



**The Business of Caring**

**SAVE THE DATE**  
**PFS Road Trip**  
*“Claim Denial Prevention Workshops”*  
 October 14 – Fremont  
 November 4 – Fresno  
 December 9 - Chico

**Northern California  
 HFMA Board**

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President’s Message



Frank Fedor  
 President

Your Executive Committee has worked closely with HFMA National to investigate and resolve the discrepancies between reported financial balances and bank statements that were discovered during the fiscal year-end transition to a new Treasurer for the Northern California Chapter. We owe special thanks to our new Treasurer, Christine Sarrico, for her extraordinary efforts in identifying the full extent of the missing funds and working with law enforcement. HFMA National hired a national accounting firm to provide additional support in identifying the missing funds and assist in their recovery. Recently, the Plumas County News reported in an August 31, 2005 article appearing in its on-line edition that our chapter’s former Treasurer, “Marion Gonzales faced charges that she took \$269,942 between July 2003 and April 2005 from accounts belonging to Health Care Financial Management Association [of Northern California].” The same article also reports that Ms. Gonzales “pleaded no contest Wednesday, August 24, 2005 to charges that she embezzled nearly \$270,000” from our chapter.

Our chapter is insured for a large part of this loss through insurance obtained by HFMA National. A claim has been made. In the interim, HFMA National has graciously offered our chapter a loan so as not to impede our operations. The bottom line is that your chapter’s activities for 2005-2006 will not be curtailed because of these unfortunate events. The chapter will learn from this experience. In the short term we have implemented some additional checks and balances over the accounts where the money is kept. The Board of Directors will address these issues at its September 12 meeting.

Now to the normal business of our chapter. The Northern and Southern California chapters annually present a fall managed care program. This year it is near Disneyland from September 25 -27. This is an excellent educational and networking event. See our chapter’s website for the program brochure. Save the date for our chapter’s third spring program on March 23-24, 2006 in Berkeley. There will be expanded educational tracks focusing on patient financial services, finance, compliance and management topics. The PFS “road shows” of last year were very successful in bringing educational and networking services to members in our chapter who work outside the Bay Area. This year’s road shows are being planned for PFS, compliance and managed care topics. We were reminded again of the need to locally meet the educational and networking needs of our reimbursement professionals. Watch for some organizational notices about the re-starting of the reimbursement committee.

Remember that there are many opportunities for chapter members to get involved in the chapter’s leadership at many different levels. Working as a chapter leader does take time, but the return on this investment is very favorable. Call or speak with any chapter Committee Chair, Co-chair, Board Member or Officer to express your interest and learn where you can become involved.

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**15<sup>th</sup> Annual Conference on Managed Health Care**  
**“Riding the Waves of Change in Managed Health Care”**

*By Mary Ackley, Conference Co-Chair*

HFMA Chapters of Northern and Southern California present the 15<sup>th</sup> Annual Conference on Managed Health Care on September 25 to 27, 2005 in Orange County, California. Conference highlights this year include keynote speeches by Cindy Ehnes, Director of the California Department of Managed Care; Jeanne Scott, one of the nation’s leading industry lobbyists speaking about the 2006 legislative issues impacting healthcare; Dave Sayen, Associate Regional Administrator for Medicare and Medicaid Services (CMS); and Tom Williams, Executive Director of Integrated Healthcare Association who is speaking to California Pay for Performance Program Results and Implications for Quality to name a few.

The conference will offer intermediate and advanced educational opportunities on the major issues facing today’s managed care professionals from both a state and national perspective. Session topics cover diverse subjects such as:

- Getting Paid for New Technology
- Managed Care Trends and Provider Strategic Response
- The Key Ingredients in Physician Adaptation of Technologies Associated with the EMR
- New Tools for EDI Remittance Processing and Cashiering
- Workers Compensation Changes (Savior or Quagmire)
- Medicare Managed Care: Advantage or Risk

In addition to a plethora of opportunities to network and a fabulous trade fair to keep us all current on product offerings and services, the conference hotel, the Orange County Hyatt, is located less than a mile from the Downtown Disney District, Disneyland Park and California Adventure. Celebrate Disneyland’s 50<sup>th</sup> anniversary while attending the 15<sup>th</sup> Annual Conference on Managed Health Care in Southern California. The conference will be featuring entertainment by Dr. Sam and the Managed Care Blues Band.

