



# Dispatch

virginia–washington dc chapter

FALL 2011

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# MESSAGE FROM OUR OFFICER



**STEVE QUIRICONI**  
President-Elect



Warm Fall Greetings HFMA Members,

Yes this is HFMA's National's theme for fiscal year 2011/2012. In order "achieve" in this tough economy I encourage each and every one of our members to "believe" in HFMA and our chapter - the Virginia-Washington, D.C. Chapter of HFMA.

The Virginia-Washington, D.C. Chapter has many opportunities to "achieve" such as:

### **Networking with our peers**

Participating on a committee is a great way to meet with other professionals in your field. It provides an opportunity to not only help the chapter be successful, but also for you to discuss best practices and current hot topics with others around the state. The committees are always looking for new members, so feel free to join at anytime. You can find information about the committees and contact information for the committee chairs on our website - [vahma.org](http://vahma.org).

### **Obtaining Certification**

We encourage you, if you have not achieved certification in your field, to become certified through HFMA's certification program - this not only enhances your status in the industry but also assures that your healthcare finance knowledge is current. Randy Bledsoe, Chair of the Chapter certification committee can provide additional information. Randy can be reached at: [rbledsoe@shelteringarms.com](mailto:rbledsoe@shelteringarms.com).

### **Education**

Don't miss the opportunity to take advantage of educational opportunities that are available not only through your Virginia-Washington, D.C. Chapter but also through National HFMA! HFMA is your educational resource. The Winter meeting is March 14, 15 and 16th, 2012 at the Boars Head Inn in Charlottesville, Virginia.

### **Our sponsors**

Take advantage of the expertise that is all our sponsors and exhibitors have and the products and services that our generous sponsors and exhibitors have to offer. Our sponsors are detailed on our website - [vahma.org](http://vahma.org).

I hope everyone has a wonderful Fall and holiday season and I look forward to seeing you at our upcoming chapter events -- remember "Believe to Achieve".

*Steve Quiriconi*  
President-Elect

*Believe  
to  
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# Control the Total Cost of Healthcare Technology

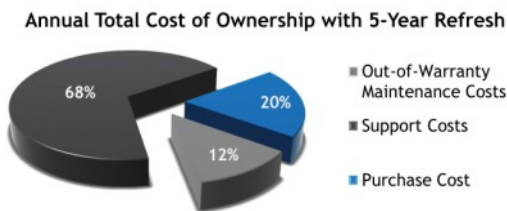
[The Purchase Price for IT Equipment Accounts for Only About 20% of its Cost]

By **Jonah Michael**

The **indirect costs** associated with owning healthcare technology equipment are significant and often overlooked when evaluating the total cost of ownership. As technology ages, the costs required to maintain and support the equipment increase, making such assets less desirable to own.

In fact, independent studies suggest that over a five-year refresh cycle, the actual purchase price of technology equipment accounts for only 20% of its total cost. The other 80% of costs are related to out-of-warranty maintenance and support costs.

Staying on the leading edge of hospital technology is essential to attract top physicians and to provide the highest quality care for patients. So how can healthcare professionals stay ahead AND manage costs? The first step is to understand, and then control, the Total Cost of Ownership (TCO).



TCO is an important concept when evaluating the most cost-effective means for deploying IT assets for a health system. TCO evaluations should include the following components:

### Office Equipment

- PCs
- Office equipment
- Networking equipment
- Storage equipment
- Mobile devices

### Warranty

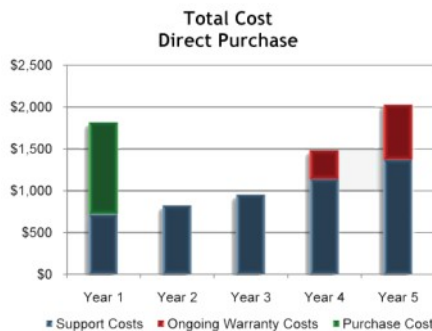
- Help Desk Support
- On-Site Support
- Software Upgrades
- Disposal Costs or Salvage Value

### Clinical Equipment

- CT
- MRI
- Mobile care devices
- EMR

### Deployment Labor

- User training
- System build / imaging



Over a five-year refresh cycle, a \$1,100 piece of technology can cost as much as \$7107 to maintain and support.

As your hospital evaluates cost-effective alternatives to purchasing technology equipment, one option to consider is a lease-based technology refresh program.

