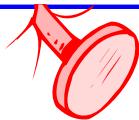


Bama Chatter

HFMA ALABAMA CHAPTER

VOLUME XXXI, NO. 4

JANUARY / FEBRUARY 2002



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Alabama's Atherotech & The VAP Test: The New Cholesterol Test

Derrel G. Curry, FHFMA, CPA, CITP

Birmingham's Atherotech was nominated for the prestigious 2001 Jemison Award, presented by the Birmingham Venture Club. The relevant fact for HFMA members not familiar with the company is its position in the healthcare sector. While Atherotech did not win the award, the story of the patented Vertical Auto Profile (VAP) is especially exciting for those of us in the healthcare field. The information acquired in fulfilling the honor of serving as a Jemison Award judge is quite convincing and convicting.

Atherotech is a true Alabama company with a Birmingham engineered test that could affect health screening nationally and internationally. The patented VAP test was formulated in the UAB Research Foundation. An investor group, spearheaded by the Company's CEO, Roseanne Varner, acquired the rights to the test in early 1999.

The VAP test is an expanded lipid panel designed to provide a more telling analysis of the components of an individual's cholesterol.

This literary work is not intended to be scientific as it is published for healthcare financial professionals. So here's the layman's take on the expanded lipid profile - there's bad LDL and then there's really bad LDL. Similarly, there is protective HDL and then there's HDL that's not so protective. As we already know, some of the components are affected by diet and exercise and some are hereditary. What we haven't always understood is why a healthy young to middle-aged person with good eating and exercise habits, "normal" or "low" cholesterol and no identified physical defects, dies suddenly of heart failure.

- continued on page 7 -



2001 - 2002

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Quarter page: \$100 per issue—Half page: \$175 per issue—Full page: \$300 per issue
Special discounts for long-term arrangements. Contact the editor for details.

Please send your ad and graphics on plain white paper or slicks. Deadline for publication is the 20th of the month preceding the month of publication. *Bama Chatter* is published bimonthly and is circulated to approximately 650 recipients.

Publication Schedule

ISSUE	DEADLINE	ISSUE	DEADLINE
September/October . . .	August 20th	March/April	February 20th
November/December. .	October 20th	May/June	April 20th
January/February	December 20th	July/August	June 20th

The statements and opinions appearing in articles are those of the authors and are not necessarily those of HFMA, the Alabama Chapter, or the editor. The editor strongly encourages submission of material for publication. Articles should be typewritten and double spaced, and submitted to the editor or the awards council chairperson by the 20th of the month preceding the month of publication. The editor reserves the right to edit materials and accept or reject contributions whether solicited or not. Readers are invited to comment on any of the published material. Letters to the editor must be signed and are subject to condensation and editing. All rights reserved.

Happy New Year!!!

I hope and trust that you and yours had a most enjoyable holiday season. Here's my take on things going on in the world this month.

WW III

So far the war in Afghanistan has gone according to plans and possibly a little better than expected. The past month marked the first American casualties of the conflict, and hopefully by the time you receive this month's issue of *Bama Chatter*, Osama (or is it Usama? Fox News Channel is spelling it with a "U". The rest of the networks use an "O".) bin Laden will have joined his fellow conspirators in the World Trade Center attacks in hell. Much of the attention in recent weeks has begun to shift to the question of "where next?" President Bush has already pledged to root out terrorism and states that sponsor it. My money is on Lebanon, Somalia, and our old whipping boy, Iraq.

While the conflict in Afghanistan has been relatively clean and what most military strategists would probably consider "routine", what is going on in and around Israel is

much more messy. And I'm afraid the worst is yet to come.

Now that the rest of the free world is finally coming around to the brilliant conclusion that holding peace negotiations with a terrorist (i.e. Yasser Arafat) is pointless, the region is on the verge of erupting. Arafat cannot control his people, and the rest of the world has just about decided to cease the practice of begging Israel to ignore his actions. Face it, Israel could mop the floor with the Palestinian Authority if it really wanted to. The conflict would be very quick and quite unfavorable for Arafat's group. The problem would arise if the rest of the Arab world got involved against their hated enemy.

Such a scenario would truly test the diplomatic power of the Bush Administration. The military brass have already proven their worth. I think it would be a safe prediction that next time I write one of these, Afghanistan will be a distant memory and the region in and around the Holy Land will be in all-out conflict. Let's hope not.

Back to bin Laden

I write this piece a day or so after the release of that morbid video of bin Laden in one of those stupid caves describing his advance knowledge of the September 11th attacks and raving at their overwhelming "success". I'm not sure what to make of that production.

My own instinct tells me that it was staged and planted in hopes of one day being shown defiantly to the rest of the world. At any rate, it really didn't tell us much of anything we didn't already know. bin Laden is a sociopath. The Saudis tend to sympathize with him and thumb their nose at us despite all that we have done for them in the past to keep their own country from being overrun. And the Bush Administration is doing a fine job at manipulating the media and the daily news cycle.

Has anyone else noticed this? The day the video was released was only a day or two after Bush's speech at The Citadel whereby he denounced the 1972 ABM Treaty with the old Soviet Union (as though a treaty with a defunct entity should be valid in the first place). Instead of



Paul T. Graham, FHFMA, CPA
President, Alabama Chapter HFMA

a week of debate over how the media all think that the development of a missile defense system would bring about instability in the free world, we were quickly shifted to this video of "The Most Hated Man in the World" babbling about killing four or five thousand of our fellow citizens.

I've gotta hand it to Bush (or Karl Rove, the likely planner of such a sequence of events), this was political genius. People have been underestimating this man since the day he declared his intentions to run for president in 1999. And they continue to have to marvel at how well he handles the job he does.

