

The Buckeye Connection



Summer 2003



hfma

healthcare financial management association



hfma:
it's personal



Inside This Issue

President's Message	1
Medical Resident FICA	4
Financial Statements	6
Career Corner	7
Mark Your Calendar	10

Interested in assisting with the newsletter? Please contact Tara -Ann McElhearn (229-5165) or Johanna Matheny (233-5617).

President's Message

HFMA, Its Personal!

By: Luke Brown, President, Central Ohio Chapter

Dear Chapter Members:

Greetings to all and welcome to the 2003-2004 chapter year! For those of you who don't know me, briefly: I am Vice President and Controller of the Children's Hospital in Columbus, and a proud husband and father of three children. Unbeknownst to my wife, I am honing my golf game for stardom on the Senior PGA Tour in 2012 (that is an approximate date, of course).

As many of you know, the theme selected for the 2003-2004 year by the National Chairman of the HFMA Board of Directors, Dave Canfield, is: HFMA, Its Personal. **I would like to take a few paragraphs to tell you what that means to me.**

I feel strongly that HFMA membership should provide all members with the opportunity to develop professionally from quality educational experiences. In addition to the robust calendar of educational events provided by National, our chapter program committee has worked hard this summer to provide you with what we hope are popular, high-quality educational events at the local level. If you're not satisfied with the content and/or frequency of our educational events, please provide us with suggestions for improvement

President's Message (continued)

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Craig Bjerke, Chairperson

CERTIFICATION COMMITTEE

Eric L. Young, Chairperson

when we distribute the annual survey asking for your opinions this winter.

In addition, I believe that tremendous value exists in the ability for us to network with each other at the various educational and social events hosted by National and the Central Ohio chapter each year. I've seen great benefits derived from the peer-to-peer exchange of ideas and information that occur in these settings. Perhaps as importantly, the relationships established at various meetings and events are those that can last a lifetime. I encourage all of you to participate fully in this aspect of the HFMA experience.

Lastly, I would like to put a plug in for the rewards associated with active involvement in local chapter affairs. I'll be the first one to tell you that the rewards associated with whatever activity you choose (committee involvement through chapter leadership) do not come without a measure of "pain and suffering". However, the National office of HFMA is only staffed with approximately 80 folks, so for the organization to succeed, it is essential that local volunteers contribute their time and talents. If you enjoy the spirit of volunteerism, I urge you to consider become active in chapter operations. Feel free to contact myself, another chapter officer, or any committee chairman, should this suggestion be of interest to you.

I look forward to seeing you at one of our upcoming events!

*What's
New?*

**We want
to know
what's new
with you.**

Remember to keep National HFMA informed whenever you:

- get promoted
- move to a new organization
- get a new business address
- move to a new home
- work for a different department, unit, etc.
- anything new about you or your organization

To receive a Member Record Update Form and instructions, call Fax-It, 800/839-HFMA, and request document no. 200002.

Or call HFMA's Member Service Center at 800/252-HFMA, ext. 350.

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Medical Resident FICA

Johanna Matheny, Ernst & Young

The question of the day on medical residents' minds, as well as that of their employers, is whether they are exempt from FICA tax. Many hospitals and residents have been waiting for more than four years for the IRS to make a determination regarding possible refunds. Why has this issue been hotly debated between the IRS and Hospital-based residency programs? It's no small amount of cash.

Just to give you an idea, a hospital with 50 medical residents spends approximately \$130,000 per year by paying the employer portion of FICA tax on behalf of its medical resident. The resident pays approximately \$2,600 during the year on FICA tax. It may not seem like much to the average executive. To a resident making an average of \$35,000 a year with \$100,000 of school loans to repay, every penny in present value counts. Especially to a group of residents who are pessimistic about the future of social security! And with the thousands of medical residents in residency programs, it isn't hard to understand the IRS' reluctance to throw in the towel and fork over the cash.

Recently, the Mayo Foundation won a significant victory over the IRS for a refund of FICA tax paid on behalf of its medical residents from 1994 through 1996. The definitions of *student* and *educational institution* played heavily in the Court's decision. For years the IRS has espoused that if an organization is not an educational institution as defined in the Internal Revenue Code section 170(b)(1)(A)(ii), then the medical resident could not be a "student" as defined in Internal Revenue Code section 3121(b)(10), which provides for the student FICA exemption. The 8th Circuit Court disagreed. The Foundation, in its argument, cited Webster's definition of *school*, *college* and *university*. The Foundation successfully argued that in light of the educational activities conducted in its residency program, it met the definition of *school* in its commonly accepted sense and that its' residents were, in fact, students pursuing a course of study. *United*

States v. Mayo Foundation for Medical Education and Research, and Mayo Foundation, 2003 U.S. Dist.; 2003-2 U.S. Tax Case.

Interestingly, the court also found that the residents did in fact attend classes because the Foundation "defined the subject matter areas to be covered in a residency program through a schedule of rotations, and the residents' performance in each subject matter rotation was evaluated, graded, and recorded on the residents' transcripts." In addition to clinical rotations, residents were assigned readings from textbooks and journals on the subject matter of their current rotation and required to attend approximately 900 lectures and conferences throughout the three-year residency. Other evidence included: 1) residents of the Foundation were per se "enrolled" as their admission was based on merit, taking into account the resident's background, education, training, recommendations and interviews; 2) patient care services were incidental to and for the purpose of pursuing post-graduate education training; 3) the Foundation and its committees sought to ensure that education not service was the focus of the residents' training; and 4) the Foundation assessed the achievement of its residents through clinical evaluations conducted by staff physicians. The court held that the Foundation established by a preponderance of the evidence that the residents' purpose of participating in the residency programs was for education and not for the stipends.

