Words From Your President

Diane Maheux, FHFMA

We are seeing changes in both our operating environment and the political landscape. We are seeing changes from volume based reimbursement to value-based care. In this changing landscape in which we operate, we need to be adaptable and flexible to seize new opportunities. Mary Mirabelli, FHFMA, this year’s National HFMA Chair calls for all of us to find a way to thrive in the face of all these changes.

That is the challenge for all of us in healthcare finance. Whether we work for providers, payers, or vendors, we need to be innovative with how we deal with these changes. We are being faced with redesigning our work flows, making do with less, and driving as much cost out of the system as possible.

As an industry we are faced with a changing reimbursement model, but it hasn’t quite changed yet. We have a foot in one canoe (the old reimbursement model) and we have one foot in the new canoe (value based care and population health). How we negotiate the rapids with a foot in each canoe is the opportunity facing us.

As a chapter, we are also facing challenges. Providing affordable, timely, and relevant education to all our members so that they can perform their job functions to the best of their ability is our primary goal. But with employers cutting expenses to maintain positive operating margins by eliminating dues reimbursement, travel and education reimbursement, and even availability to volunteer as we decrease staffing expenses – our chapter has many challenges ahead.

This year, we started off with a HFMA Chapter Advancement Team Consultant assisting our chapter leaders in strategizing on how we can meet our members’ needs as well as the goals for chapter. We met in July and had
a great session on what our chapter and committee goals were and what we need to do to achieve them. We are all devising new ways of thinking so that we can meet our chapter vision – “The New Hampshire/Vermont Chapter of the Healthcare Financial Management Association will be an indispensable resource for healthcare finance.”

However, we do need your help. We are always looking for volunteers! We spent a lot of time redefining roles and expectations of our volunteers. You are all our best resource. We are here to be the resource for all our members, but also need your help to be that resource. If you would like to volunteer and would like to discuss it – please contact me at Diane.Maheux@calaishospital.org I would love to talk to you about the opportunities and connecting you with our committee chairs.

As Robert Gilbert stated last year in his President’s message, the NH/VT HFMA leadership team takes member feedback very seriously. We thank him for his leadership and we thank those of you who took the time last year to fill out the member survey. Again, our leadership team wants to make sure that our members are getting what they need from their membership. Please look for this survey towards the end of September or beginning of October. If you have suggestions or want to participate to make things better please contact any of our chapter leaders and also complete your survey when you receive it via email.

I am truly honored to serve as the 2016-2017 New Hampshire Vermont Chapter President. I look forward to working for you this upcoming year and together we will make it a wonderful year and thrive in this environment!
HFMA CHFP Certification

By Jane Piotrowski, FHFMA

Recently the NH/VT Chapter HFMA Certification Committee hosted a workshop entitled “HFMA CHFP Certification: The New Format and What to Expect”. This workshop was designed to provide insight to the new certification format. There was a presentation on both Module I – The Business of Healthcare and Module II – Operational Excellence and their components. In addition, the YouTube videos for Module I were jointly developed with AZ, CT, and WI Chapters and unveiled to participants at the workshop.

In addition to several of the Committee Members, there were five interested candidates who attended this workshop. These candidates represented multiple organizations throughout the region including Alice Peck Day Memorial Hospital, Catholic Medical Center, and Memorial Hospital. Each candidate came with different backgrounds as well as different paths to the Healthcare industry.

Overall, the workshop was successful and planning is already taking place for another workshop to be held the end of September. Details regarding the date and location will be announced shortly.

Certification via HFMA’s CHFP designation is a valuable component of the healthcare financial professional’s skillset. It is recognized by employers and peers alike and, as the healthcare landscape becomes more competitive, it is important for the financial professional to gain every advantage.

If you are interested in CHFP Certification or any other Certification program offered by HFMA, please feel free to contact one of the Certification Committee members. Anyone of them would be more than happy to assist you in your goal to become Certified.