Person of the Year

It's time for the final week or two of the year when lazy journalists rest on their laurels and dredge up stories they did

throughout the year rather than writing something new and newsworthy. The most shameless example of this is Time Magazine's "Person of the Year" issue. This annual exercise in selling more magazines typically results in the pick of the bleeding obvious (i.e. George Bush last year, Bill Clinton in '92, etc...), but this year's choice will be much more difficult. Since Bush won last year (standard pick for the year of a presidential election), he'll probably be essentially eliminated from contention this year. Kinda like winning the Kentucky Derby, you only get one shot. bin Laden is too big of a creep to win, although his selection would surely achieve the purpose of focusing attention on this otherwise miserable rag as the publication's lackeys disperse across the nation's talk shows to explain that they really don't like bin Laden but that he was the most significant newsmaker of the year.

The seemingly sensible choice this year would be Rudy Giuliani. Prior to September 11th Rudy was about as popular as bathwater among most constituency groups in the country

(primarily pacifists, women whose husbands treat them badly, conservatives, etc...). Now he can pretty much write his own ticket for his next life's challenge. Some people rise to the occasion when pressed to action in stressful situations (like that line from "Repo Man"). Others are brought to their knees. Giuliani stood tall in the situation of his life. It will permanently define him from this point forward whether he pursues a career in politics, law enforcement, the speaking circuit, or the corporate world. He gets my nod.

Oh, and by the way—Memo to Time Magazine: next time you solicit input on your website from the general public regarding their pick for "Person of the Year", don't phrase the solicitation in the form of an open question. How else would you explain the fact that a bunch of obscure guys and a couple of special interest organizations currently lead the voting as of December 14th? Don't forget next time that some people have nothing better to do all

day than vote for themselves in polls such as this. Anything for fifteen minutes of fame.

Flying the Flag

Okay, folks. If you're gonna fly the flag, get the rules right. See <http://www.usscouts.org/flag/flagcode.html#6> for a synopsis of how to fly Old Glory without ticking off a veteran. It's fine to be patriotic, but be sure to take it down in rainy weather and light it at night. My wife's stepfather, a retired Colonel in the Army, would appreciate your cooperation.



Football Recap

What a silly season. There's really no point in further bashing the BCS for how it could pick a team that lost its last game by 26 points to the team ranked immediately below it to compete for the national championship. By the same token, there's no point in bashing me for picking Mississippi State and Florida to win the SEC West and East, respectively. And please don't bring up the fact that I thought Florida's back-up quarterback would be the

SEC Player of the Year while the guy who almost (and should have) won the Heisman Trophy would be toting the clipboard for the Gators. Because if you're going to do that, you would have to congratulate me for nailing the fact that 'Bama is going to spend the final week of the year in Shreveport and that Vanderbilt and Kentucky would be miserable (those last two were tough calls).

Now comes the coaching carousel season. Already Notre Dame has proven its ineptitude at handling this process. Is it any wonder they have tended to stick with coaches throughout their contracts no matter how dismal their tenures have been (see Gerry Faust and Bob Davie)? My brother dubbed George O'Leary, Notre Dame's initial anointed one, as the winner of this year's John Paul I Award (you non-Catholics may not get that one on the first try). Give him credit for a witty one there.

So much for the colleges. As for the guys who get paid (legitimately) to play, look for the Rams to stumble in the NFC playoffs despite their seeming invincibility. They turn the ball

over far too often. A surprise team like Philadelphia or Green Bay will emerge to represent the conference in the Super Bowl. Go with Green Bay.

I'd love to say that my personal favorite, the Oakland Raiders, can cruise to the AFC title, but their run defense is deficient (I'm being kind). It would be difficult to bet against the teams with the best defenses in the league, the Baltimore Ravens and the Cheatsburgh Stealers (dubbed with this moniker since the Immaculate Reception was neither a catch nor a legal play since the ball hit Frenchy Fuqua before Franco Harris "caught" it). Since I despise both of these teams, go with the Dolphins.

I guess Green Bay will win the Super Bowl, but then again, who really cares if it isn't going to be the Raiders. To repeat what I said last month, the quality of play in this league is pathetic.

If a Tree Falls in the Woods...

Chalk up the return of Michael Jordan to the NBA as perhaps the most inconsequential athletic event of the past ten years since the era of Boomer Esiason on Monday Night Football.

Baseball is grappling with whether or not to "contract" by imploding the franchises of the Minnesota Twins and Montreal Expos. I have a better idea. Why not contract half the teams in the league so that we'll be assured of at least one decent pitching match-up per week between guys who have some business being in the big leagues.

A number of people I encountered were overjoyed by the World Series victory of the Arizona Marlinbacks...I mean, Diamondbacks. Laugh if you will. The team just announced that it had lost more money than God has on hand last year and that it would be resorting to drastic measures to ensure the ongoing stability of the franchise. Warning to the casual baseball fan: don't jump on the band-wagons of teams that rent players with the intention of making a one-year run at greatness. You'll ultimately end up looking like a fool.

Chapter Comings & Goings

We're gearing up for the home stretch in this Chapter year. I know of at least five program opportunities between now and the end of February that we are

planning. Hopefully you will find the time to attend some or all of these. Keep your eyes on the Chapter website for more details.

Hopefully the new Chapter Membership Directory didn't present too many of you with an unbearable lifestyle change. Granted, the nice little hand-sized document we've produced in the past was convenient, but it was also very expensive.

We pocketed about five grand by changing the publication method this year, and I think that is a very worthwhile thing. I treated myself to one of those little handheld computer gizmos recently (the Visor Prism). Go out and buy yourself one and download the Directory to it so you'll have it wherever you go.

