The Centers for Medicare & Medicaid Services (CMS) released its Medicare hospital inpatient prospective payment system final rule for fiscal year 2007 on August 1. The rule includes significant technical corrections and changes in methodology for the diagnosis-related group (DRG) provisions that the American Hospital Association (AHA) recommended following publication of the proposed rule in April.

While the final rule moves from charge-based to cost-based DRG weights, the new weights will be phased in over three years, as recommend by the AHA. During FY 2007, which begins October 1, just 33% of the DRG weight will be based on the new methodology, while the remainder will be based on the old methodology. CMS has also decided against adopting its full expanded DRG set for Fiscal Year 2007. The rule creates only 20 new DRG groupings for the coming year, bringing the total to 546 instead of the 861 severity-adjusted groupings that the agency first proposed. CMS says that it will conduct an evaluation with public comments on alternative severity-adjustment systems for implementation in FY 2008.

In addition, CMS will add 12 new quality indicators, requiring hospitals to submit data on 22 specific quality measures as the qualifier for receiving a full 3.5% payment update for FY 2007. Actually, CMS will expect hospitals to submit data on the previously required 10 quality measures and pledge to report on the 12 new measures, but they won’t need to retroactively collect data for the new measures back to January 1, 2006. Instead, submission of data for those new measures now will begin with patients discharged on or after July 1 (another AHA recommendation). Hospitals that do not report on the measures will receive a 1.5% update, which equals the market basket minus 2.0%.

Other highlights of the final rule include an increase of the outlier threshold from $23,600 to $24,275 and the implementation of the Medicare occupational mix adjustments using data that was collected in June. Since the final occupational mix data wasn’t transmitted from the fiscal intermediaries to CMS until July 27, the final wage index tables are not included in the rule. CMS will publish the final tables in a separate Federal Register notice and on its Web site sometime before October 1.


Like it or not, healthcare has become a business. Resources are scarce and stretched to the breaking point. Doing more with less is routine, and the need for sound business/financial management tools — survival skills — is paramount. Those tools, such as planning and budgeting, financial analysis and resource maximization, are essential if managers are to achieve the institution’s mission and contribute to “bottom line” results.

The Arkansas Hospital Association (AHA), as part of its 2006 Mid-Management Certificate Series for Supervisors and Managers, will present “Financial Skills for Healthcare Managers, Parts I and II” on August 24 and 25 at the Holiday Inn Select in Little Rock. Facilitator Bill
Ward will offer healthcare managers the business/financial tools they need to manage scarce resources more effectively in an era of cost containment and managed care.

In addition, Ward will discuss in Part II more in-depth problem-solving skills. Often managers can identify opportunities or solutions to problems, but lack the business know-how to demonstrate return on investment, break-even point and more. At the conclusion of each program, attendees will receive a complimentary copy of *Financial Models for Better Decision Making* with templates to assist in preparing multi-year marginal P&L analysis, benefit, cost ratio analysis and break-even analysis.

The programs are the fourth and fifth in a series of eight programs in the Mid-Management Certificate Series, which builds on the premise that managers represent the hospital and are the primary factor for determining an employee’s desire to work for that hospital. At the same time, the AHA understands that individuals who move into management positions want to succeed and do well, yet often have had little assistance in developing leadership skills and competencies.

Program and registration information are available at [http://www.arkhospitals.org/calendareducworkshops.htm](http://www.arkhospitals.org/calendareducworkshops.htm). Please contact Beth Ingram at (501) 224-7878 for additional information.

Joe Thompson, MD, the state’s Surgeon General and Director of the Arkansas Center for Health Improvement, will be the featured speaker at the Arkansas Health Executives Forum’s (AHEF) fall meeting on Thursday, September 7. Dr. Thompson will discuss various state health initiatives and share his thoughts on the state’s growing uninsured population. The luncheon meeting begins at 11:30 a.m. in the Terrace Room at St. Vincent Infirmary Medical Center in Little Rock.

In addition, a special ACHE advancement session will be held from 10 – 11:30 a.m. in the Southwestern Bell Room at St. Vincent. John Robbins, FACHE, Arkansas’ ACHE Regent, will make comments during the advancement session. The following panelists will offer insight into the ACHE advancement process:

- Chris Barber, FACHE, Administrator, St. Bernards Medical Center, Jonesboro
- Ken Haynes, CHE, Interim President/CEO, St. Vincent Health System, Little Rock
- Christy Hockaday, FACHE, Corporate Director, Business Development and Administrative Services, Conway Regional Health System
- Jimmy Leopard, CEO, Medical Park Hospital, Hope

To register for the luncheon, the advancement session or both sessions, call Beth Ingram at (501) 224-7878 or email her at bingram@arkhospitals.org. There is no charge for AHEF members. The fee for non-members is $10. Information about the meeting, along with a copy of the AHEF membership application, was distributed in a July 27 email. There will be no charge for individuals submitting applications and joining AHEF prior to the meeting.

Last fall, the CHRISTUS Health System responded to many families made homeless by Hurricane Katrina, even opening a 250-bed facility for elder care. Soon thereafter, the System was significantly compromised by Hurricane Rita. Dr. Thomas Royer, president of CHRISTUS Health, is the featured speaker for the October 5 American College of
Healthcare Executives/Arkansas Health Executives Forum breakfast during the Arkansas Hospital Association’s (AHA) 76th Annual Meeting October 4-6 at The Peabody Little Rock.