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Welcome New Members

Jamie Ruel
Executive Assistant; Wentworth-Douglass Hospital

Cristina Matei
Sr. Budget / Reimbursement Analyst; Catholic Medical Center

Stephanie Martin
Sr. Reimbursement Analyst; Cheshire Medical Center

AnnMarie Cuppo
Accounting Manager; Cheshire Medical Center/Dartmouth Hitchcock Keene

Kari Winter
Accountant; Cheshire Medical Center/Dartmouth-Hitchcock Keene

Richard Baker
Vice President Sales; Windham Professionals Inc

Mary Lee Schott
Sr. Finance Analyst; Dartmouth Hitchcock

Stephanie Trefry
Supervisor, Patient Accounts; Conifer Health Solutions

Devon Ferns
Sr. Financial Analyst; Monadnock Community Hospital

Andrea Rathbone
Director, Managed Care and Accountable Care Network Catholic Medical Center

Kelsi West
Graduated Senior; UNH

Patrick Herguth
COO; Q-Centrix

Regina Alexander
Senior Manager; Harvard Pilgrim Health Care

2016-17 HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION

Mary Mirabelli; 2016-17 HFMA National Chair

It’s not what happens to you, but how you react to it that matters.
~ Epictetus, ancient Greek philosopher

Now is a time of transformation in American healthcare—a transformation that will continue to play out over the years to come. During times of change, we can set our sights low and seek only to survive—or we can choose to make the most of a challenging situation—choose to thrive.

Strategic change is not an easy path. Likewise, the roads to personal health and professional success are not without obstacles. But no matter the challenges and adversities you may face, you have a choice. Let obstacles stand in your way—or choose to thrive.

Few of us want to become patients, but most will find ourselves in that role eventually. When your turn comes, make the choice. Allow fear to be your dominant response—or choose to thrive.

For those who have committed their professional lives to healthcare, change is a constant. It is difficult and disruptive. Faced with overwhelming change, you can choose to grumble, choose to wish it away—or choose to thrive.

For healthcare organizations forging a path through the long transition from volume to value, challenges are inevitable. When charting a course through difficult terrain, your organization can get bogged down or look for detours—or choose to thrive.

Choose to thrive and you will be empowered to identify beliefs that may be holding you back...to innovate... and to embrace new chapters in your personal and professional lives.

Be open to change. Never stop learning. Thrive.

Exciting Promotion for New Members!

Join HFMA before September 30, 2016 and receive a $100 discount off regular dues. Your discounted dues will give you full membership through May 31, 2017 (the end of our chapter year), a subscription to hfm magazine, reduced (or free) registration fees for educational offerings, networking opportunities, and a plethora of chances to develop skills that may not be in your wheelhouse today.

Join us in a fellowship that extends beyond the NH/VT state borders.

For more information, email susan.m.rhinehart@hitchcock.org, judith.a.deavers@hitchcock.org, or go to www.hfma.org.
The new CHFP is geared toward financial professionals, clinical and nonclinical leaders, and payers – all those whose jobs require a deep understanding of the new financial realities of health care. This CHFP program was updated to provide the broad range of business and financial skills essential for succeeding in today’s high-value healthcare environment.

NH/VT joined forces with certification leaders of AZ, CT, and WI chapters to organize a joint educational program to teach the certification lessons for Module I. The lessons may be used in any order and for any length of time as determined by the participant. The lessons identify key concepts, terms, and applications that you must know for the end-of-module examination (This is Exam No. I) Use the resources available to you:

► The newly-designed program provides FREE coaching lessons, using subject matter experts to present test topics. We provide six pre-recorded coaching sessions for the Module I lessons.
► We provide members a $250 incentive payment to help defray your cost of the elearning material. The incentive payment is made after two successful exams!
► We made the lessons available 24/7 on YouTube or you can access the lessons using our website. We have a link on our home page, NHVTHFMA.org, that brings you to each lesson.
► After you’ve viewed the YouTube lesson, please take a minute to ‘test your knowledge’ by taking a very brief survey. Each lesson has its own Quiz for Module I and there is a link on our home page of NHVTHFMA.org. The survey is confidential and it will provide the NH/VT chapter with credit for educational hours.
► We offer resources for Module I on the home page of our chapter website. Look for:
  • Learners Guide 2015. Use it as you review each lesson.
  • Sample exam questions 2015 – Module I. There are 51 sample exam questions.
  • Each lesson presentation is available for note taking since we all learn differently.
► We offer resources for Module II on the home page for our chapter website as well. Be the person who functions productively in multidisciplinary teams and be business savvy. This is Big-Picture enabling you to recognize current HC business practices. You will apply concepts you learned in Module I. (This is Exam No. 2) Look for:
  • 19 articles from hfm magazine
  • Module II – 3 Sample Exam Case Studies / Questions

If you’re interested in the CHFP program, attend a Certification workshop. We explain the two-part Structure of the program and the elearning HFMA resources. Watch for news on our next workshop being held at the end of September. Also, if you would like to host a workshop at work, contact a Certification Chair: Diane.Blaha@gmail.com or Peter.Smith@wdhospital.com.
The 2015/2016 legislature finished their work on June 16, 2016. While this session was not a budget year, it was extremely busy and actually began early with the **Joint Task Force on Heroin and Opioid Epidemic** convening in December 2015. There were dozens of proposed bills related to the opioid/heroin crisis that were considered during the task force deliberations and all were introduced as bills with many being expedited for hearings in January.

The reauthorization of the **New Hampshire Health Protection Plan** was a high priority for many legislative leaders as well as the Governor. With many stakeholders’ active advocacy, led by the hospitals, the effort paid off with the reauthorization of the New Hampshire Health Protection Plan bill being signed into law by Governor Hassan in April.

The June 30, 2016 sunset date of the Certificate of Need program prompted the NHHA to develop an alternative proposal with a focus on patient safety and quality. **The Special Health Care Service License bill**, SB 481, amends the existing health facility licensing statute to protect public safety, assure access to essential health care services, and ensures the quality and safety for patients receiving each special health care service. The bill was signed into law became effective on July 1, 2016.

The **NH Health Care Quality Commission** was extended for another five years and the legislation added two additional public members to the commission. The commission has had enormous success in implementing statewide patient safety programs in our facilities and achieving measureable improvements in adopting processes known to prevent patient harm.

Use the links below for a downloadable list of all new state laws affecting hospitals as a result of the 2016 NH Legislative Session.

**New State Laws Affecting Hospitals 2016 New Hampshire Legislation**
Whether you work at a hospital, health system, physician practice, or payer, HFMA keeps you informed on fast-moving developments in healthcare finance. Member events, publications, seminars, and online tools identify best practices, and help you manage change.

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Predictive Analytics in the Revenue Cycle

Contributors: Tom Lazenby, Clair Krigline Flores, and Jorge Alvarez

Introduction

Predictive analytics are not a new phenomenon in the business world, but large-scale adoption has been slower in the healthcare industry than in other industries. More recently, predictive analytics has become a hot topic due to advances in technology and mounting financial challenges for healthcare organizations.

Innovative leaders are seeking ways to leverage predictive analytics to understand how data can help predict clinical outcomes, help providers assign correct diagnoses, get a claim paid faster or increase the chance a claim is paid.

As healthcare organizations strive to optimize their revenue cycle operations, they are moving away from utilizing only descriptive analytics and evaluating the possibility of incorporating predictive analytics into their daily business operations.

In the past, providers relied heavily on descriptive analytics. Descriptive analytics use historical data to tell the organization what has happened. With descriptive analytics, massive amounts of historical data are condensed into smaller, more useful information.

The next step for businesses is to understand what might happen, and this is where predictive analytics are utilized. Predictive analytics use historical data, machine learning, and statistics to predict what might happen in the future.

Healthcare providers are finding both clinical and financial applications for predictive analytics. One clinical application that has yielded promising results is in the area of readmissions. Some organizations are leveraging predictive analytics to stratify patients based on illness and predict risk levels for readmission.