## Disciplined lease-base technology refresh programs:

- Minimize indirect costs by aligning the finance period with the manufacturer's warranty.
- Create stronger cost efficiencies with the decommissioning and disposal of obsolete assets as lending lessors are more effective reselling IT assets than the average hospital or clinic.
- Provide value added asset management tools and services to help track and manage IT refresh cycles.
- Offer greater budget consistency by eliminating large, upfront cash outlays, and replacing it with fixed, predictable monthly payments.
- Support the organization's sustainability initiatives: 100% of the technology is reused, rather than ending up in a landfill.

Over a five-year refresh cycle, a lease-based program can save a health system more than \$1,000 per piece of IT equipment by minimizing indirect costs and benefiting from a lessor's residual expertise. The shorter the refresh period, the greater the impact.



Residual investment in the equipment by the leasing company is a fundamental reason for the cost savings. At the beginning of the lease, the lessor will make assumptions about the expected value of the asset at the end of the lease term. This assumption is the expected value is based in large part on the lessor's experience in remarketing the equipment. The residual amount lowers the total payments paid by the hospital, compared to other forms of financing.

When implemented correctly, a lease-based IT refresh program offers significant cost advantages over traditional purchase models and can save your hospital significant expense – both in upfront out-of-pocket costs and in long-term maintenance costs.

### Works cited:

The Robert Francis Group, "The Downside of Keeping PCs Beyond Three Years and How Leasing Can Help," December 2005, pg. 4-5.

Timothy Moery and Roopa Nambiar, "Using Total Cost of Ownership to Determine Optimal PC Refresh Lifecycles," May 2009, pg. 3-9.

Sudin Apte, Forrester Research, "Back to Basics: Why IT Leasing Makes Sense in the Economic Meltdown," 2009.

### Jonah Michael

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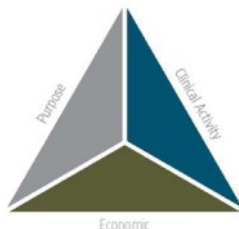
# Building Stronger Physician-Hospital Alignment

By Kate Lovrien and Luke Peterson

Healthcare and payment reforms, new structural models and myriad market forces have increased the pressure on the physician-hospital relationship, but forging stronger partnerships is a key element of future success.

As illustrated by Exhibit 1, there are three major elements of the Physician-Hospital Alignment Triangle required for full physician-hospital alignment:

EXHIBIT 1: Physician-Hospital Alignment Triangle



- **Clinical Activity Alignment**

The correlation of the patient care approach, expectations of quality and service, and consolidation of activity in the diagnosis, treatment and rehabilitation of a patient

- **Economic Alignment**

The correlation of physician and hospital financial returns

- **Alignment of Purpose**

The correlation of vision, values and energies; creating a shared belief in a single vision/mission, a common culture and an active involvement in the future direction of the organizations

To systematically study alignment, we developed the Physician-Hospital Alignment Diagnostic, a quantitative tool that allows hospitals to test their specific situation and alignment against others across the country.

Taking a sample of 40 hospitals shows some interesting results.

- The total alignment score is measured by adding the scores of the three types of alignment. With a maximum possible full alignment score of 150, the sample scores range from 59 to 106. The mean score is 81.
- Clinical activity alignment scores range from 19 to 38 of a possible 50 points with a mean score of 27
- Economic alignment scores range from 12 to 36 of a possible 50 points with a mean score of 27
- Alignment of purpose scores range from 17 to 36 of a possible 50 points with a mean score of 27
- Urgency of alignment is a factor of the market, hospital, and competitive factors. The measure of Urgency ranges from 22 to 39 of a possible 50 points with a mean score of 30.

These scores, which are similar to other hospitals in the database, show the variability of alignment and that many hospitals have significant opportunity for greater alignment in multiple areas.

## Strategies to Improve Physician-Hospital Alignment

There are 20 distinct strategies in four categories (business services,

contracts, structured communications and employment) that hospitals can use to strengthen the three forms of alignment.