Please join us. This is a great event to bring your family and friends, to make new friends and to learn about policy implications and practical applications of managed care issues.



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**HFMA NOCAL Takes Group Out to the Ballgame**

*By Chuck Acquisto, Law Offices of Stephenson, Acquisto & Colman*

With the exception of the final 16-4 score, HFMA of Northern California members had a grand time at the old ballgame at SBC Park in San Francisco despite the hometown Giants’ loss to the visiting Florida Marlins. More than 57 members, co-workers and family enjoyed a warm evening of Saturday night baseball on August 23, a day Bay Area temperatures soared well into the 90’s.

HFMA Northern California members met prior to the game across the street from the Park at the landmark MoMo’s for pre-game appetizers and drinks. A sellout crowd filled China Basin on FanFest Day as the Giants honored former great

and Hall of Fame pitcher Gaylord Perry. The first 20,000 fans into the Park were given Gaylord Perry bobble head dolls. The game was the second largest attended in the Park’s 5-year history.

HFMA of Northern California would like to thank ticket group leaders Ken Jensen, Bernadette Mills, Vince Acquisto, Ralph Rechnitz, Stan Bryda, Terri Manifesto, Gary Lampi, Mary Ackley, Pat Aguilera, Jennifer Heerdink, Adelle Olivera, Paul Engbritson, Aimee Arata, Terry Paff and Kathi Campbell for their help.

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**2005 Legislative Session Adjourns September 8**

*By Sherreta Lane, CHA*

The state Legislature adjourned September 8 for the 2005 session. The governor now has until October 8 to sign or veto bills. The last week of the 2005 legislative session, ended on a high note for California hospitals as two of the California Hospital Association's (CHA) highest priority bills failed passage on the last night of the legislative year:



AB 761 (Jones, D-Sacramento) would have required hospitals to consider professional association guidelines in determining staffing. SB 739 (Speier, D-Hillsborough) would have required hospitals to collect, maintain and report data on hospital-acquired infections.

Other bills of interest that were sent to the governor include:

**Medi-Cal Redesign/Medi-Cal Financing Waiver/State Budget**

CHA and the other representatives of California's safety-net hospitals, working through CHA's DSH Task Force, reached agreement with the administration and the legislative leadership, culminating in amendment of SB 1100 (Perata, D-East Bay and Ducheny, D-San Diego) to implement the hospital financing portion of the Medi-Cal hospital financing waiver agreement. The waiver and implementing legislation make significant changes to funding for California's disproportionate share hospitals.

Administration-proposed legislation to expand Medi-Cal managed care has been deferred to January 2006 to help smooth the transition to managed care for seniors and disabled Medi-Cal recipients. Deferral of the managed care bill to January will cost the state a one-time loss of up to \$90 million in increased federal funds (part of the above waiver).

**Health Care Coverage Practices and Plan-Provider Relationships**

SB 634 (Speier) would make many of the provider protections in the AB 1455 regulations applicable to PPOs regulated by the Department of Insurance.

SB 57 (Alarcón, D-San Fernando Valley) would allow counties to increase fines for some criminal offenses and use a portion of that money to equip and reimburse trauma centers that provide pediatric trauma care.

**Law Enforcement**

SB 159 (Runner, R-Antelope Valley) would establish rates for sheriffs or police to reimburse non-contracting hospitals for emergency services provided to jail inmates at 110 percent of Office of Statewide Health Planning and Development (OSHPD)-determined costs. CHA-negotiated amendments include a prohibition on sheriffs releasing jail inmates for the duration of a hospital stay with the intent of re-arrest to avoid financial responsibility for health care. This bill forms a workgroup to coordinate on issues of importance to both hospitals and sheriffs.

SB 616 (Speier) would require the Department of Corrections to attempt to re-negotiate contracts for provision of health care to state prison inmates at 115 percent of Medicare rates

**Tax Exempt Status**

AB 1614 (Klehs, D-Hayward) would have presumed a hospital to be operating for profit if its operating revenues exceeded operating expense by more than 10 percent. This bill was held in Senate Revenue & Taxation Committee, but its contents were amended into SB 610 (Alarcón), which is currently before the Governor.

