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Hospitals vs. Hospitals?...

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Let's switch gears to the current brutal healthcare reform debate. Is it important for the hospital's public image to be involved in advocacy efforts around reform?

Edwards: There has not been a lot of talk about the hospital's role in health reform, and given the significance of hospital employment and the actual delivery of care, it seems hospitals should have a bigger role in the reform debate, both at state and federal levels.

Again, AHIP has been an incredibly well-oiled machine in communicating its position on health reform. Hospitals and health systems haven't had such a loud, consistent voice. We've accommodated and played defense, by and large.



Hospital leaders know what needs to change to make the healthcare system better, but many feel their only option is to operate as well as they can in today's broken system.

Some healthcare organizations have been present in the reform discussion. For example, Mayo Clinic has advocated what the pillars of health reform should be. Another example at the local level involves Franciscan Missionaries of Our Lady Health System, a five-hospital system in Baton Rouge, LA. It was heavily impacted by the hurricanes and the state's Medicaid system was essentially broken. The health system decided to take an active role in advocating specific health reforms involving its employer/payer community. In many ways, FMOLHS is a model for regional health systems across the country.

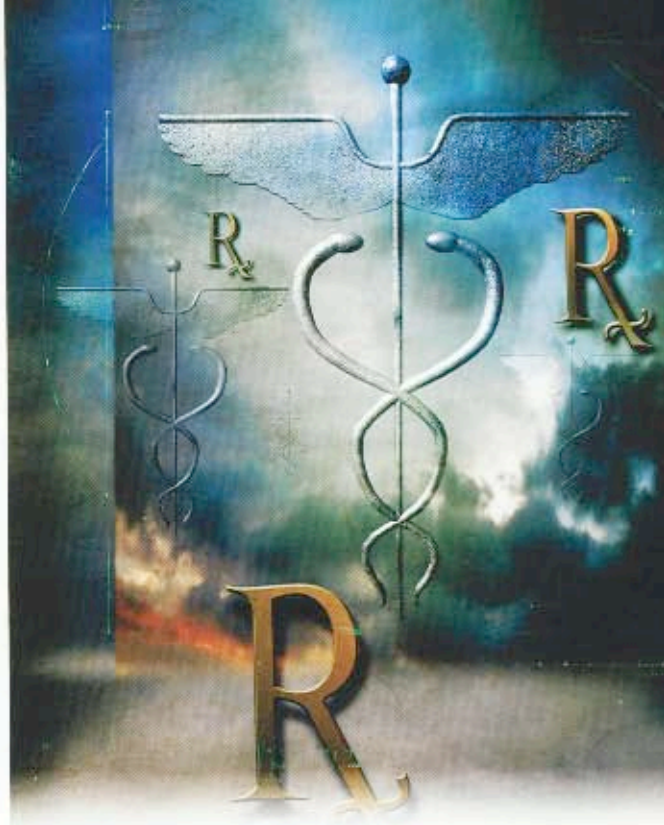
Activities to support community reputation can also help frame healthcare reform. If hospital leaders don't take an active role in educating their communities about health reform, who will? No other entity will promote hospital/health system interests. And those interests aren't selfish—they are the community's interests. There is no access to care without a healthy hospital system in the U.S.



We are encouraging our clients to work on collecting money prospectively—taking money in advance, either in the form of bonuses or prepayments, so the tables are turned and the hospital is holding money it can use for capital requirements or other needs. Payers are usually not amenable to this, which usually indicates that it's a good thing to do.

Do you see any increased payer regulations in the near future?

Edwards: A major challenge in regulating private health insurance is a lack of consistency in benefits and reimbursement from state to state. The smartest reform on a national level would be to develop a standardized



minimum benefit package across states. But any big state (such as New York or California) has more mandates and a richer minimum benefit package than the smaller states. A minimum benefit package on a national level would be lesser than what California and New York currently receive, so Congressional delegations from the larger states would likely be on board with this type of reform.

For now, until we see if or how health reform will affect the market, is there anything hospitals can do to better negotiate with payers, and how aggressive can or should they be with negotiations?

Edwards: We conduct annual national payer surveys that evaluate major health insurance plans from the hospital executive perspective. From these surveys, we see that hospitals are far too reluctant to terminate contracts that are paying insufficiently, failing to meet up to agreement, or just failing to deliver the reimbursement necessary to a payer of a certain size. Ultimately, hospitals need to be more willing to term contracts and be more willing to live in an out-of-network environment—even for a sustained period—rather than accept inadequate reimbursement, or even adequate reimbursement that just never gets paid.

In addition, we find that when negotiating new contracts, a large part of that negotiation is about settling outstanding A/R on care that has been provided a year or two years prior. We are encouraging our clients to work on collecting money prospectively—taking money in advance, either in the form of bonuses or prepayments, so the tables are turned and the hospital is holding money it can use for capital requirements or other needs. Payers are usually not amenable to this, which usually indicates that it's a good thing to do.

So there are actions hospitals can take now to change their relationship with payers. It's not the easy road, but it is possible, and perhaps necessary until we can fundamentally change the healthcare payment system.