

## George Pipes

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**From:** Imperial Sir Douglas E. Maxwell, P.I.P. [chairmanoftheboardoftrustees@shrinenet.org]  
**Sent:** Friday, October 15, 2010 3:02 PM  
**To:** gapipes@hughes.net  
**Subject:** Chairman's Message: Fall Message

## Shriners Hospitals for Children

Pediatric Specialty Care



**Douglas E. Maxwell**

President and CEO

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My Dear Fellow Representative:

### **Chairman's 2<sup>nd</sup> Message:**

**Subject:**

[Shriners to be in 2011 Tournament of Roses Parade](#)  
[Progress Update on 3<sup>rd</sup> Party Pay](#)  
[Dedication of the new Honolulu Hospitals](#)

My Dear Fellow Nobles and Friends...

Fall is now upon us...

And there are many new things for us to look forward to in our organization...

But first a note regarding these "Chairman's Messages"...

Many times I am asked if these messages can be forwarded to our membership and friends of ours... "Yes,

please do”...

- Each of these messages are reviewed by fellow colleagues on the “Joint Boards” and “Key Vice-Presidents” that work for Shriners Hospitals for Children,
- I have asked for each message to be checked for the accuracy of the numbers and the content presented,
- And... that we are not divulging anything critical because of “Confidentiality Issues”. ...

Coming this January 1<sup>st</sup>, 2011...

**“Shriners will have a Float in this year’s Tournament of Roses Parade”...**



For many years, each January 1<sup>st</sup>, our fraternity would watch our Shrine Fraternity on National Television in the Tournament of Roses Parade. This was seen by millions of our fellow citizens... Four years ago, your Joint Boards voted to re-submit an application to the Tournament’s Parade Committee for the parade held in Pasadena California... It was felt that we could re-gain that National and World publicity each year for...

- our Fraternity... **Shriners International** and
- our Philanthropy... **Shriners Hospitals for Children.**

Well, this is the year it will begin again...

On January 1<sup>st</sup>, 2011...find yourself a comfortable chair in front of your televisions and take Great Pride in seeing “**Our Shrine Float**” go down **Colorado Boulevard**.

This activity, just like our **PGA Golf Tournament**, and our **Shrine East/West All Star Football Game**... will continue to help us tell our story of the **almost 1 million children** that **Shriners Hospitals** have helped for over 88 years and the **World’s Greatest Fraternity**.

**Update of Progress on 3<sup>rd</sup> Party Pay**...this task has been monumental...  
But we knew that going in...

When you consider that it was only **July 2009** when the representatives at the **135<sup>th</sup> Imperial Session** voted **overwhelmingly** to take this path,

and that it took the *remaining six months of 2009* to figure out how to move forward and to find “**Price Waterhouse Coopers**” consulting firm... to “**Lead us in this endeavor**”,

It is quite an accomplishment for **Imperial Sir Al Madsen’s Revenue Cycle Committee (RCC)**, to present us with the following information.

Here is a brief explanation of our status as provided by the Chairman, Imperial Sir Al.

“We now have 6 of our hospitals... **“Going Live”**...

Which is a term for billing for the **“Procedures”** (operations, therapy treatments, etc.) that we have been doing for the last 88 years.

The numbers as of **Friday Oct 8, 2010** are from the:

Philadelphia, Portland, Lexington, and Spokane Hospitals which began this on

July 1<sup>st</sup>, 2010 (3 months) ...and the

Salt Lake City and Tampa Hospitals, which began on Oct 4<sup>th</sup>, 2010 (5 days)

**1) Total of the “Claims Transmitted”** (submitted for payment) ...

**for 4,245 procedures...\$13,102,382.14...**

Price Waterhouse states we should expect to be reimbursed at approx.

60-65% for Commercially Insured “Providers, and

30-35% for Medicaid Insurance...for a combined **“average expectation” of 54%.**

**\$13,102,382.14 x 54% = \$7,075,286.33**

**2) Total of the “Claims on Hold”...**

**representing 3144 procedures...\$11,558,294.98**

Of this **Total of “Claims On-Hold”**

**\$7,122,485.11** is comprised of **Medicare/Medicaid and Tricare** (veteran’s children) claims,

which are awaiting the **Certification from the Medicare/Medicaid entity** of that location,

to allow us to bill for **Government provided Funding**

The remaining **\$4,465,809** are claims **actively being scrubbed**

(a **Medical billing term** for making sure of the correctness of the claim)

and then readied for billing...