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**Chargemaster**

AB 1045 (Frommer, D-Los Angeles) would require hospitals to provide a written estimate of charges for uninsured patients. Additionally, this bill mandates OSHPD to publish hospital charge information by DRG and would require hospitals to report outpatient charge information to OSHPD for their publication.

**SB 917** (Speier) would require hospitals to report charge duplicative information to OSHPD for their compilation and publication. Additionally, SB 917 would mandate that hospitals provide a copy of their chargemaster to anyone who requests one, for a fee.

**Emergency Services**

In other related news, at a special meeting held August 10, the CHA Board authorized sponsorship of a 2006 ballot proposition to support hospital emergency services, nursing education and related programs. The proposed initiative was filed with the Attorney General's Office for preparation of title and summary on September 2. Revenues will be generated via a tax on tobacco products and distribution of funds will be based on factors including ED visits and uncompensated care.

Additional information on other bills that were defeated in committee can be found on CHA's website at [www.calhealth.org](http://www.calhealth.org).

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**HFMA's Northern California Chapter's Second Annual Morning With DMHC Event**

*By Lotte Colbert, Managed Care Committee Co-Chair*

HFMA's Northern California Chapter hosted its Second Annual Morning With DMHC Event on June 15<sup>th</sup>. Speakers included Lucinda "Cindy" Ehnes, Director of the Department of Managed Healthcare; Kevin Donohue, Counsel to the Director, Department of Managed Healthcare; and Martin Gallegos, Senior Vice President and Chief Legislative Advocate for the California Hospital Association.

Director Ehnes discussed the DMHC's priorities of insuring that managed health care consumers in California receive access to healthcare services to which they are entitled. This includes improving relations between healthcare providers and the managed care health system by identifying systemic problems within the system before harm is done to California consumers. To facilitate this goal, DMHC has established a provider complaint process which allows providers to submit complaints about HMOs via electronic submission on DMHC's website.

Director Ehnes emphasized the importance of insuring that healthcare providers are paid promptly and accurately and discussed the new Provider Complaint implemented by the DMHC. The DMHC will now monitor provider complaints filed on its website to insure that health plans have implemented claims processing

standards and dispute resolution procedures pursuant to AB 1455. The Department will also monitor allegations of unfair payment patterns and conduct case reviews of provider complaints process.

Kevin Donohue presented an overview on the DMHC's decisions and analysis of non-contracted provider emergency room billing and the divergent expectations of payers and providers for reimbursement for emergency services. Payers maintain that they are only legally obligated to pay for reasonable and necessary services provided to their enrollees. Providers argue that there must be a safety net to make up for the shortfall resulting from treating the uninsured and from losses incurred because of limited reimbursement from government programs. With respect to the determination of reasonable and customary rates for non-contracted services, DMHC's position is that reasonable and customary is not a specific rate, but a range based on the nature of the services provided, the provider's training, qualifications and length of time in practice, the fees usually charged by the provider and the prevailing rates in the geographic area where the services are provided.

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Mr. Donohue, one of the key authors of the AB 1455 regulations, also discussed standardizing claims submissions and provider dispute mechanisms and the DMHC's goal of acting as a facilitator in improving payer-provider relations. DMHC believes that contract negotiations should be more streamlined, contract terms should be less complex and the dispute resolution process should be more effective with the goal of resolving payer-provider disputes before formal dispute resolution procedures such as arbitration are demanded.

Martin Gallegos presented an overview of key legislation of interest to healthcare providers and focused on hospital billing and collection practices. AB 774 introduced by Assemblywoman Chan addresses self pay policies in hospitals, requires OSHPD to develop a

standardized application for patients to determine if they qualify for charity care or governmental assistance and creates a private right of action (this bill is now a two year bill). SB 610 introduced by Senator Alarcon creates a rebuttable presumption that a hospital is operating as a for-profit if its operating revenues exceed expenses by ten percent or more during the preceding fiscal year. This bill passed in the Assembly on September 1, 2005 and has been sent to the Senate for concurrence.