HFMA Certification Exam

TEST DATE:
January 25, 2002
8:30 a.m.

TEST LOCATION:
Medical Center East
Birmingham, Alabama

TO REGISTER CONTACT:
Bernadette Clark
HFMA National
1-800-252-4362
bclark@hfma.org

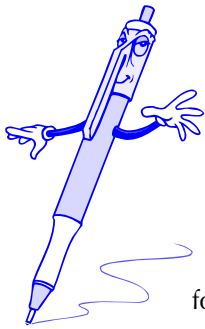
PROCTOR:
Bryan Karson
(205) 838-3267

You must register no later than 2 weeks before the exam. Please notify Bryan once you are registered with National.

I'm sure Handspring would appreciate this. It's not too early to begin stepping up if you'd like to volunteer for some form of Chapter service for the coming year. Feel free to call Phil Cusa or me to talk more about what's out there and how you can contribute. We'd both be glad to hear from you.



From the Editor's Desk . . .



Well, if you are anything like me, you are probably getting geared up to make and break more New Year's resolutions - just another year to promise to lose weight, exercise more often, relax more, save more money, etc. I am certainly guilty of getting caught up in the moment and promising to make some significant lifestyle change only to fall off the wagon on January 1 or shortly thereafter. Apparently I am not alone; the average person only keeps his/her New Year's resolution for about two months. Well, this year is going to be different. It will be different because there are websites devoted to helping us make a change! While searching the internet, I found that there were 26 sites that included the phrase "New Year's resolutions". There are sites that give tips on making and keeping resolutions, sites that tell you about the history of New Year's resolutions, and my personal favorite, a site that will randomly generate a New Year's resolution for you!

Science writer Lee Dye contributes columns to ABCNEWS.com weekly and he had the following tips for making and keeping resolutions:

- Make only one or two resolutions
- Choose resolutions that you've been thinking about for some time
- Choose to adopt a new good behavior rather than trying to shake an engrained bad habit
- Choose realistic goals, that you feel confident you can meet
- If you don't succeed, determine the barriers that blocked you and try again

Good luck and I hope you have a prosperous and successful New Year!

Bennett 

Founders Award Winners

Congratulations to the following Founders Award Winners! The formal presentation ceremony will be held during the Winter Institute on February 28 through March 1 in Birmingham.

Muncie Gold Merit Award

Jerry W. Chambers
Cecil M. Klutts
Gary B. Tate

Reeves Silver Merit Award

Louis K. Bass
Bryan E. Karson
Janice G. Osborne
Sydney K. Rountree
Denise R. Smith
Jonathan K. Thrasher



Founders Medal of Honor

Beverly A. Floyd
Charles E. Simon
Derrel G. Curry
Mary Beth Briscoe

Follmer Bronze Merit Award

Joel T. Barnett
Joseph B. Bolen
Richard D. Bottsford
Wilma G. Bowman
Dwight A. Johnson
Claude E. Lee
Robert H. Moore
Cameron J. Pearl
George E. Tullos
Dawn H. Walton



Alabama's Atherotech & The VAP Test: The New Cholesterol Test continued

Atherotech's VAP test starts to unravel this mystery. Some acquaintances (quite a large number actually) have expressed fear of the results of the expanded test. Given the intelligence level of the readers of this award-winning publication, I ask you, is it a better to leave your family suddenly because you weren't willing to utilize an available indicator of trouble and plot a course of currently available therapy with your physician? The patient might also discover that a program of altered exercise and diet is a viable and justified plan based on the panel results.

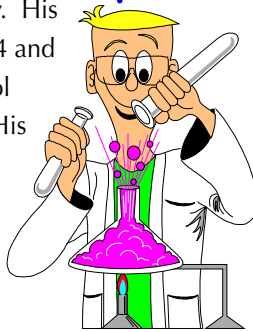
A significant amount of 2001 media attention, including *The Wall Street Journal*, *Fortune* and *Men's Health*, has been generated on theranostic concepts and cholesterol testing. If you're skeptical or unaware, consider this: 95% of patients with heart disease have a cholesterol abnormality, yet current cholesterol tests identify abnormalities in less than half of all patients. The VAP test expanded panel increases the ability to predict the risk of patients developing heart disease to over 90% based on past results. In fact, the expanded information provided by the VAP test is the only single technology

that allows physicians the opportunity to fully comply with the new National Cholesterol Education Program's guidelines that were issued this last May.

I'll even add a personal story. My 72 year-old father-in-law had never had an IV prior to 2001. He is in great shape (certainly better than me) and works outdoors frequently. His cholesterol was 154 and his basic cholesterol test looked great. His physician had always told him his cholesterol was excellent and it was not a health concern for him. He is recovering from triple bypass surgery! He was lucky in that he was stricken with a blood infection (which was not lucky but may have saved his life) and in the process of testing and treating him for the infection, the physicians noticed the cardiac threat. He was a walking cardiac time bomb! Had he not gotten sick with an unrelated ailment, he could have suffered cholesterol-related cardiac arrest with no warning.

Atherotech is gaining notoriety and attention nationally. Unsolicited testimonials are being written for the advantages of the VAP test over the basic cholesterol panel. Major

insurers including Blue Cross Blue Shield, Medicare and a large number of commercial plans cover the VAP test. And why not? The test has the potential to save untold lives and save patients and insurers from far more costly treatment and care resulting from cholesterol related cardiac events in unsuspecting patients.



Atherotech has competitors in California and North Carolina. The other two companies marketing a second-generation cholesterol test have a test that costs more with a longer turn-around time and less convincing results.

Wouldn't you like to be in that competitive situation?