**Or** they could possibly be deleted all together for a variety of reasons...

(possible duplication, etc.)...**Accuracy is paramount**

**3) In addition to this total on hold,**

**Spokane’s Billings of 2,140 claims for \$8,367,695.48**

are not included in these numbers.

These claims are **being held internally** until we are able to obtain

the **“Certificate of Need” for Hospital Operations**... from the **State of Washington**.

There was never a Washington State requirement for Shriners to have this **“Certificate (CON)”** ... until we began **this new path of Billing**.

These bills will be scrubbed and released when the status of SHC-Spokane is resolved.

**\$13,102,382.14** *Claims submitted for Payment*

**\$11,558,294.98** *Claims on hold for Medicaid concurrence*

**\$8,367,695.48** *Claims on Hold for Spokane’s CON*

**\$33,028,372 x 54% = \$17,835,321 expected**

from **4 hospitals for 3 months** and **2 hospitals for 5 days**.

**Cash received** during this **start-up period** of these 4 hospitals... plus 2 hospitals... from **Jul 1, 2010 thru Oct 8, 2010 = \$508,829.57**

**Briefly, here are SHC's expenses to date:**

- We have spent **\$2.2 million** to buy and set up the needed **“Software”** from our IT provider **“Cerner Corporation”**. It is referred to as the **“ProFit” billing** software.

*Also expended has been...*

- **\$1.8 million** to Price Waterhouse Coopers for their contract in leading us...
- and **\$1.855 million** for **23 new employees** at Headquarters to **Administer the workings of Revenue Cycle** and a **“few new employees”**... at the Hospitals that have **“Gone Live”**. **For a total expended to Oct 8<sup>th</sup>, 2010 of .....\$5.855 million.**

Most of this is **start-up cost** and **1<sup>st</sup> year operations cost**... as would be experienced by any corporation **beginning a new venture**.

Based on the projections by our expert, outside consultant, "Price Waterhouse " And our actual experience to date, We are incorporating in our 2011... **revenue from “Billings”** of **\$128 million**.

It is also being considered **“quite realistic”**, that when **full implementation** of third party billings in **all of our 20 U.S. hospitals** is accomplished next year... **we should anticipate in 2012... “Billing Revenue” of \$175 million**

Considering that our **historical “Deficits”** for the **last 7 years** were **approximately \$200 million**... We're moving in the right direction...

Now if we can **continue to have** all of our **22 hospitals** and **Headquarters**, **be “Cost conscious”** as they have been for 2009 and 2010... We can then **allow the gains that we receive from our “Equities”** in the Stock Market...

**To go back into our “Endowment Fund”...** allowing our **“Safety Net”** to go far into the future. And not be used for **“Day to Day Operations”**

*At the end of this message is the 5 Year Projections of Revenue and Expenses for this new Revenue Cycle path for Shriners Hospitals.*

On Aug 26<sup>th</sup>, we **Dedicated our new Honolulu Hospital**, with most of the “**Elected Legislative leadership**” of the Great State of Hawaii in attendance.

*It was a beautiful day for this celebration...*

Two days before this dedication event, we **opened a Time Capsule** that had been found under the “**Cornerstone**” of the old hospital built in 1961. This copper container had been **soldered closed** for preservation of the items contained within...

Well to everyone’s surprise,

this was **not from** the dedication of the Hospital built back in 1961... but from the “**Original Hospital**” built in 1930....80 years ago.

**Obviously**, not many of us present were there that day in 1930... but there were two...

**Senator Daniel Inouye**, born on Sep 7<sup>th</sup>, 1924...the United States “Senior Senator” and an early patient to our Honolulu hospital and

**Senator Daniel Akaka** born on Sep 11<sup>th</sup>, 1924 (4 days after Senator Inouye)... Hawaii’s other U.S. Senator.

They were “**Little Boys of six years old**”... playing in the fields around our new hospital...one mile up the hill from the beach that later became known as “Waikiki”.



**Remember the time of this dedication...**

- Thanksgiving, 1930
- The Great Depression had just begun
- The United States was just 48 States with a total population of about 122 million people
- Hawaii was a territory that you went to by ship
- Waikiki Beach was just a “Beach” with some houses on the shore...and
- Shriners Hospitals for “Crippled” Children was just seven years old with 11 hospitals and 4 Mobile Units

**Found in the “Time Capsule” were**

- the **directory of the Aloha Shriners**,
- the **patient list** (typed) from opening day Jan 2<sup>nd</sup>, 1923,
- photos of “How operations were performed back then”, and

- the remarks by the two key note speakers of the day...

