

# Banks write Rx for health care finance ills

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A handful of banks are eager to write prescriptions for financial relief for health practices.

The banks are rolling out products and services to give doctors and other providers flexibility in meeting cash flow needs, automation to cut expenses and creativity in structuring acquisitions.

The health care industry is one of the largest employers in the Tampa Bay area and one of the few that continued to build new facilities and hire amidst the downturn, so keeping providers financially healthy is vital for the local economy.

Declining reimbursements and increased costs associated with contracting, billing and collecting are among the challenges health care practitioners face, said Bruce Lamb, shareholder at Gunster and leader of the health care practice at the law firm. There's also increased exposure to recoupment actions, as federal regulators contract with private firms as "recovery audit contractors" to ferret out improper Medicare payments made to health care providers.

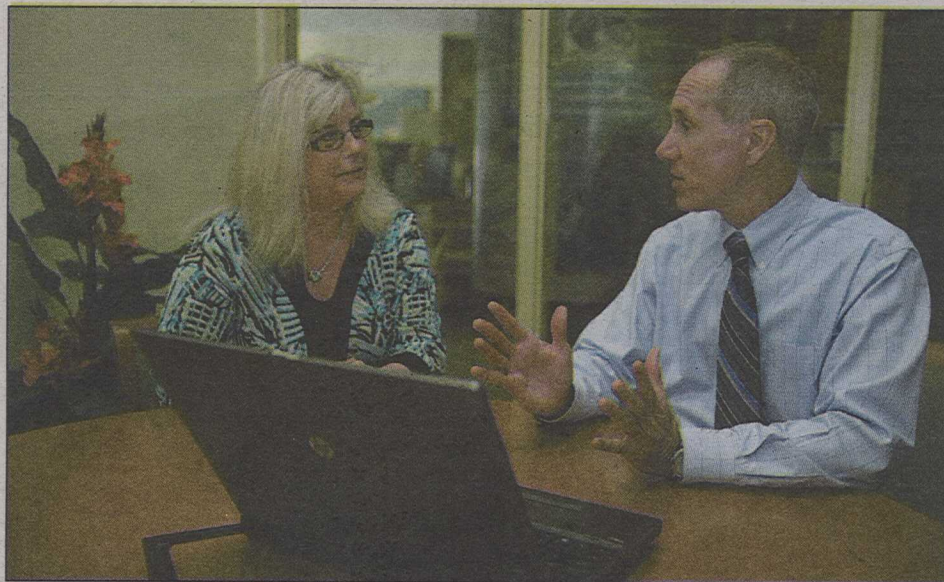
## VOLATILE CASH FLOW

A recovery audit can have an immediate impact on a provider's cash flow, said Katie Pemble, president of C1 Bank.

"A doctor might bill and expect reimbursement this month of \$100,000 [from Medicare] but there's a RAC audit going on and they might say \$25,000 is ineligible, so the doctor only gets \$75,000 this month," said Pemble. Meanwhile, the doctor's fixed expenses, such as salaries and other overhead, don't change.

C1 Bank, formerly Community Bank & Co., developed a revolving line of credit that turns into a term loan after the RAC completes the audit, which could take three months or three years. During the revolving period, a borrower can pay down the loan without penalty. At the end of the revolving period, the line of credit automatically converts to a term loan that gives the provider a steady and predictable repayment schedule, Pemble said.

BayCities Bank has not introduced a specific new product but does extend loans to health care clients facing recovery audits, said Greg Bryant, president and chief executive officer. A standard offering for medical professional clients at First Citrus Bank is a working capital credit line that meets any shortfalls or timing disparities for reimbursement issues, said Jack Bar-



KATHLEEN CABBLE

Client Beverly Blakely speaks with Roy Hellwege, president and CEO of Pilot Bank, about programs focused on the health care community, in the bank's Westchase branch.

rett, president and chief executive officer.

## CUTTING EXPENSES

Payment cuts, along with the purchase of systems to handle revised coding for medical procedures, are ongoing topics for discussion between USAmeriBank and its physician clients, said David Ogburn, senior vice president. So is the cost of converting to automation for storing information, he said.

Federal legislation that created incentives for health care providers to convert to electronic medical records has sparked interest in becoming more automated, said Lorrie Jackson, business development officer at Pilot Bank.

In response, Pilot is rolling out a health care package from Technology Management Resources Inc., an Altamonte Springs payments processing firm, that can provide medical clients with different levels of automation, said Roy Hellwege, the bank's president and chief executive. The package offers a basic lockbox service that provides a central repository for invoices and checks, and gives a practice the tools it needs to prepare accounts receivables. A more in-depth offering converts paper "explanation of benefits" statements from insurance companies into electronic files that automatically post to practice management systems.

"It speeds up the process and helps with efficiency, so practices don't require as many employees in the back rooms," Jackson said.

Pilot Bank and TMR share the monthly maintenance fees and other charges for the lockbox service.

## M&A DEALS

Managed care companies are reluctant to deal with small practices, Lamb said, and that is one factor driving consolidation in medical practices. Additionally, aging physicians who want to retire often sell their practices in leveraged buyouts. First Citrus has a "hearty appetite" for those deals, Barrett said.

The bank has creatively structured acquisition financing for veterinary, dental and podiatry practices, using closely-held stock with limited marketability as leverage, so the bank can fund a higher percentage of the purchase price, Barrett said.

It's a structure more commonly used by bigger banks and less often by Florida community bankers, who typically relay on balance sheet assets such as accounts receivable and unrelated sources of capital such as real estate to structure a deal, Barrett said.

"The big banks routinely dismiss these credit requests because they're not \$30 million or \$50 million deals," Barrett said. "We like these loans because it's a healthy diversification for the loan portfolio and frankly excites the daylights out of us watching these small businesses burst through new growth barriers taking their enterprises to the next level."