This issue doesn't just face the patients walking into your facilities. It affects you and me and our professional teammates, family members and friends. It's hard to come up with a valid reason as to why anyone of our alleged intelligence level would not take advantage of an accepted, covered new age test that improves our odds significantly. To this point in time, I have been unsuccessful in identifying such a reason.

This information is provided by a layman, in layman's terms to other laymen. I'm sure the medical experts of Atherotech would explain their test in more sound medical terms. I'm sure the Atherotech experts can satisfy your physicians from a medical perspective.

One thing is consistent in any language. This test stands to save lives and improve our quality of life.

I walk into the great facilities of this state that we are lucky to have. But when I walk in, I am reminded of the "widget" of our business sphere each day. It's the sick, hurt, ailing people of Alabama. Sometimes that's a tough wake-up call that really hits home when it's us or a family member in one of our facilities. I'm grateful for the thousands of dedicated professionals who do their very best each day to patch us up and try to restore our physical function.

I really get excited when I see a product like the VAP test that is designed to reduce the number of sick and ailing. Are the physicians and professionals in your facility aware of the VAP test? If they're not, I hope this motivates you as a healthcare manager to spread the word of this Alabama product engineered to proactively save lives.



THE MEMBERS JUST KEEP ROLLING IN . . .

The 2001 - 2002 B.E.S.T. Recruiter Campaign "Being Exceptional Starts Today"

This campaign has just taken on a life of it's own! We have 37 new members so far. Way to GO!!! We had a great response from the special application waiver for November and December 2001. So much so, that Sydney Rountree of UAB Medical Center won the movie tickets for 4, with 2 new recruits! Way to be the B.E.S.T. Sydney!

So far, Sydney is in the lead for the Grand Prize drawing ~



TWO FREE AIRLINE TICKETS TO FLY ANYWHERE IN THE CONTINENTAL UNITED STATES!†

(Drawing for the Grand Prize will be held at the Annual Institute in Sandestin.)

There is still time to see your name up here, so keep up the great job!

To give you even more incentives to get new members, we are giving away a **One-Month Free Tanning or Golf Package** in the next issue! Just in time for the spring season to roll around! Wouldn't you like to be out playing golf in the spring sun or getting a golden tan before the summer rolls around?

Make your presence known! If you are a new member, you can get in on the action too! Let's get out there and spread the news about being an HFMA member. It's B.E.S.T. to be an HFMA member!

"Being Exceptional Starts Today"

Prize awards are based on a bi-monthly recruitment total. Totals are not cumulative for bi-monthly prizes. Only the Grand Prize drawing is a cumulative total. In order to be eligible for prizes, new members must list your sponsor information on their application. In the event of a tie, the winner will be determined by the earliest join dates of all members she/he recruits. Contest ends April 30th, 2002.

†Travel is within the 48 contiguous States excluding Alaska and Hawaii. Tickets may not be redeemed for cash.

To receive applications for new members or any information, please call (800) 264-2700 ext. 213. If I am not able to receive your call at that time, please leave your name, company name, phone number, address, email address and/or fax number on my voice mail. You can also email me at: **Pollyanna@cbmontgomery.com**. This will give me the opportunity to have your application to you ASAP! Or click on the link below to download an application.

Pollyanna

Pollyanna Brannan
Membership Chairman



For a New Member Application, Click Here

<http://www.alhfma.org/Join.asp?Page=4>

WELCOME NEW MEMBERS

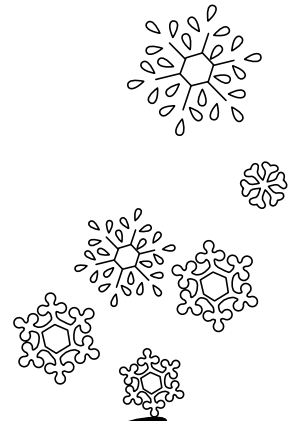
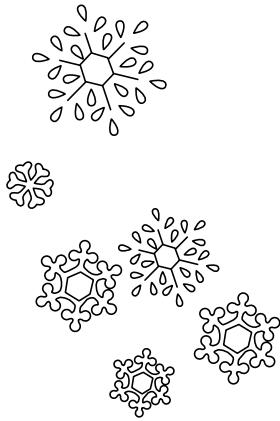
		SPONSOR	TOTAL RECRUITED
Patricia Naish*	Jenny Andreades	TOTAL WITH NO SPONSOR	27
Eastern Health System	Montgomery Cancer Center, LLC	Sydney Rountree	2
	<i>Recruited by Jan R. Hollon, CPA, CCM</i>	Brenda Crowson	1
Tina McClaran*	Cindy C. Hearn, CPA	Terry McCullers	1
Eastern Health System	UAB Health System PFS	Phil Cusa	1
	<i>Recruited by Robert Frohlich, Jr., FHFMA</i>	Jonathan Kimsey	1
Jane Head*	Matt A. Rohling	John C. Craft	1
Eastern Health System	Ernst & Young LLP	Jan R. Hollon, CPA, CCM	1
	<i>Recruited by Michael T. McCollister</i>	Robert M. Frohlich, Jr., FHFMA	1
Sheila Landers*	<i>*Please call us with your sponsor's name.</i>	Michael T. McCollister	1
Eastern Health System			
Lori A. Lemmond			
Healthcare Compensation Solutions			
<i>Recruited by John C. Craft</i>			
		TOTAL RECRUITED FOR 2001/2002	25

Mark Your Calendars and Make Plans to Attend the

HFMA Winter Institute

February 28 - March 1, 2002

Embassy Suites · Birmingham, Alabama



The HFMA Winter Institute is in its final stages of planning and have we got a great meeting planned for you! Please register and make room reservations with the Embassy Suites as soon as possible.