EXHIBIT 2: Physician-Hospital Alignment Strategies

<b>Business Services</b> <ul style="list-style-type: none"> <li>&gt; Management services organization</li> <li>&gt; Lease and real estate contracts</li> <li>&gt; Information infrastructure</li> <li>&gt; Payor contracting organizations</li> <li>&gt; Clinically integrated physician networks</li> </ul>	<b>Contracts</b> <ul style="list-style-type: none"> <li>&gt; ER call pay</li> <li>&gt; Physician recruiting</li> <li>&gt; Medical directorships</li> <li>&gt; Clinical co-management and whole program PSAs</li> <li>&gt; Joint ventures</li> </ul>
<b>Structured Communications</b> <ul style="list-style-type: none"> <li>&gt; Blogs/one-way digital communication</li> <li>&gt; Two-way digital communication</li> <li>&gt; Town hall forums and retreats</li> <li>&gt; Physician advisory council</li> <li>&gt; Direct physician leadership</li> </ul>	<b>Employment/Foundation</b> <ul style="list-style-type: none"> <li>&gt; Individual contract, productivity</li> <li>&gt; Standard contract, varied incentives</li> <li>&gt; Single-Specialty group</li> <li>&gt; Multispecialty group</li> <li>&gt; Integrated organization</li> </ul>

(See Exhibit 2.)

Moreover, each of these strategies impacts different parts of the Physician-Hospital Alignment Triangle. As such, the appropriate strategy needs to be used for the each situation. In general, hospitals wanting to align physicians should consider strategies based on

EXHIBIT 3: Categories of Alignment Strategies

AREA NEEDING IMPROVEMENT	PRIMARY CATEGORY	SECONDARY CATEGORY
Economic Alignment	> Business Services	> Contracts > Employment > Structured Communications
Clinical Activity Alignment	> Contracts	> Structured Communications > Employment > Business Services
Alignment of Purpose	> Structured Communications	> Contracts > Employment > Business Services

the connections outlined in Exhibit 3:

EXHIBIT 4: Alignment Strategies by Impact and Risk

	BUSINESS SERVICES	CONTRACTS	STRUCTURED COMMUNICATION	EMPLOYMENT
Low impact and risk	Management services organization	ER call pay	Blogs/one-way digital communication	Individual contract, productivity
Moderately low impact and risk	Leases and real estate contracts	Physician recruiting	Two-way digital communication	Standard contract, varied incentives
Moderate impact and risk	Information system infrastructure	Medical directorships	Town hall forums and retreats	Single-specialty group
Moderately high impact and risk	Payor contracting organizations	Clinical co-management and whole-service PSA	Physician advisory council	Multi-specialty group
High impact and risk	Clinically integrated physician networks	Joint ventures	Direct physician leadership	Integrated organization

## Case Study

Evaluating a sample hospital ("Hospital A") shows a typical profile of a hospital in the database. This hospital, a 200-bed hospital, has above-average financial indicators and provides strong community care to a growing, affluent, suburban market. The diagnostic shows that Hospital A has substantially higher-than-average alignment of purpose, but average alignment in clinical activity and economic areas. (See Exhibit 4.) Moreover, market indicators suggest that the urgency of creating stronger physician alignment is lower than average.

Further investigation of Hospital A shows that the hospital's administration has been actively working to create a common vision with its physicians. This common vision has led to direct physician leadership in setting the strategic course of Hospital A. However, while Hospital A has kept up with the national trends, it has not been overly aggressive at using the tools that might advance clinical activ-

For instance the Hospital A does not employ any physicians, does not pay ER call pay, and has only a very limited number of other contractual and business service activities with its physicians. Given the relatively weaker alignment within clinical activity and economic areas, Hospital A has embarked on investigating the tools that directly impact these two areas of alignment.

**Conclusion**

Strengthening physician relationships is a key component of hospital and health system success. With the increasing integration of the physician into the hospital and health system organizations, it is important to create stronger alignment in all three areas. For more information, visit [www.PhysicianHospitalAlignment.com](http://www.PhysicianHospitalAlignment.com).

Kate Lovrien and Luke Peterson are co-authors of [www.PhysicianHospitalAlignment.com](http://www.PhysicianHospitalAlignment.com). They have focused their careers on advising community and regional referral hospitals and healthcare systems on the strategic positioning including physician-hospital alignment, health system organizational structures, and continuum of care coordination. They can be reached at 612.810.8188 or by emailing [Kate.Lovrien@kurtsalmon.com](mailto:Kate.Lovrien@kurtsalmon.com) and [Luke.Peterson@kurtsalmon.com](mailto:Luke.Peterson@kurtsalmon.com).

**UPCOMING EVENTS VA-DC CHAPTER OF HFMA**

**2012 Changes to the Medicare Hospital Outpatient Prospective Payment System**

Tuesday 10:00 AM - 11:30 AM

Hugh Aaron, Senior Healthcare Advisor with Virginia Capital Partners, will review significant coding, billing and payment changes to the Medicare hospital outpatient prospective payment system (OPPS) for 2012. The focus will be on changes that are expected to have a significant operational or financial impact on hospitals.