Fifty-two people attended the event and provided positive feedback on the speakers and the quality of the presentations. HFMA Northern California Chapter thanks all of the speakers and looks forward to providing more educational opportunities for its members.

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**New Contingency Compensated Medicare Recovery Audit Contractors Bring New Challenges to California Providers**

*By Frank P. Fedor, Murphy Austin Adams Schoenfeld*

For the next three years under a new Medicare demonstration project in California, Florida and New York, a Recovery Audit Contractor ("RAC") will review old Medicare claims to discover overpayments and demand their repayment. The purpose of the RAC project is to recover the large amounts of overpayments annually estimated by the Medicare program.

RACs were created under section 306 of the Medicare Prescription Drug Improvement and Modernization Act of 2003. Under section 306(e), the recovery of an overpayment to a provider by an RAC does not necessarily prohibit the secretary or attorney general from investigating and prosecuting allegations of fraud or abuse arising from

such overpayment. Under section 306(a)(1), RACs may be paid on a contingency basis. RACs are required to identify both overpayments and underpayments, but they are paid only a percentage of the overpayments they recover.

There are two RACs in California. One will pursue only Medicare secondary payer overpayments. Providers are likely to see little impact from the MSP RAC because demands for payment will be made only to employers, not to providers.

Providers will be affected by the non-MSP RAC which has access to CMS' national claims history data initially for FY02 through FY04 and then updated monthly. The non-MSP RAC may attempt to identify over and

underpayments that result from incorrect payment amounts and non-covered, not reasonably necessary, incorrectly coded, or duplicate services. It will conduct both automated and complex reviews. An automated review will involve the application of the RAC's proprietary software to the national claims history data furnished by CMS and may be used only when there is certainty that the service was not covered or was incorrectly coded, a duplicate payment, or otherwise an overpayment. A complex review requires the review of copies of medical records. Providers should note that if the RAC does not receive copies of medical records within 45 days of its request, the RAC is authorized to find that the claim was overpaid.

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Non-MSP RACs must follow all Medicare statutes, regulations, policies (including local coverage determinations), and local coverage/coding articles. The RAC must also communicate to the provider which coverage/coding/payment policy or article was violated to result in the overpayment, and notify the provider of its appeal rights.

The notification of overpayments will take the form of a demand letter. If repayment is not made, the matter may be referred to CMS for offset, or after 180 days to the Department of the Treasury for collection. RACs have no authority to compromise claimed overpayments. They do have limited authority to agree to a payment plan.

Providers should consider adjusting their current procedures to deal with RAC audit requests and overpayment notifications. First, identify who is to deal

with the RAC. Those currently receiving information from Medicare will, by default, also receive information from the RAC. Contact information with the RAC can be customized so communications come to staff trained to deal with RACs and their special deadlines.

Second, providers have full appeal rights as they would if CMS or one of its other contractors had identified the overpayment. Once the provider appeals, the RAC must stop pursuing the claim. Interest continues to accrue throughout the appeal process. Because of the potential for a large number and dollar value of overpayments identified by the RAC, providers should focus on the process they will use to decide what to appeal. With more at stake, the potential benefit of successful appeals may now justify their cost.

Third, the provider should consider the compliance implications of the RAC's

findings of overpayments. For example, if the RAC finds overpayments of a certain type for 2003 that the provider disagrees with, the exercise of appeal rights may also show the existence of a legal dispute and thus the absence of the statutory element of "knowledge" of falsity needed to prove a violation of the False Claims Act. A failure to timely appeal notifications of overpayments can arguably have the opposite effect. The provider may also want to examine whether the same type of overpayment occurred in 2004 and beyond. The provider's excellent defenses to claims of fraud or violations of the False Claims Act in not discovering that these overpayments had occurred in 2003 may not apply to the same overpayment in 2004 and beyond if the provider did nothing to investigate and correct the situation after receiving the RAC notification.

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### **Certification Journey**

*By Aimee Arata, J&L Teamworks*

Most of you probably do not know me, but I hope to change that in the future. My name is Aimee Arata of J&L Teamworks and though I am not new to the business and accounting world, the Healthcare industry is new territory for me. I feel my voice is at times small, but I know others like me are out there!