Our Keynote Speaker for the Winter Institute will be Jeanne Scott, Director of Government Relations for NDC Health in Washington, D.C. Ms. Scott is a commentator on the healthcare industry as a whole with a Washington perspective.

For more information regarding the Winter Institute, please call Dawn Walton at (205) 939-9073. If your company would like to sponsor this event, please contact Dawn for details.



Hotel Information



You may make reservations directly with EMBASSY SUITES IN BIRMINGHAM by calling (205) 879-7400. The special discounted room rate for our meeting is \$119, and our room block will be held until February 1, 2002. After this date, reservations will be accepted on a space available basis only. Please mention the HFMA Winter Institute when you call to obtain the discounted room rate.

Winter Institute Registration

Name _____ Phone () _____

Title _____ Organization _____

Address _____ City _____ State _____ Zip _____

E-mail Address: _____ *Dress code for all events is casual.*

WINTER INSTITUTE REGISTRATION FEE:

Members:	\$125.00
Non-Members	\$135.00
Total Fees Enclosed	\$ _____

Make checks payable to **Alabama Chapter-HFMA** and mail payment and registration to:

Dawn H. Walton, CPA
CFO
The Children's Hospital of Alabama
1600 7th Avenue South
Birmingham, AL 35233
Phone: (205) 939-9073 • Fax (205) 939-6865

YOU ARE INVITED

Region V Dixie Institute 2002

February 17-20, 2002

Sheraton Colony Square • Atlanta, Georgia

Survival of the Fittest, “**Be A Survivor**” has been selected as the theme for this year’s Region V Dixie Institute, tying in with the continued challenges we face in our industry and in our world. The theme signifies the obstacles that we must overcome, and the struggles we must endure as we continue to provide the best that healthcare technology and service have to offer. HFMA offers a survival kit through education and networking that helps us to keep performing at the highest levels. The Region V Dixie Institute promises to encourage you to meet the challenges we face in healthcare every day.

We have a great line up of speakers including: Senator Max Cleland, Georgia State Senator and Vietnam Veteran, Economist Donald Ratajczak, and Nutritionist David Meinz. Ron Long, National HFMA Chairman will provide a national update while Lawrence Laddaga, Region V CLR will update us on news of our region.

Please make your plans to attend this meeting at the beautiful Sheraton Colony Square in Atlanta.

Hotel Information: Please contact the Sheraton Colony Square Hotel at 404-892-6000 to make your reservations. Mention the HFMA Dixie Institute to receive the special rate of \$159.00 per night. Our block of rooms will be reserved until January 18, 2002. After this date, reservations will be accepted on a space available basis.

HFMA Dixie Institute 2002 Registration

Name _____
 Title _____ Facility _____
 Address _____ City _____ State _____ Zip _____
 Phone () _____ HFMA Membership No. _____

Please Check All That Apply:

- | | | | | | |
|---|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------|
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FEES:	ENCLOSED
HFMA Members Registration	\$295.00 \$ _____
Non-Member Registration	375.00 \$ _____
CFO 1-day (Tuesday) Registration	125.00 \$ _____
TOTAL FEE	\$ _____

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A Summary of FASB Statements 141 & 142

Derrel G. Curry, FHFMA, CPA, CITP

Explicit thanks for technical assistance provided in the writing of this summary to Dr. Thomas A. Ratcliffe, CPA, President of the Alabama Society of CPAs and Dean of the Troy State University Sorrell College of Business. I've taught him most of what he knows...or something like that. Actually, I am responsible for the honing of his expertise by asking him many, many questions over the years, most of which he provided fabricated answers to equal the unintelligible level of my questions. He would be embarrassed to see the levity I've injected into this sleep-aid class material. Accounting geeks, and he is the real deal, fail to see the humor when discussing the lofty pronouncements.

The Financial Accounting Standards Board (FASB) finalized new guidance in June 2001 related to business combinations, Statement No. 141 entitled *Business Combinations and Intangible Assets*, Statement No. 142 entitled *Goodwill and Other Intangible Assets*. As you will all remember (yeah, right) from your days in college intermediate and advanced

accounting classes, the acquisition of an entity or a merger of multiple entities was referred to as a business combination. The business combination was then accounted for under the purchase method or the pooling-of-interests method. For those of you who have forgotten or ate your books in class, purchase accounting looks to the current fair market value for the recording of acquired instruments and the pooling-of-interests method permitted the new entity to continue utilizing book values.

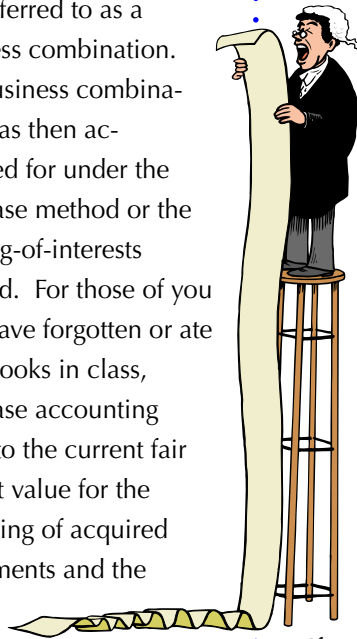
There's good news for you non-accounting geeks out there. Under the new guidance, business combinations initiated after June 30, 2001 must be accounted for as a purchase. The wicked witch, I mean the pooling-of-interests method is dead! This may frustrate some of the accounting and financial geniuses of the world who put together the combinations of corporate behemoths or created significant entities, but for the rest of us mortals in the account-

ing and finance world, it's just one more thing we don't have to admit to not understanding or forgetting. Of course, "the accounting and financial geniuses of the world" moniker would obviously include our esteemed current chapter president. OK, where was I on enlightening you on the latest doings of the great FASB.