Through this process, the EMR prompts clinicians to ask certain questions or follow a particular plan of care. These additional questions are intended to provide a more complete picture of the patient’s health and ultimately, reduce readmissions.

As another example, one particular medical group is utilizing predictive analytics to lower hospital readmissions based on staff developed algorithms and formulas, where patients are identified as high, medium, or low risk of readmission. Their EMR has been configured to try and identify factors for future health patterns that may not appear in standard records. As a result, their readmission rate dropped below 2% after implementing the model.

This and other predictive analytics can be employed more generally to the surrounding market to identify the most profitable referral sources or optimize outreach programs to activate inactive patients with chronic conditions.

As an example of the latter, PwC has developed a predictive model of human physiology and behavior. BodylogicalTM simulates the likely progression and impact of chronic diseases in the future, based on lifestyle decisions made today. The goal being to understand not only who are the sickest individuals (and where they live) but also who are the most likely to respond to outreach.

This analytics-enabled, individualized understanding of the market is critical for effectively (and profitably) managing a patient population. Indeed, predictive analytics can have significant upstream, as well as downstream, impact.

Continued, next page
Predictive Analytics in Denials Remediation

Healthcare organizations are also finding financial applications for predictive analytics in areas such as insurance claim denials and patient propensity to pay. Denials cost healthcare providers millions of dollars and require substantial employee effort to address.

Many providers are turning to predictive analytics to decrease their denial costs. Using historical data to predict likelihood that a claim pays, amount of payment, and timing of payment can help allocate scarce resources to the claims that are most likely to have the biggest financial impact for the organization.

Another example of where predictive analytics can provide value is through the medical record request process. Let’s say, for example, that an oncology group routinely administers one drug for a specific type of diagnosis. The group has implemented a predictive analytics tool, and when the provider goes into the medical record to assign this treatment plan for the patient, a pop-up notifies him or her that the insurance company has denied a large percentage of these claims due to the need for medical records. This information is then relayed to the revenue cycle department so it can remediate the issue prior to claim processing, as opposed to delaying the process and increasing days in AR.

Another potential application could relate to denials for specific drugs. What if the physician was notified that reimbursement for a specific drug was being denied a substantial percentage of the time? The physician could then make a medical decision to prescribe an alternative and more readily available drug. This scenario is more complicated because it involves medical decision making, but still needs to be considered in tandem with what is best for the patient to avoid lost reimbursement.

Predictive Analytics in Patient Payments

Patient propensity to pay is another area that is being targeted with predictive analytics. Patient responsibility is a hot topic in the healthcare industry, largely due to the increase of high deductible plans in the market, and point of service collections are becoming a greater focus for many organizations. Illustrating this point is the estimate that it takes 3.3 statements, on average, to get a patient to pay their balance in full, or about 100 days. Once the balance is categorized as bad debt, it is estimated that providers will only collect $15.77 on every $100.

The likelihood of patient payment can be very difficult to determine, as a facesheet does not detail the patient’s financial ability to pay. This is where predictive analytics can provide value. There are tools in the market that will run ‘soft’ credit checks to evaluate the patient’s ability to pay based on public information, such as car or home loan repayments, healthcare payment history, etc.

Notably, these checks do not impact the patient’s credit score. As part of the financial clearance process, these tools identify patients with a low ability to pay prior to services being rendered. These tools do not target patients for payments, but provide the organization an ability to identify patients for customized financial repayment plans prior to services being rendered. The organization should include patient advocates, if available, to help build trust among patients. This creates a more positive experience for patients and increases their likelihood of paying in a timely fashion.

**Software Tools Using Predictive Analytics in the Revenue Cycle**

There are multiple tools in the market to help organizations improve their revenue cycle activities through predictive analytics. One example is an add-on software tool that compliments a health system’s current denials management program and utilizes predictive modeling to highlight initial denials issues and provide benchmarking at both the payer and competitor levels.