While the Mayo case is an encouraging development, the issue is far from over leaving several millions of dollars in limbo for hospitals and medical residents nationwide. The decision was heavily weighted on Mayo's facts and circumstances. The IRS has also yet to announce whether it will appeal the decision made by the 8th Circuit Court. The case is nonetheless encouragement for hospitals to evaluate their residency programs and possibly file refund claims for calendar year 2000 by April 15th, 2004 to protect their right to a potential refund of the FICA taxes paid.

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To learn more, call George Gevas at **463-7346**. If now's not a good time, in the morning will do. Just tell us where it hurts, and we'll show you how we can help.

National City Bank

Call us in the morning.
(Aspirin optional)



Member FDIC

HFMA Financial Statements

Income Statements HFMA - Central Ohio Chapter 5/31/03

	Year ended 5/31/02	Year ended 5/31/03
Income		
Dues rebated from National	\$ 4,360	\$ 4,738
Chapter meetings	5,639	19,236
Sponsorship revenue	9,135	23,680
Newsletter advertising revenue	2,363	1,350
Membership directory revenue	2,100	1,800
Interest	-	97
Total income	23,597	50,901
Expenses		
Meeting/education program expense	13,334	32,933
Newsletter printing/copying	-	-
Membership directory printing/copying	4,170	4,450
Board/Committee meetings and travel	4,577	3,191
Administrative and other	477	97
Total expenses	22,558	40,671
Income over expenses	\$ 1,039	\$ 10,230

Balance Sheets HFMA - Central Ohio Chapter 5/31/03

	5/31/02	5/31/03
Assets		
Cash and cash equivalents	\$ 5,904	\$ 13,776
Savings accounts	17,829	17,926
Accounts receivable	1,750	11,265
Total assets	\$ 25,483	\$ 42,967
Liabilities and Chapter Equity		
Accounts payable	\$ 1,000	\$ 10,498
Deferred revenue	2,850	605
Chapter Equity	21,633	31,864
Total liabilities and chapter equity	\$ 25,483	\$ 42,967

CHIEF FINANCIAL OFFICER

The CFO will be a key member of the Executive Management team, responsible for assuring the successful integration of both assets and systems to assure the commercial success and growth of the organization. This person must interact with all operational groups within the organization and outside vendors and clients, this individual will be responsible for establishing financial policies and systems as well as identifying and evaluating fundamental financial issues through the assessment and analysis of intangible variable factors. Relies on extensive experience and judgment to plan and accomplish goals. Leads and directs the work of others. This position reports to the President and Chief Executive Officer.

A college degree in business or accounting/finance is required, an MBA and CPA desirable. The successful candidate must have at least 10 - 15 years experience financial management. Experience in financial management in a public company is required. This individual should have excellent presentation, decision-making, organization and time management skills. He/she must have technical and comprehensive knowledge of all finance, financial planning, accounting and tax areas of a business, as well as thorough knowledge of SEC and IRS reporting requirements. This individual must also have complete familiarity with Macintosh or PC financial and analysis software.

Please contact Sam McAninch, (614) 543-8141, smcaninch@tirogroup.com for more information.

AMBULANCE


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[Cost Control and Six Sigma: Using Process Redesign to Reduce Operating Costs](#)

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[Turning Data into Useful Information: How to Effectively Collect, Analyze and Report Financial and Clinical Data to Enhance Decision-Making in Health Care](#)

[Charting Your Course through Hospital Medicare Cost Reporting](#)

[Emergency Department: APCs, Compliance and EMTALA](#)

THREE AMAZING LOCATIONS!

Atlanta: October 27-30

Phoenix: November 17-20

Chicago: December 8-11

REGISTER TODAY!

Complete the **2003 Fall Seminar Series registration form** and secure your spot...

By Mail : HFMA, Dept. 77-6063, Chicago, IL 60678-6063

By Fax : 708-531-0665

By Phone : 1- 800-252-4362, ext. 2

By Internet: Register at www.hfma.org/seminars and save \$75 off your registration total.

Mark Your Calendar

Fall Golf Outing

Zanesville Country Club
October 6

OHA Medicare/Medicaid Seminar

October 8

Revenue Cycle Education Seminar

With Happy Hour to Follow Seminar
Mid-October

OSCPA Healthcare Conference

November 18 & 19

NCAA Tournament

With Morning Education Session
(topic TBD)
March 19

Finance 101 Education Seminar

With Social Event on the 29th
April 29 & 30

Spring Golf Outing

Tentatively June 1, 2004
Location TBA



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The statements and opinions appearing in articles are those of the authors and not necessarily those of the Central Ohio Chapter HFMA. The staff believes that the contents of *The Buckeye Connection* are interesting and thought provoking, but the staff has no authority to speak for the Officers or Board of Directors of the Central Ohio Chapter HFMA. Readers are invited to comment on the opinions the authors express. Letters to the editors are invited but subject to condensation and editing. All rights reserved.

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