**James S. McCandless** from Aloha Temple, **Imperial Potentate of 1922-1923** and  
The Honorable **Wallace R. Farrington**, 6<sup>th</sup> Territorial Governor of the Hawaiian Territory

**Imperial Sir McCandless** began by thanking the Shriners of Aloha Temple for  
“The completion of this new Shriners Hospital” (*our 2<sup>nd</sup> in the system*)...

“Today, the members of Aloha Temple have reached another milestone in it’s history and in the history of the parent corporation,  
**The Imperial Council of North America.**”

“The idea for these hospitals came to us at the **Imperial Session**, 7 years ago. We voted to “*assess everyone*”...  
**\$2.00 per capita...** to support these hospitals, now numbering 11 hospitals and 4 Mobile Units.”

“We have to date, **invested almost \$13 million dollars** in these structures and equipment, and have received in donations since 1922, many Thousands of Dollars.”

“We have treated and corrected **over 31,000 children** and have a waiting list of 2,000.”

*The next address by the Governor, I felt was quite special...I would like to give you a few excerpts from it.*

*The Governor began by saying...*

**“And a little child shall lead them”...**

a verse from the Bible in the **Book of Isaiah**...an interesting opening phrase

Where was he going with his thoughts...

His next words were

“We are thankful that through the **medium of a crippled child**...a great organization of “**Joy-Promoters**” has found an “**Inner Soul**” and has set to work”...

“In the Midst of their “**Good Natured Revelry**” there came a new thought...

It was the **most natural thing in the world** for these Shriners,

- the soul of good nature,
- inventors of new ways to revive old smiles,
- pioneers in the new fields of happiness...

to undertake this new endeavor of helping “**Crippled Children**”.



*I believe the Governor was a Mason and a Shriner because he then continues for a few paragraphs using many Masonic words and phases...*

“These Craftsmen are taught to use the trowel, plumb, square, and level to shape this “**New Hospital**” into a house of “**Strength and Beauty**”.

*He continues...*

“Beneath the rough shell of this gorgeous display and a healthy boy’s quota of horse play to keep guard against the rigidity of “old age”, there lived, and has always lived...

the love of a child”...

“Here centers everything worthwhile in life...

We build for the children, that they may go forward to great achievement and happier surroundings...

Faith in God...loyalty to country...guardianship of the home...

And it all centers around the lives of ...”Little Children”...

Millions of dollars that might have...

otherwise been wasted on “Fun and Frivolity”...

Are now being turned into channels that put crippled children on their feet mentally, morally, and physically...

Millions of hours of time that might have...

otherwise been wasted in the Pleasures of a Passing Hour...

Have now become the “Happiest Moments” in the existence of men who go in search of...

the children others forgot.

Isn’t it appropriate...that the “Dedication of this new Hospital”...

Inspired by these “Carefree Shriners”...

Should take place on this...”Thanksgiving Day”.

With form and Ceremony...

We dedicate this structure of cement and stone, wood and steel...

To the care...love...and protection of little children...

To The Glory of it ALL..

In the spirit of Masonry...

In the spirit of the good fellowship of Shriners...

The joy we gain when it is said of the “Boys of the Shrine”

.... “And A Child Shall Lead Them”...

*I have added Governor Farrington’s entire speech at the end of this message...*

*If you have the time... you might want to read it to see if you think the message had an “undertone of explanation” of ...*

“Who are these men called Shriners...”

“In this new era of Philanthropy”...

And to conclude...

My role on this Dedication Day was to share “**These Memories and Treasures of our Organization**” from the “Time Capsule” discovered from so many years ago...

My remarks...

related to our two Hawaiian Senators... the only ones present, who were with us on this August day in 2010 and at our 1<sup>st</sup> Dedication, November 1930... 80 years ago...

playing as 6 year old “Little Boys”...

in the open fields ... that are now called Honolulu...

that surrounded our 1<sup>st</sup> Hawaiian hospital...

*I concluded my remarks by saying...*

“I want each of you to stop for a moment...

Close your eyes...

Don’t make a sound...

Take out the sounds of the city around us...