I found myself asking and searching for great mentors to guide me through this new life and career journey. First on my path of enlightenment I found the HFMA organization through the encouragement of my present management. Even with reassurance, I felt myself doubting its gifts, and asking myself how this could be my answer. Step 2 of my journey was

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*The author (standing) with HFMA members from Mills Peninsula at the ANI dinner. Front row from left to right: Terri Manifesto, Cristina Pallais and Johnna Mohun*

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joining the PFS Committee, which held most of my own stake holds. Walking into that first meeting, I felt the uneasiness creep to my bones. I am a person of controls and operations, auditing and procedural safeguards. How was I going to give a contribution to this committee?

Greeted at the door by the then Chair Jayne Kroner, she was the first member I met and that opened the next door to my journey. Committee calls, volunteering, seminars, road shows, ANI, any blimp of education on the radar screen I have grasped for. Great mentors! Well let's just say you don't have to look far. With now over a year of membership, I know that does not sound like much to some, but for me it is a milestone or the coming to a cross roads. I am sure there have been others before me that have said this isn't the job for me. But those of us that have been hooked

have embraced the industry and want more. Whatever drove you to this industry, you now know this is what you want to do and want to make a lasting contribution. I find myself asking what I can do to prove my worth and further my career path other than speaking about my newfound passion.

This led me to the PFS Certification process. This is a way to prove my industry commitment, further my career goals, all the while taking a college level course around my schedule. During the PFS road show, I hope to have a table dedicated to HFMA educational certification courses, and hope to have one of HFMA's great mentors available to answer any question you may have. Come join me on this journey. Are you out there?

**Making a Connection**

*By Susan Jones, Mills Peninsula*

Healthcare Financial Management Association – too often we shorten it to HFMA, when all words are equally important and periodically need to be spoken out loud. We are all looking for better **Management** of the Health Care dollar. To do this we need strong **Financial** education on upcoming legal changes, best practices, contracting issues, as well as regulatory input. HFMA provides this through educational meetings put on by the various committees in our chapter.

The **Healthcare** part of HFMA also needs representation. Part of good financial management in a hospital is a strong Utilization Review/Case Management department – people who help with LOS, authorizations and complete certification of an admission through complete concurrent reviews. As a member of the American Case Management Association – Northern California Chapter, I will make it a goal to link all the letters to promote a great **Association** of professional people.

I will propose that a link to the HFMA website be on the ACMA website. And hopefully we can get a link to ACMA from the HFMA website. This will open up more educational opportunities for all parties concerned.

<b>HFMA Calendar of Events</b>	
Visit our website ( <a href="https://hfma-nca.org">https://hfma-nca.org</a> ) for more information	
September 25 – 27, 2005	15 <sup>th</sup> Annual Conference on Managed Care “Riding the Waves of Change” Orange County, California
September 30, 2005	6 <sup>th</sup> Annual HFMA Northern CA Golf Tournament San Ramon, CA
October 14, 2005	Claim Denial Prevention Workshop Fremont, CA

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October 26-28, 2005	Revenue Cycle Strategies Conference Las Vegas, Nevada
November 4, 2005	Claim Denial Prevention Workshop Fresno, CA
December 7, 2005	Board of Directors Meeting Walnut Creek, CA
December 9, 2005	Claim Denial Prevention Workshop Chico, CA
January 29 – February 1, 2006	Region 11 Healthcare Symposium Las Vegas, Nevada
March 23-24, 2006	2006 HFMA Northern California Spring Conference Berkeley, CA
May 7, 2006	Leadership Training Conference Huntington Beach, CA

**JOBS! JOBS! JOBS!**  
**Members can view and post jobs directly on our web site**  
**CHECK [HTTP://HFMA-NCA.ORG](http://hfma-nca.org) TO POST OR REVIEW CURRENT JOB**

We hope that this newsletter will help keep you, our members, involved, informed and more connected to our Chapter's activities. Our goal is to help make you the best healthcare professionals you can be. We are always looking for authors for newsletter articles. If you would like to help, please email any one of us.

News and Publicity Committee

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