For details visit - <http://www.cvent.com/d/mcq8xb>

**Virginia/DC HFMA Winter 2012 Education Conference**

Charlottesville VA—Wednesday 03/14/12 - 03/16/12

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*For information please contact: Patrick Miller ([pmiller@prorecoveryinc.com](mailto:pmiller@prorecoveryinc.com))*

Approximately 670 chapter members, including the financial executives in a majority of the VA/DC hospital systems, receive our quarterly newsletter. It is also published on our chapter website at [www.vahfma.org](http://www.vahfma.org).



# FACILITY SPOTLIGHT: SPOTSYLVANIA REGIONAL MEDICAL CENTER



Spotsylvania Regional Medical Center's lobby doesn't look much like a hospital lobby at all. With a sweeping stairway, natural lighting, comfortable and stylish sofas, and towering ceilings - it's more what you would expect in the lobby of an upscale Scandinavian hotel. How do you say beautiful in Norwegian?

At the time of this writing, Spotsylvania Regional Medical Center (SRMC) was the newest acute care hospital in Virginia. The hospital just celebrated its one-year anniversary, having opened in June 2010, and is a part of the HCA Healthcare System in the commonwealth of Virginia. SRMC is nestled between historic Spotsylvania Courthouse and the boutique-y strip malls and upscale food chains of northeast Spotsylvania County. It is a truly striking, even welcoming, facility.

SRMC is a 126-bed hospital and, emblematic of its patient-centered approach, all of its patient rooms are designed for the care of a single occupant. The SRMC campus is situated on 75-acres just south of Fredericksburg - a stone's throw from Interstate 95 or Route 1 or Route 3 or Route 17 (highway access will never be a problem for SRMC patients.) In its first year, the new SRMC provided emergency services to more than 30,000 patients in its ergonomically designed Emergency Department and was the happy site of exactly 472 child births.

In a move that solidifies SRMC as a "Hospital with a Heart" (a "Medical Center with a Soul?") construction of the medical center complex was actually delayed 6 months after the discovery of a single naturally grown orchid within the construction area. The small whorled pogonia, one of the rarest orchids in the United States, was identified by an apparent surveyor/horticulturalist and the project ground to a halt until it was determined that a wooded area of about 4 acres would be maintained to protect the single

rare flower. The 80,000-square-foot medical office building attached to the hospital was even named after the problematic blossom - the Pogonia Medical Arts Building!

It's obvious that SRMC prioritizes its role as a good neighbor and member of the community. The medical center employs over 500 full and part time staff members and has a medical staff that more than 350 highly-trained, experienced physicians representing 39 specialties. In addition, SRMC will pay roughly \$1.5 million in taxes annually to Spotsylvania County, and probably provide approximately that same amount in free care to those who can't afford health insurance. Other donations to the community include an unrestricted donation of \$100,000 to the nursing program at Germanna Community College and donations of \$5,000 apiece to fire and rescue squads in the City of Fredericksburg and Caroline, Spotsylvania and Stafford counties.

Expansion of services is also clearly in the plans for SRMC. Much of the 75 acres surrounding the medical center has been cleared and suggests significant opportunity for additional development and services in the future for patients, physicians, staff and visitors. The medical center has received approval to build a state-of-the-art cancer treatment center and there will certainly be much more to come in the near future.

If you have the opportunity to visit Spotsylvania Regional Medical Center, or even if you only have the opportunity to drive by the hospital, you will certainly agree that this is one of the most beautiful and impressive hospitals in Virginia. Or, "meget vakker" as they say in Oslo.





# MEET THIS TOWN: SPOTSYLVANIA

## 12 Things You Didn't Know About Spotsylvania County

1. Spotsylvania County covers 407 square miles of rural countryside and energetic residential and business development. At the time of the 2000 census the population was a shade over 90,000 residents while the 2010 census reports the county's population as over 122,000. The 35% increase makes Spotsylvania County the 84th fastest growing county in the nation since the year 2000!

2. Spotsylvania County was established in 1721 and gets its name from an early colonial governor of Virginia, Alexander Spotswood. "Sylvania" comes from the Latin for "forest land or "woods." So for example, Pennsylvania translates as Penn's Woods and Transylvania could be the woods behind Rue Paul's house. Spotsylvania is named for the Governor while removing the redundancy of Spotswood's Woods.