Dr. Royer will review how the CHRISTUS family responded to these storms and the natural chaos they initiated. In his presentation, hospital administrators and CEOs will be reminded of their very important role in hospital disaster preparedness activities. For a copy of the annual meeting program and registration brochure, call the AHA at (501) 224-7878 or click on http://www.arkhospitals.org/calendar.htm.

Arkansas DHHS Grand Rounds Session

The Arkansas Department of Health and Human Services, Division of Health, continues its “Public Health Grand Rounds” offerings this week with “Children and Disasters: Are We Prepared?” The one-hour presentation by James Graham, MD, Professor of Pediatrics and Chief of the Section of Pediatric Emergency Medicine at the University of Arkansas for Medical Sciences’ College of Medicine and Arkansas Children’s Hospital, will begin at 8:00 a.m. on Thursday, August 10 in DHS’ Division of Health Auditorium, located at 4815 West Markham in Little Rock.

The Grand Rounds series features real-world case studies; the interactive lectures offer continuing education credits for physicians, nurses, pharmacists, nutritionists/dieticians, EMTs, social workers and health educators. For details, contact Louise Massey, conference coordinator, at (501) 661-2398.

2006 Rural Telecommunications Congress

Central Arkansas will play host this fall to the 10th Annual Conference of the Rural Telecommunications Congress. The meeting is scheduled for October 22-25, 2006 at the Wyndam Hotel in North Little Rock. This conference convenes hundreds of small and rural business owners, officials from local, state, and federal agencies, as well as professionals from the fields of telehealth, distance learning, community economic development, e-government and public policy. Special topics will be of interest to:

- Critical Access and Rural Hospitals
- State CIOs
- Health information technology professionals
- Community and economic development professionals
- Universities and community colleges
- Rural emergency management professionals
- State and rural RHIO executives

Rural Telecon ’06 will feature success stories based around communities that have transitioned themselves using enhanced telecommunication services. Experts on programs and development issues will focus on best case practices and what tools are needed in a community’s toolbox that will demonstrate to rural developers, businesses and others that their community is able to embrace the new emerging rural economic activities needed to support today’s economic development.

Go to http://bringemback.us/files/rtc/index.htm for details about the conference and registration policies.
Rehab Final Rule Released

The Centers for Medicare and Medicaid Services issued an August 1 final rule for Fiscal Year 2007 for inpatient rehabilitation facility Medicare prospective payment system. A preliminary review of the rule finds a 3.3% market basket update, as required by law (0.1% less than proposed); a slight increase in the outlier threshold from $5,129 to $5,534 ($75 less than proposed); and a payment cut of 2.6% to adjust for coding (0.3% less than proposed).

Don May, American Hospital Association (AHA) vice president of policy, said the association “is disappointed by the 2.6% reduction in the final rule, since it will place additional strain on the inpatient rehabilitation field and further reduce access to care. This cut is excessive and unwarranted.” The AHA will continue to review the rule and will provide a Regulatory Advisory to members soon. A display version of the rule can be found at http://www.cms.hhs.gov/InpatientRehabFacPPS/, and a final version will be published soon in the Federal Register.

All About Arkansas

(Little Rock) St. Vincent Health System (SVHS) officials announced last week plans for the facility’s largest expansion in almost 30 years. Work is expected to begin in early 2007 on the $40 million project that includes a new emergency care facility that will almost double the size of the current emergency department and improvements for the system’s Jack Stephens Heart Center and its St. Vincent Orthopedic Center. In addition, SVHS will expand critical care and surgery units, add new patient rooms and renovate existing patient rooms. All work should be completed by the end of 2009.

(Magnolia) Magnolia Hospital formally introduced its new outpatient rehabilitation center with a June 25 open house. The 10,000 square-foot LifeSmart Center includes new space for physical and occupational therapy and speech pathology services, nutritional counseling, a weight management program, a diabetes education program and a diabetic support group.

(Malvern) HSC Medical Center has initiated a new mobile technology program aimed at helping the hospital move to a paperless records system. Using the new system, physicians and nurses will be able to access patient records at bedside via a computer on wheels outfitted with wireless technology. The mobile computers can be moved among different areas of the hospital. Therefore, patient records will be available instantly wherever the patient is being seen, will include all pertinent information about the patient from the hospital admission to discharge and will contain results from tests that patients received in their physician’s office.

The AHA Calendar

August 2006

7-10 Annual Arkansas Statewide Preparedness Conference, Embassy Suites, Little Rock
11 AHA Board of Directors, AHA Headquarters, Little Rock
16 Arkansas Continuous Service Readiness (CSR) Workshop, Holiday Inn Select, Little Rock (CSR member hospitals only)
16 Compliance Forum Workshop, Embassy Suites, Little Rock
16-18 HFMA (Financial Management), Arlington Hotel, Hot Springs
22 Audio Conference: Preventing Infections in Patients and Staff: Your Role as Support Staff
24 Audio Conference: HCPCS Coding: Ensuring Accuracy and Compliance
24 Financial Skills for Managers (Mid-Management Certificate Series), Holiday Inn Select, Little Rock