Another example is a software tool that helps estimate patients’ propensity to pay utilizing soft credit checks, healthcare credit scores, patient financial snapshots, etc. to effectively screen patients. This financial scoring software helps enable 501(r) compliance by verifying the healthcare organization’s Financial Assistance Policies are consistently followed by all applicable staff for all patients. Training is provided on the tools in the software, as well as on the soft skills required to effectively and respectfully collect patient payment.

**Risks**

With any new tool or analytical framework, there are always risks and limitations. “Garbage in, garbage out” is an axiom warning that predictive analytics are only as accurate as the data underlying the analysis. If data’s accuracy is questionable, then the direction provided by predictive analysis cannot be reliable.

Furthermore, it is important to note that predictions are not certainties. There is no 100% guarantee that predictive analysis will provide organizations with the right answer, each and every time. However, if used with the appropriate caution, predictive analytics have been shown to improve quality and financial performance for organizations in specific areas.

**Conclusion**

In conclusion, the use of predictive analytics is becoming increasingly important to effectively manage and optimize revenue cycle performance. The potential for business performance improvements in the healthcare industry is exciting, but technologies and vendor products will take time to mature. Early adopters are likely to gain competitive advantage over their peers, but investments in time and resources will be required.
We hope you will join us for one or more of these upcoming events. For more information, click the links below, or visit nhvthfma.org/events.

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<th>EVENT</th>
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<td><strong>REGISTER TODAY! Today and Tomorrow, Trends in Healthcare Reimbursement</strong></td>
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<td><strong>REGISTER TODAY! How Do You Do This in Excel?</strong></td>
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<td><strong>REGISTER TODAY! Data, Privacy, and Cybersecurity in the Healthcare World</strong></td>
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<td><strong>REGISTER TODAY! Cost Reporting – Beginning</strong></td>
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<td><strong>REGISTER TODAY! The Two Most Important Excel Functions for Accountants</strong></td>
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<td><strong>SAVE THE DATE Annual Revenue Cycle Institute</strong></td>
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Accounting Corner

Written by Joseph Lopatosky, CPA, CliftonLarsonAllen LLP and W. Karl Baker, CPA, CliftonLarsonAllen LLP

Revenue Recognition Standards Continue to Evolve

As I look ahead to the end of the year, I pause to think of this summer and reflect on the fact that it has not been lacking for water-cooler talk: the 2016 election and the circus that surrounds it; Rio, the Olympics, and Zika; drought-like conditions in New England; and revenue recognition?

While many of us have planned our time off and tried to keep up with the many major news items this summer, there has been some movement and activity with the revenue recognition standard. It was only this time last year that we were thankful for some extra breathing room when ASU 2015-14 extended the effective dates for all entities by one year. However, since March of this year the Financial Accounting Standards Board (FASB) has released the following Accounting Standard Updates related to revenue recognition:

► Update 2016-08—Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)
► Update 2016-10—Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing
► Update 2016-11 – Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815)
► Update 2016-12—Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients

Additionally, the Health Care Entities Revenue Recognition Task Force formed by the AICPA has been working to address the plethora of issues unique to health care that will arise. They have put out working drafts to address some of the implementation issues that health care entities will face.

This column aims to remind the reader of what will be updated, provide some insight from the Task Force, and summarize what effects the most recent Accounting Standard Updates will bring.

The Revenue Recognition Standard

The core principle of the evolving standard is that an entity should recognize revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or performance of those services. This is accomplished with a five-step model for revenue recognition:

► Step 1: Identify the contract(s) with the customer.
► Step 2: Identify the performance obligations in the contract.
► Step 3: Determine the transaction price.
► Step 4: Allocate the transaction price to the performance obligations in the contract.
► Step 5: Recognize revenue as the entity satisfies a performance obligation.

An entity should recognize revenue when it satisfies a performance obligation by transferring a good or performing a service. If the entity does not satisfy a performance obligation over time, it is satisfied at one point in time.