3. Locals now refer to the county as "Spotsy".

4. Alexander Spotswood led an expeditionary band of 50 scouts, military, and other adventurers up the Rappahannock River in 1710 in search of fertile lands. Members of the group later became known as the Knights of the Golden Horseshoe after Spotswood gave each member of the party a small golden horseshoe encrusted with diamonds at a token of their exploits. Upon reaching the lush Shenandoah Valley, the expedition famously celebrated by consuming legendary quantities of brandy and claret.

5. Lake Anna Winery has numerous award winning wines, including the Spotsylvania Claret which won the 2008 Gold Medal at the Virginia State Fair Wine Competition. The labels for Spotsylvania Claret feature 4 different scenes from the Battle of Spotsylvania Courthouse

6. Many Civil War historians feel that that the true fatal blow to the Confederacy was not the fall of Atlanta or Richmond, but rather the "friendly-fire" shooting of General Thomas "Stonewall" Jackson at the battle of the Wilderness near Chancellorsville in the northwest region of the county. Jackson wasn't killed in the shooting; rather he died a few days later from pneumonia at Guinea Station, where a battlefield hospital and transfer station had been established.

7. Heavy rains in May of 1864 contributed to the horrific violence of the Battle of Spotsylvania Courthouse. The battle raged for 2 full weeks in areas north and east of Spotsylvania Courthouse. Torrential rains during the first days of the battle turned the battlefield into a quagmire and dampened the gun-

powder of the infantry. Union troops charged across open ground without firing a shot and engaged Confederate troops in vicious hand to hand combat with bayonets, swords and bare fists. After 4 days of battle in unrelenting rain, Union troops under General Ulysses Grant waited 4 days for the weather to clear. This respite allowed the Confederate forces under General Robert E. Lee to dig in and establish stronger defensive positions. Subsequent assaults by Union forces were as futile as they were bloody. The battle ended in a standoff when Union forces withdrew and pressed further south. Approximately 6,000 men died and another 12,000 were wounded over the course of the battle. All together, there were over 100,000 casualties resulting from the numerous battles in Spotsylvania County.

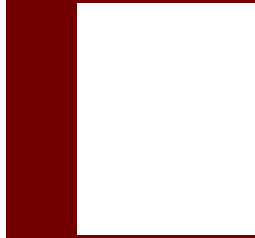
8. The National Park Service maintains more than 4,400 acres of the Civil War battlefields in various locations throughout Spotsylvania County.

9. At Sam's Pizza and Subs in Spotsylvania Courthouse the pizza is pretty good but the best thing on the menu is the Steak Bomb.

10. Spotsylvania County was the site of the colonies' first iron furnace in the early 1700's. Manned mostly by indentured laborers from Germany, and located in an area subsequently known as Germanna, iron working was Spotsylvania County's first industry. In 1842 the United States government acquired the main foundry which was converted from making cast iron household goods to producing weaponry. The Spotsylvania Iron Works became one of the most important cannon works in the country, producing hundreds of cannons for use in the Mexican War.

11. The first reported discovery of gold in Virginia was in 1806, at the Whitehill Mine in western Spotsylvania County. The largest deposits of gold were located near the confluence of the Rapidan and Rappahannock Rivers and along the North Anna River in an area now covered by Lake Anna. Gold mined in Spotsylvania County contributed to Virginia's status as one of the new nation's biggest gold-producing states in the 1800's,

12. With the Rappahannock River forming the north-eastern border and Lake Anna providing the South-western border, Spotsylvania County outdoor activities are dominated by water sports like rafting, tubing, sailing, waterskiing and fishing (the largemouth bass in Lake Anna are big and feisty.) Lake Anna State Park, on the lake's northern shore, has a beautiful, new beach that promotes sunning, swimming and drinking sweet tea.



FALL

2011

# Twelve Dangerous Mistakes When Hiring & Managing Collection Agencies

by Marc Trezza

There are many agency choices available. And there is an inherent difficulty in hiring an agency built on the hope that they will deliver a multi-dimensional array of services with few ways to predict they will in fact deliver on what has been promised. Hiring the right collection agency and then maximizing results is not an easy task.

The following information was developed by Search Net Corporation's Marc Trezza, an industry leader in developing programs for both creditors and agencies, who specializes in how to successfully manage your agencies and the agency selection process. This is a hard look at the process from both sides that pulls no punches.

If we define success as a mutually profitable long-term quality partnership - avoiding these common mistakes can greatly increase your odds of success.

