

HCCA COMPLIANCE TODAY

Volume Eleven
Number Six
June 2009
Published Monthly



HEALTH CARE
COMPLIANCE
ASSOCIATION

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CPA, CFE, CHC
MANAGING DIRECTOR AND
FOUNDER OF ATOLL ~
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Letter from the CEO

First-quarter economic update

Many association CEOs use their monthly columns (like this one) to tell you about all of the great accomplishments and exciting things coming your way. Personally, I believe we should not claim that we have great accomplishments, but rather we should spend our time achieving great accomplishments. We should let our accomplishments speak for themselves. Just for the record, I think our organization is amazing and we have many great accomplishments. Despite the fact that we are proud of where we are, we are perennially dissatisfied and always want more. So, we continue to do what we can to improve.

That said, and given the economy, I think that it is important for me to tell you how we are doing. My typical column about the state of affairs of the compliance profession and the state of compliance programs will have to wait for a month.

If I were you, I would be concerned. Many organizations are suffering. I know of one membership association that has filed Chapter 11 because they had no reserve and had one bad meeting. Many are laying off staff and reducing member services. Many are losing money. We, however, are doing well for now. Much of what I will share here is positive. But, we have a long road ahead and things could turn bad for us, as it has for others. We have to stay focused.

Our Board decided five years ago to focus on building a reserve. In five years, we built an industry average reserve. We have not had to dip into the reserve yet, but if we need it, it's there. We just finished our annual audit. Our external auditors believe that, after this recession, non-profit membership associations will build stronger reserves. They expect associations to increase their reserves by 50%. Our leadership has already discussed strengthening our reserve. Our auditors also estimate that the average association had a negative 5% net profit in 2008. We had a slightly positive net. I cringe at the thought of how other associations will do in 2009 if they already managed to suffer last year. We have developed a thorough budget for 2009 and run three simulations of "worst case scenarios." Our fiscal year begins on January 1st. We have

projected a break even budget for 2009. As of the end of the first quarter, we are \$250,000 ahead of budget. We have a very long and hard 9 months left in this year's annual budget, and we are doing everything we can to continue the success of the first quarter.



I know of associations that have laid off as many as 37 staff, about 20% of their workforce. We have had no layoffs. We have had a 7% reduction in workforce due to attrition. Things are very tight, but our staff is doing a great job. We have always had less staff than our peers. Our efficiencies have served us well and they really are helping now. This economy has effectively held up a microscope to associations' decision making. Those making poor decisions are suffering. Those who have made good decisions are rewarded. Our Board has made a couple of decisions worth noting.

I mentioned this in a previous article, but this paragraph bears repeating. Some would tell you that some associations are doing well in this bad economy, because the industry they are serving is growing. For instance, you would not want to be an association for car dealerships right now. We are in a young and potentially growing industry. We may be benefiting from that. However, I emphatically believe that a much greater factor affecting the economic success or failure of an organization is the leadership's decision-making process.

Our Board made two decisions that made a two-to-three million dollar difference in our bottom line. One decision our Board made is that we will not risk our member's money (the reserve) in any investment vehicle. We made 3% a year in a no-risk investment product. Others lost millions in the stock market. We have lost nothing, ever. Our Board also decided to buy a building rather than make lease payments. They decided to take on a minor partner, a 20-year expert in the commercial real-estate business. As a result, our building (a medical building behind a hospital) has increased an estimated \$500,000 in three years. We also saved \$192,000 per year in lease payments. These two decisions have resulted in about a two-to-three million dollar financial swing, as compared with other associations our size. These are just two of many decisions that set the leadership of our organization apart from others.

We are currently even ahead of last year's revenue. Although I don't expect that will be the case by year's end, it is good news so far. Our membership has continued to grow while many other associations are reporting declining membership. HCCA is approaching 6,000

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members. We budgeted a 15% drop in attendance for the annual meeting. Some associations are seeing as much as 30-50% drop in conference attendance. As of this writing (two weeks before the annual meeting), we are beating our projection by about 80 attendees.

Many associations are suffering from what I call an unhealthy sense of self-importance. They have a lot of committees, write lots of white papers, and spend a lot of time in meetings. This economy is killing them. Their staff is consumed with administrative meeting scheduling, agendas, minutes, and editing documents. Good ideas are either over-engineered or diluted as they make their way through a sea of self-important micromanaging committees. Decisions are slow and opportunities are missed. Necessary course corrections are slow. Members' money does not go into member programs/services, but rather it goes into making people feel important while they stuff their resumes with important titles. One of the most important statistics associations look at is percentage of expense devoted to member programs. Our external auditors tell us that most associations fall into the 75 to 85% range. We are at 83%. We return more member money to member programs than the average association. Associations in our revenue range have an average of 44 staff. We have 27. For associations in our revenue range, salary and benefits cost is an average 34.3%, ours was 26.5% in 2008. We dedicate a lot of money to research, development, and marketing, as opposed to building bureaucracy. That investment helps us grow; we have doubled the size of HCCA in six years. That growth gives us greater resources to do even more for our members.

We are where we are because of a great staff, a great Board, great leadership, and approximately 6,000 members who help in many ways. Our members have elected an effective Board that oversees an effective staff.

Our members have contributed great articles for our magazine, content for our website, information for our Social Network, given great presentations, selected great speakers, and helped create the world's most credible compliance certification program. Our members have kept the staff and the Board informed of breaking news and trends. Our members have contributed great ideas about how we can improve or make their organization more efficient. Our members do whatever they can to help support this organization.

We have gone to great lengths to cut any expenses that we can cut without affecting our membership or mission. Call me if you have any problems with things like the reduction in the number of free drink tickets or other cutbacks. I will take my beating and tell you some of the cutbacks will be reversed after the economy turns around. We have responded more quickly than others to this economic downturn; therefore, we do not have to cut as deep to make up for a slow reaction to the economic news. We were lean to begin with, so we didn't have to cut as much as others have. In fact, I am beginning to believe that this economic downturn will actually work in our favor. Because we have not had to cut as deeply as others, we can continue to devote resources to growth, member services, our strategic plan, and our mission—while others are still reeling. When the economy rebounds, we will rebound faster than others. Opportunities that others have lost, we will be able to pick up.

That said, we are a long way from recovery. We are one or two problems from having to dip into our reserve. All it would take is one or two bad conferences, and we could be hurting. Our current success is no guarantee that we will get all the way through unscathed. I do not want to oversell our accomplishments. However, for now, thanks to our members, our Board, and our staff, it's going very well. ■

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