Continued, next page
Health Care Considerations

All industries are dealing with what effects the evolving standard will bring them. Common issues facing healthcare entities are the different payment methodologies (think fee-for-service, per diem, episodic, and capitation), all of which have their unique circumstances which need to be taken into consideration when evaluating the five steps noted above. The Task Force has released working drafts for implementing steps 1 and 3 of what may end up in the revenue recognition guide. Some of the issues brought up in more detail are the uncertainty of contracts and transaction pricing.

One of the challenges that hospitals in particular face is determining if an enforceable contract exists with patients that come in, whether written or oral. Organizations must determine whether a written contract may exist when a patient signs forms, but may also consider whether an oral contract may exist based upon customary business practices. These issues are brought to the forefront for organizations that offer emergency services, of which patients may be brought in unconscious or against their will. Legal counsel is necessary to help craft these policies for all organizations.

Another obstacle the organizations will face will be determining if a patient is committed to perform his/her obligations and if it is probable that the organization will collect substantially all of the consideration to which it expects to be entitled. Uninsured and/or private patients stand out with regards to this. A contract cannot be considered to be in place until a determination has been made, which may often come after services have been provided. In these situations, it may be most prudent to rely upon the organization's historical information to classify the individual as probable for qualifying for Medicaid (Medicaid Pending), whether he/she may qualify under its charity care policy, or become an uninsured private pay. Determining the transaction price is an issue that is more unique to the health care industry. Aside from the different payment methodologies employed for different payer sources, organizations must determine if it is probable that they will collect substantially all of the consideration to which they will be entitled. If an estimate of variable consideration is included in the transaction price (such as a price concession), the recorded transaction price may be less than the stated price in the contract. Organizations must evaluate all information that is reasonably available, which includes historical, current, and forecasted amounts. Organizations should consider the historical cash collections from identified customer classes to estimate the transaction price for a patient for a service, which ultimately is how much the organization expects to be entitled to for the services provided.

This section is intended to provide some examples of what is currently being discussed for the revenue recognition guide. The current working draft is designed to assist organizations in implementing the revenue standard and goes into more depth for particular issues that are common within the industry. The comment period closed on September 1, and is subject to revision based upon responses.

Accounting Standards Updates

Several updates have been released this year as FASB continues to respond to feedback it receives. Although the updates don’t bring sweeping changes, they merit bringing up to create awareness of how it continues to evolve.

ASU 2016-08

This update is meant to clarify principals vs. agents and how they should be applying the standards. When more than one party is involved in providing goods or services to a customer, organizations are required to determine whether the nature of its promise is to provide the specified good or service itself (as a principal) or to arrange for that good or service to be provided by another party (as an agent). For those that are determined to be principals, revenue is recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred to the customer. Those that are determined to be agents recognize revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified good or service to be provided by the principal.
This update provides guidance on determining whether an organization's promise to grant a license provides customers with either a right to use the intellectual property or a right to access the intellectual property. This determination will translate to whether revenue is recognized at one point in time or over a period of time.

**ASU 2016-12**

This update updates a number of provisions of the original ASU 2014-09:

- Clarifies collectability criteria and whether contracts are valid
- Permits organizations to elect an accounting policy that excludes amounts collected for sales taxes from the transaction price
- Specifies the date of contract inception as the measurement date for noncash consideration
- Provides a practical expedient that, upon adoption, allows an organization to reflect the aggregate effect of all modifications that occur prior to the beginning of the earliest period presented in its financial statements
- Clarifies the financial presentation for prior periods upon adoption

**Effective Dates**

As a result of ASU 2015-14, the effective dates were revised so that public entities and not-for-profit conduit bond obligors must apply the guidance for annual periods beginning after December 15, 2017, including interim periods within that reporting period. All other entities must apply the guidance for annual periods beginning after December 15, 2018, and interim periods within annual reports beginning after December 15, 2019. Early application is permitted only as of annual reporting periods beginning after December 15, 2016. As time passes and we are provided further updates, continue to work with individuals in your organization to monitor guidance of the evolving recognition process and their effects on identified contracts and new systems.

Contact us with questions about these or any other accounting matters you may have.

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