## I. Using Rate as the Deciding Factor

Selecting an agency and placing accounts is not as simple as it seems on the surface. In addition to basic requirements such as financial stability, automation, expertise, technology, experience, references, available volume capacity; "matching" is a key element. One key element is "right-sizing." You must match your own profile with the agency's client base. If for example, you place \$100,000 per month; your accounts will likely be lost at an agency servicing clients that individually place \$10 million and more per month. What an agency will do for its largest client it will often not be willing or able to do for its smallest. Where in that scenario will you fit? You must understand the difference between capability and willingness on the part of the agency when it comes to your accounts. This is not a hard and fast rule, but we should recognize that just as a very large hospital chain can be too large for a small agency, a smaller hospital or physician group may be too small for a very large agency.

Additionally, too low a rate gets you too little effort; it's simple mathematics of profit and loss. Unit Yield vs. Unit Cost – an agency can afford to do more to collect your accounts at a 25% fee than they can at a 10% fee. You have to look at YOUR net return. For example, if you place \$1,000,000 each with two agencies – agency "A" is at a 10% fee and agency "B" is at a 25% fee. If agency "A" collects \$10,000 - after paying the fee you retain \$9,000 (your net return = \$9,000 on \$1,000,000.). If agency "B" collects \$100,000 - after paying the fee you retain \$75,000 (your net return = \$75,000 on \$1,000,000). The lower fee is costing you \$66,000. Your net return is your value, not the fee. Cost-only decisions result in cut-rate services from cut-rate agencies. As the sign in the motorcycle shop says, "If you have a ten dollar head, buy a ten dollar helmet." There is always someone out there who will offer you a cut-rate

price. Time and time again we have seen that too low a fee will actually cost you money in terms of lost revenue, increased management problems, and increased complaints.

## Bids and RFPs

If you utilize a formal bid or RFP process, instruct the agencies to submit their fee in a separate envelope from their proposal and do not open the fee proposal until you have completed the evaluation process. Narrow down to the best proposals (generally three to five, depending on how many agencies you intend to pick); the key is to pick the best of the best based on quality – not price. Then, and only then, do you open the fee submissions of the finalists and make your final decision(s) out of only the quality finalists. In this way you balance quality with price and have the best odds of having a quality partnership with the agencies selected.

Measurement must be tied to placement date:

Another fallacy in measurements is not comparing the recovery from the year and month placed to the year and month that collections are made. Recoveries and recovery percentages must be matched to placement months in order to accurately measure results. Comparisons must be apples to apples. Otherwise when testing a new agency against a current agency, the current agency will get credit for payments on accounts placed before the test began, giving them grossly inflated and inaccurate recovery numbers that invalidates the test.

## 2. Not auditing your agencies

Work closely with your agencies. Require transparency. On-line or on-site visits and/or audits or operational reviews will help both the agency and the Patient Accounts Manager understand the progress towards mutually agreed upon expectations. Monthly or quarterly conference calls should be a minimum requirement in the service relationship. Always let each agency (if you use more than one) know where they stand on a monthly basis against the other agencies and maintain a level playing field comparing similar types of accounts with the same placement months. Create healthy competition. Performance-based placements can be a very effective motivator as well, although it does require more management time. directly to the patient.



### **3. No debtor verification or financial checking**

It's your money. It's important to check the financial stability of the agency before hiring them. It is also a good idea to randomly check debtor payments from your agencies with verification letters sent directly to the patient.

### **4. Using only agency-generated statistics**

Most creditors rely on agency-generated statistics. But not every agency calculates recovery rate or reports with exactly the same formula. Some agencies remove bankruptcies from the numbers, some don't. Some remove disputed accounts, some don't. Batch-tracking measurements to date of placement using gross numbers is the only way a creditor can determine results with reliable accuracy (gross collections as a percentage of gross placements) – then look at fee to see your net-back return.

### **5. Thinking that an agency will do the best possible job because they work on a contingency basis**

Many of the same principles apply here that we discussed regarding too low a fee. Because agencies work on a contingency basis they do not get paid on every account even though they work every account; so agencies calculate profit based on Average Unit Yield vs. Average Unit Cost.

Average Unit Cost is an overall number that the agency establishes by dividing their total operating expenses for the year by the total number of accounts placed for the year. That average is then adjusted for a particular client if there are unique cost-drivers for that client's accounts (higher dispute or bankruptcy rates, lower average balance, etc).