If you allege that you started a business combination before June 30, you may carry on with your little pooling-of-interests charade in your attempt to record the world's last such deal. If you pull that off, Carly Fiorina, Hewlett-Packard CEO, may be able to use your help in the acquisition with Compaq since she seems to be struggling a bit. She needs you because if she loses this proxy fight with the family heirs, she may lose her job and be forced to live on a paltry 40 or 50 million dollar parachute. If the major terms of the transaction are announced

publicly or are formally made known to the stockholders of any involved company after June 30, no go on the pooling-of-interests under Statement No. 141.

The new guidance related to the purchase method of accounting, including the recognition of identifiable intangible assets separately from goodwill and the accounting for negative goodwill, is effective for any business combination, accounted for under the purchase method, completed on or after July 1, 2001. For acquisitions completed before the adoption of the new guidance, the reporting entity should not change the amount of the purchase price assigned to goodwill except for rare occasions outlined in the new statement. Additionally, if the business combination has resulted in the allocation of purchase price to a single amount for goodwill and other intangible assets, the amount must be separately identified when the intangible assets meet the criteria for separate recognition under this new guidance.



Statement No. 142 relating to goodwill and intangible assets is effective for fiscal years beginning after December 15, 2001. That would be 2002 for calendar year-end entities, July 1, 2002 (fiscal year 2003) for June 30 year-ends and October 1, 2002 (fiscal year 2003) for September 30 year-ends. Early adoption is permitted for June 30 and September 30 year-ends (fiscal years beginning after March 15, 2001) but the new guidance must be adopted as of the beginning of the year. Therefore, calendar year-end entities do not have an early adoption option.

For all of you connected to a not-for-profit organization, I know you're sitting on the edge of your chair anxiously reading to learn the fate of your organization in regards to this new guidance. Not-for-profit organizations will be excluded from the scope of this literature until the FASB completes a separate project. This is exactly what the Board stated on the Investment guidance a few years ago among others. Not-for-profit organizations will be included in the scope of the literature on goodwill and intangible assets. However, there will be a deferred effective date for not-for-profit organizations until

the FASB completes the separate business combination project referred to above. I just heard six of the eight people (total) reading this literary effort clink their mouse and kill this page on the web site.

So for both of you still reading, here are a few more juicy tidbits. Goodwill will continue to be recognized as the excess of the cost over the net assets

acquired and liabilities assumed. However, "negative goodwill" is dead.

If an amount exists after the reduction of designated acquired assets to zero, the entity will now recognize an extraordinary gain. You bet it will be extraordinary because you have just legally stolen a company if the assigned values are legitimate!

The biggie in Statement No. 142 is the fact that goodwill will no longer be amortized. It will now be tested annually for impairment. No glossing over it for impairment like many of you may be doing under Statement No. 121, you must take action once a

year at the same time each year. You can pick any month you want, just stick with it for consistency. You must test more frequently if an event or circumstance occurs that is likely to reduce the fair value of the entity below the carrying value. If the fair value of the reporting unit exceeds the carrying value, the test is passed and you're done.



If not, the fair value of goodwill must be compared to the carrying value. If the fair value is less, an impairment loss should be recognized to the extent of the deficiency. Impairment losses will be recognized as a separate line item in the operating section of the income statement. The first step of the impairment test must be performed on all reporting units within six months of adopting the new guidance.

If you have previously recorded goodwill, cease the amortization and apply the impairment evaluation approach after the adoption date.

Other intangible assets lack physical substance. Intangible assets should be

recognized separately from goodwill due to legal or contractual requirements or because they meet the "separability" criterion (the asset is capable of being separated/divided from the acquired entity and sold, transferred, licensed, rented, exchanged, or pledged without regard to whether there is intent to do any of these things) in the new authoritative guidance. The acquired intangible assets should be amortized over their useful lives and reviewed for impairment under the provisions of Statement No. 121. Other intangible assets with indefinite lives should not be amortized until useful lives can be determined to be finite.

Got it? If you're confused on the accounting, just wait until you dig into the reporting. Well hey, good luck on the disclosure requirements then. Plan a few weekends to get those babies written the first time. If you need help on these issues, call me and I'll confuse you even more.

Who am I kidding? I'm just writing to myself at this point. Given that fact, I'll take this high priced space to say that I hope Jeff Gordon gets off to a great 2002 start with a win at Daytona in a few weeks as Robby Gordon cuts a tire and finishes 43rd.

The New Reality of Risk for Alabama's Healthcare Industry

Stuart Freeman, Vice President
Marsh USA Inc - HealthSpectrum Industry Group

Financial managers associated with the healthcare industry in Alabama know that the availability and cost of insurance is changing rapidly. The experience with recent insurance renewals indicates that the change has been unexpected and dramatic. The goal of this article is to review the conditions that contributed to the rising costs and limited availability of many types of insurance, and to discuss some of the options available to financial managers to address the new reality.

The insurance market must be examined from three perspectives to better understand the reasons for the current situation. The first perspective to examine is the trend in the global insurance and reinsurance market prior to September 11, 2001. The second is the impact of the events of September 11, 2001, and the third is the recent change in Alabama's healthcare insurance environment.

Pre September 11

As with many industries the insurance industry operates in business cycles. The cycles determine the availability and

cost of insurance. A "soft" insurance market exists when insurers are satisfied with their current *Pretax Operating Income*. In this stage of the business cycle, insurance companies are motivated by a philosophy known as cash flow underwriting. Insurance companies use cash flow underwriting when positive investment results offset negative underwriting results (as seen in the chart below). As long as the insurance company's *Pretax Operating Income* continues to be at an acceptable level, the industry will attempt to retain and attract their customers at current or reduced premium rates.