Average Unit Yield, is determined when the agency takes the fees earned (commissions retained by the agency) for each client, and divides that number by the number of accounts placed by that client. That gives the agency the average dollars earned for each account placed.

Unit Yield and Unit Cost are compared to determine profit or loss. Like any business, an agency is likely to focus more effort on the most profitable clients (often factoring in placement volume). The next best assurance of an agency's best efforts on your behalf is the quality of your relationship. Work to establish mutually profitable goals.

### **6. Comparing outdated historical averages or Industry Trends without Knowing What Makes up that Number**

Historical averages and industry trends are also difficult measures to use when looking at your agency's performance. Too many changes take place to believe that historical numbers will be useful for long. Changes in internal work efforts, credit granting policies, the economy, changes in regulations, etc – all affect historical number comparisons and can make them ineffective as a predictive tool

### **7. Motivation by Intimidation**

Sometimes credit managers prefer an agency relationship that is

based on intimidation. Today's most successful credit professionals work to establish long-term quality partnerships with their agencies – working together to accomplish mutually agreed-upon beneficial goals. Seek an agency whose approach to client service is based on excellent two-way communication. Be honest here – sometimes it is the creditor who does not communicate well, starting from the initial conversations during the sales process. Seek an agency that treats the sales process as “client service before the sale.”

### **8. Not providing all available information and tools to the agency during the initial discussions**

One of the most common mistakes is not providing all of the information the agency needs in the first stages of the sales process. Some Patient Account Managers have indicated (privately) that the more information they provide to the agency, the more they think the agency will charge. Just the opposite is true. Unknowns tend to be very expensive for the agency, so the more the agency doesn't know, the higher the fee. The more information the creditor provides, the greater the likelihood that the appropriate fee will be agreed upon.

Open and honest two-way communication is one of the most important factors in working together to build a quality partnership with your agency. You must be willing to share all information regarding your accounts, internal efforts, credit granting policies, dispute and skip percentages, bankruptcy percentages, and historical agency performance. You need an agency that will be open and honest about the level of effort they will invest in your accounts – and willing to work with you.

On the other hand, an agency that solicits you with canned sales pitches and unsupported claims will expect to plug you into a cookie-cutter system based on their needs – not yours. If you find yourself getting a canned sales pitch focused on the agency, instead of a true consultative sale focused on your preferences, needs and requirements - - - this is a huge red flag - run away!

The agency's professionalism, thoroughness, and level of interest in your needs and requirements during the sales process is a strong predictor of the quality and long-term success of this relationship.

### **9. Quibbling over whether the agency “earned” commission on an account**

Commissions are an issue with many. While it is becoming less common, at times, a client will quibble over whether the agency actually did enough work on an account to earn a commission. Quibbling sends the wrong message. The agencies work hard on many accounts that never result in payment – sometimes it is the third party impact of being contacted by an agency that generates payment – in any event – this is still a people business, and if collectors feel that they are not being treated fairly by a client they will focus their best efforts for those clients who they feel appreciate their efforts. This is human nature. A quality partnership means understanding and appreciating the relationship from both sides.



## 10. Not reporting Direct Payments immediately

Along this line, outside of banking, some creditors do not have an efficient process for reporting payments made directly to them instead of the agency. This results in the agency having to call the client for payment information. Most agencies are highly efficient when it comes to payment processing and they expect the same from their clients. Delayed reporting of payment information does not build trust. This also increases the probability of complaints from patients. A common complaint results from an agency making a call to a debtor who has already paid. If this occurs because the creditor did not inform the agency of a payment, the creditor is solely responsible for generating that complaint.

## 11. Looking only at recovery numbers and fee alone, and ignoring the agency's processes and procedures in your selection process.

How important is quality assurance to you?? What about data security? Many quality assurance indicators are non-existent beyond the collection floor at some agencies – particularly those that focus only on recovery rate and not on building a relationship. Some creditors have made PPMS certification a requirement. PPMS (Professional Practices Management System) certification is both difficult and expensive for an agency to achieve. Only about 3% of the agencies in the country have this certification. This certification is provided by the ACA and is roughly equivalent to ISO 9000 certification for an agency. Keep in mind that smaller agencies may have good processes and procedures, but cannot afford the cost of the PPMS Certification process. But if you look at PPMS and what it covers (contact the ACA or visit - [www.acainternational.org](http://www.acainternational.org)) you can address these same areas with a prospective agency to see if you are comfortable with the way they handle these various elements. Items from data security and payment processing to collection procedures and client service are all part of PPMS. This is an outstanding screening tool.