Late in 1999 insurance companies began to focus their attention on profitable underwriting. This change in their corporate

business philosophy was due to several factors negatively affecting their *Pretax Operating Income*. These factors included worse-than-expected results from investment income, a rapid increase in the cost of jury verdicts and claim settlements, and an increase in the cost of expenses such as legal fees and medical costs. The change in philosophy was the first step to a hard insurance market.

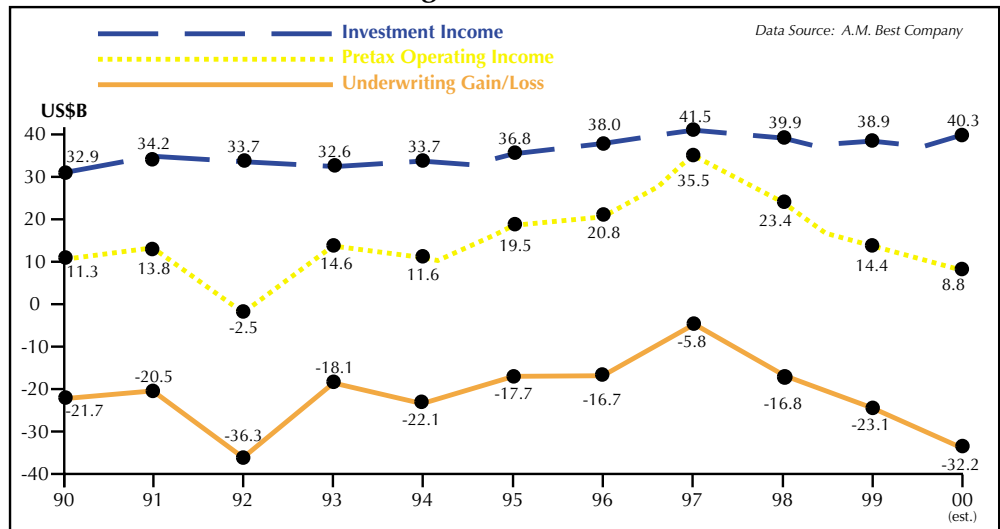
A "hard" insurance market exists when the *Pretax Operating Income* of the insurer does not meet expectations. In this stage of the cycle, profitable underwriting motivates insurance companies. In order to change the negative trend in their income, insurance companies began an effort to profitably underwrite new

and existing business. In this hardening insurance market, the insurance companies became much more selective about which companies and industries they insured. They also attempted to pass along significant rate increases to their current customers, and to narrow the scope of coverage provided by existing insurance policies.

Post September 11

Due to the acts of terrorism at the World Trade Center and the Pentagon, the insurance industry is digesting the largest insured losses in history. The current estimates of the insured losses from the World Trade Center range from \$40 billion to \$70 billion (some estimates are even as high as \$115 billion).

Underwriting vs. Investment Income



Insurance company payments for business interruption, loss to first-party buildings and equipment, third-party liability, life and disability, and workers' compensation will be spread to insurers and reinsurers throughout the world.

The uncertainty in the reinsurance market has made it difficult to provide a definitive forecast for the commercial market in 2002. The Property insurance market is experiencing the most significant challenges. Premium rate increases are continuing to escalate and are averaging in excess of 75%. Capacity for layered programs and/or programs exposed to catastrophic losses such as windstorms, earth movement, and flood is very limited. The Casualty insurance market is also experiencing problems. The uncertainty in the market is affecting the pricing and availability for Workers' Compensation. Premium rate increases for this type of insurance are routinely up by 50% for organizations with favorable loss experience. Underwriters are also being very cautious in writing this type of coverage when there are concentrations of more than three to five hundred employees in one location. Pricing in the Healthcare Professional, Long Term Care, and Excess Liability

insurance markets are also reaching rate increases of 75% or more for organizations with favorable loss experience.

Changes Affecting Alabama Insureds

Significant changes in the traditional insurance market for the healthcare industry in Alabama have taken place recently. The major changes affecting Alabama healthcare organizations are:

- Medical Assurance and the Professionals Group merged their operations to form ProAssurance Group. *Medical Assurance wrote 64.2% of the "Medical Malpractice" premiums in Alabama in 2000. (AM Best 2000 State/Line Report)*
- Reciprocal of America assumed the assets and liabilities from Coastal Insurance Group for all four of its members including Alabama Hospital Association Trust (Professional and General Liability), and Healthcare Workers Compensation Fund (Workers' Compensation). *The Coastal Group wrote 8.2% of the "Medical Malpractice" premiums in Alabama in 2000. (AM Best 2000 State/Line Report)*
- Chubb Group purchased the renewal rights to Industrial Risk

Insures' (IRI) Property insurance business

- A downgrade of Reciprocal of America's A.M. Best rating in June 2001
 - For various reasons, St. Paul and Reliance insurance companies discontinued writing healthcare professional liability nationally. *St Paul wrote 10.1% of the "Medical Malpractice" premiums in Alabama in 2000. (AM Best 2000 State/Line Report)*
- Since Medical Assurance, Coastal Insurance Group, and St Paul accounted for 82.5% of the healthcare professional liability and malpractice insurance written in Alabama in 2000, the effect of their internal changes will directly impact many healthcare organizations. The financial managers who are aware of the reasons for the changes in the insurance market will be best prepared to deal with the short-term challenges, and to develop a risk financing program that will meet the organizations needs in the future.
- Financial managers can do the following to help their organization mitigate the premium increases and reduced capacity due to the hardening insurance market:
- Evaluate different program structures.

Under the current conditions, healthcare organizations may need a number of insurers to provide the limits of insurance they require. This usually creates complexity that includes inconsistent terms, policy language, retentions, and limits. Financial and Risk Managers must be prepared to work with their insurance broker to evaluate a variety of program structures.

- Consider alternative risk transfer options. Single-parent and group insurance captives are effective tools in helping organizations manage their cost of risk financing.
- Assuming more of your organizations predictable risk. Organizations can reduce the total cost of their insurance program by raising retentions to include individual and aggregate losses that are predictable. Organizations that increase per incident and aggregate retentions to reduce the insurance premiums must be prepared to manage all exposures diligently.
- Begin the renewal process as early as possible. Insurance companies are more selective about the risks that they are willing to underwrite. It is impor-

tant to assemble relevant financial statements, loss experience, and exposure information at least 90 days in advance of scheduled renewals.

- *Improve the credibility of the data submitted to underwriters.* In order to get your submission in process, make sure the data submitted is current and easy to understand. Organizations should also be prepared to meet with underwriters to discuss their questions.

- *Underwrite the insurance companies you do business with, and consider the complete "insurance" package being offered.* The premium cost is important, but it should not be the only consideration. Review the insurance company's financial security, commitment to the healthcare industry, management's experience, claims handling, loss control capabilities, and prior relationships with your organization.

It is important for the financial managers to recognize that soft and hard insurance markets will continue to be a factor for many healthcare organizations in Alabama. It is more important for them to recognize that in order to insulate their organization from these market fluctuations they must be prepared to manage their organization's risks and understand their risk financing options. The financial managers that can also think like a risk manager, or communicate

with their organization's risk manager, will be in a much better position to deal with this hard insurance market and others in the future.

Stuart Freeman is a Vice President with the HealthSpectrum Industry Group of Marsh USA Inc located in Birmingham. Marsh USA Inc provides risk consulting and insurance placement to the healthcare industry. He can be reached at 205/803-3215 or Stuart.A.Freeman@marsh.com



HFMA Southern Institute

January 17-18 2002 · Grand Casino Biloxi · Biloxi, Mississippi

This is your last chance to register! HFMA's Southern Institute has an incredible line-up of speakers planned and a lot of fun as well. Network with HFMA members from Mississippi, Louisiana and Florida.

Our Keynote speaker is Ed Hearn, former member of the World Champion New York Mets. He was set to make "million dollar bank deposits" with the Kansas City Royals when a serious shoulder injury brought a premature end to his promising career. His speech, entitled "Conquering Life's Curves" promises to be an inspiration.

Some of our other topics include Emtala, Joint Venture, Medicaid Eligibility, HIPAA and some other surprises.

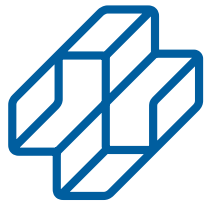
As of this date, reservations at The Grand Casino Biloxi - Bayview Resort & Spa in Biloxi, Mississippi will be accepted on a space available basis only. You may contact the Grand Casino directly by calling 1-800-354-2450.

Meeting Registration

Name _____
 Title _____ Organization _____
 Address _____ City _____ State _____ Zip _____
 Phone () _____ Please check here if you are a new HFMA member as of June 2001.

FEES:	MEMBERS	NON-MEMBERS	Enclosed
<i>(You must be registered for conference to play golf.)</i>	\$125	\$145	\$ _____
<input type="checkbox"/> Golf Outing at Presidents Broadwater: Handicap or Avg. Score: _____	\$80	\$80	\$ _____
		TOTAL	\$ _____

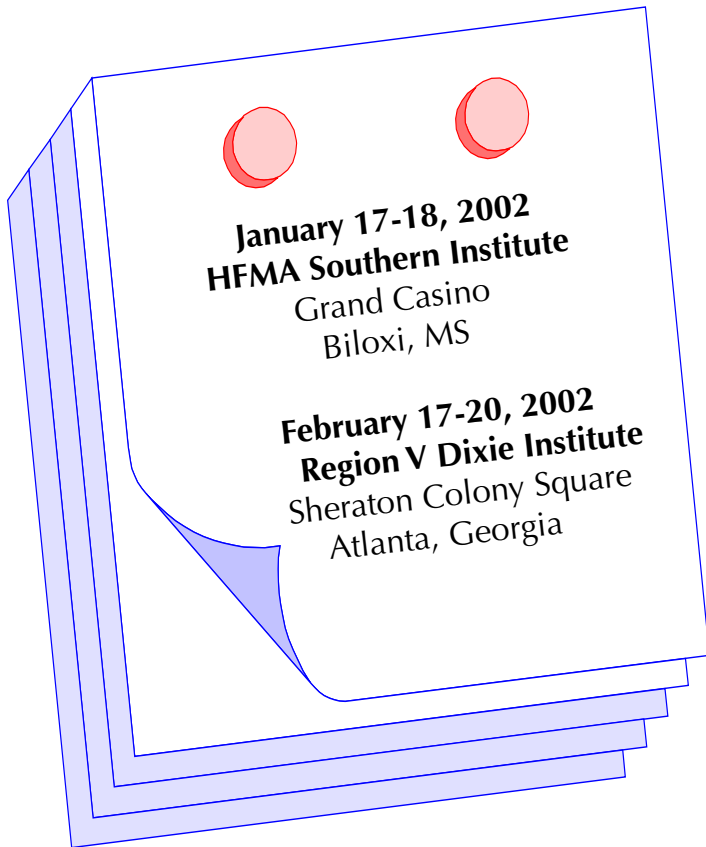
Make checks payable to: Alabama Chapter-HFMA and mail to: Mitzi Winters, VP Finance
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LOOKING AHEAD

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