## 12. Change Management

Particularly if you place a large number of accounts per month, an agency's skill and experience in change management will be important. You will have impact on that agency. How does the agency manage change? Is there an organized process or do they fly by the seat of their pants? Well conceived and executed change management as well as quality assurance procedures are critical. What is their plan to integrate your accounts? Will they put trainees on your accounts or experienced collectors? What is the staffing plan? How many accounts per collector? How many collectors per manager? What will the work standards be? These are just a few questions that should be addressed. Discuss this with your agency during the sales process and you will increase the odds of having a long term mutually beneficial relationship.

Managing an agency relationship may look deceptively simple. But the agency relationship is not as simple as handing over the accounts

and saying, "Collect it." Maximizing recovery while minimizing complaints on delinquent accounts and providing superior client service is a complex job that is best served by two highly professional organizations working together in a spirit of cooperation and mutual benefit.

*Marc Trezza is both the author of many articles on leadership, management, and sales. Mr. Trezza was featured in the March 2010 issue of Collection Advisor, and has made multiple TV appearances as the Oxygen Network's management expert. As a member of The President's Business Advisory Council during the Bush Administration, he was designated "Businessman of the Year" for NY State in 2006. He was awarded the "Congressional Medal of Distinction" in 2007, the highest congressional award of its kind for his work to advance small business interests. Prior to his service with the small business community, Mr. Trezza served with distinction as a leader in our nation's Military Special Forces.*

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# News and Notables

“We are rebuilding Sentara Leigh Hospital for the next 30 years. The new patient towers will complete a campus redevelopment plan that began in 2007.”

- Terrie L. Edwards, President, Sentara Health (*Richmond Times-Dispatch*, 10/27/11)

Sentara Health will begin construction on a multi-phase three-year project to build a new Sentara Leigh Hospital on the site of the current one. Two five-story patient towers will eventually replace three 1970s-era wings at the hospital on Kempsville Road in Norfolk. The Bon Secours complex covers 16 acres. Total office and medical space is 100,000 square feet. Work is expected to begin in 2010.

“It’s going to be a very, very difficult matter coming up to deal with in the budget. It’s not going to be easy.”

- Senator Walter A. Stosch (R), Henrico County (*The Washington Times*, 10/26/11)

In fiscal 2011, the department which oversees Medicaid spent approximately \$7.2 billion was spent on nearly 1 million recipients in Virginia. New requirements posed through the Affordable Care Act could expand eligibility to as many as 420,000 additional recipients. According to the Virginia Hospital and Healthcare Association, Virginia ranks 48th in per-capita spending on Medicaid. Strict Medicaid eligibility requirements and comparably lower provider payments are often cited as the key reasons for low spending levels.

“We are very fortunate to have Dennis join the DRMC team. He has extensive experience in financial efficiency and responsibility, and I am confident that he will work hard to help us continue raising the bar for our patients.”

- Eric Deaton, DRMC Chief Executive Officer, Danville Regional Medical Center

Danville Regional Medical Center (DRMC) announced the appointment of Dennis Joseph Eith as Chief Financial Officer (CFO). Eith has nearly 30 years hospital leadership experience, most recently having served as Chief Financial Officer of Carolinas Hospital System, a 420-bed (two-campus) facility located in Florence, S.C. We wish Dennis the best of luck and look forward to badgering him for additional memberships.

“We want to be a strong partner and capture as much of their market as we can by making these creative arrangements.”

- Dr. Janis Orlowski, Chief Medical Officer, Kaiser Permanente (*Washington Business Journal*, 9/30/11)

Kaiser and Washington Hospital Center announced plans to open a 33-bed wing dedicated to care of Kaiser patients. The nursing unit at the hospital will carry the Kaiser logo and be staffed by Kaiser’s own physicians. It is the second such arrangement in the region, following a 24-bed Kaiser-dedicated wing that opened in 2010 at Virginia Hospital Center.

The VA-DC Chapter’s Board of Directors met in November at the Wyndham Crossings in Richmond, Virginia. You may be interested to know that...

- Our linked in participation recently surpassed 150 members, while total membership is currently at 668.
- A number of new venues are being considered for future winter and summer meetings, including sites in Williamsburg, Richmond and Wintergreen Virginia.
- Our next board meeting will take place on March 14, 2012 at Boars Head Resort in Charlottesville, VA, in conjunction with our Winter 2012 Education Conference. We hope to see you all then.

# Virginia-Washington DC HFMA 2010-2011

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