Listen to the sounds of the wind...

That Tropical Breeze through the palms...

Listen to those sounds of the island from long ago...

Listen to those sounds in the distance...

Far in the distance...

Hear those sounds growing closer...

The sounds of “Happy Children”...

Perhaps a 6 year old little boy named “Danny”... coming to here “for our care”...

Here...all around us...stands the “Legacy” of many caring people...

Whose sole purpose was...

And will forever be...

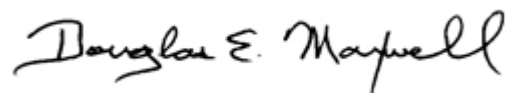
“The Keiki”...

“The Children”...

“Our Children”...

**Mahalo...for helping us “Celebrate this Glorious Day”....  
For Shriners Hospitals for Children...**

Yours in the Faith,



Doug Maxwell

Chairman of the Board of Trustees

Shriners Hospitals for Children

ROI Calculation - Outsource Version with Medicaid delay for Phases I & II and Spokane CON delay

	Start-up	(000s)				
		Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenue:</b>						
Gross Patient Revenue						
Inpatient Revenue		\$77,850	\$578,410	\$807,380	\$808,690	\$808,690
Outpatient Revenue		7,350	51,120	69,120	69,190	69,190
Professional Revenue		2,540	17,390	23,370	23,380	23,380
Total Gross Revenue		87,740	646,920	899,870	901,260	901,260
Deductions from Revenue		78,910	518,580	724,490	725,800	725,800
<b>Net Patient Revenue</b>		<b>\$8,830</b>	<b>\$128,340</b>	<b>\$175,380</b>	<b>\$175,460</b>	<b>\$175,460</b>
<b>Less Expenses:</b>						
Operational Expenses	\$0	\$1,690	\$3,270	\$2,920	\$2,920	\$2,920
Billing Fees	-	350	5,130	7,020	7,020	7,020
Implementation Costs	340	4,750	3,740	-	-	-
Information Technology	2,400	2,170	1,270	1,270	1,270	1,270
Contingency Fund	410	1,040	750	190	190	190
Total Expenses	\$3,150	\$10,000	\$14,160	\$11,400	\$11,400	\$11,400
<b>Excess of Revenue Over Expenses</b>	<b>\$ (3,150)</b>	<b>\$ (1,170)</b>	<b>\$ 114,180</b>	<b>\$ 163,980</b>	<b>\$ 164,060</b>	<b>\$ 164,060</b>
<b>Cumulative Excess (Deficit)</b>	<b>(\$3,150)</b>	<b>(\$4,320)</b>	<b>\$109,860</b>	<b>\$273,840</b>	<b>\$437,900</b>	<b>\$601,960</b>
<b>Cumulative Expenses</b>	<b>\$3,150</b>	<b>\$13,140</b>	<b>\$27,310</b>	<b>\$38,710</b>	<b>\$50,110</b>	<b>\$61,510</b>
<b>5 Year Return on Investment (ROI)</b>		<b>-0.3</b>	<b>4.0</b>	<b>7.1</b>	<b>8.7</b>	<b>9.8</b>

- 1) Medicaid cash delayed for Phase I and Phase II hospitals until March 2011
- 2) Spokane cash delayed until May, 2011 due to CON issues
- 3) Commercial cash delayed until October due to delays with go-live issues (3M grouper, R&B charges, etc).

**5 Year Projections of Revenue and Expenses**

THE ADDRESS OF THE HONORABLE WALLACE R. FARRINGTON

“A little child shall lead them”.

I am sure this thought is uppermost in the minds of all of us as we gather this day to dedicate another home where crippled children may be made whole.

He said: We should be thankful that the sufferings of the children will be less. We are thankful that through the medium of a crippled child a great organization of joy-promoters has found an inner soul and set to work.

Nobles of the Mystic Shrine are the arch enemies of every form of kill-joy. They were organized to play. Serious thoughts were for serious moments. Within the Shrine was to be found a spot where, for one brief period at least, all care and worry and irritating restraint might be thrown aside and the joy of youth and boyhood be unconfined. Is this a reflection of “Whence Came We”

Onlookers called it Sophomoric. Others thought it rough. Others liked it and joined. This was in a sealed vault for 80 years.

Whatever the world might think, the joy riders of the Shrine lived their own lives, took their own means of wiping out gloom, and let the world go on.

And then, In the midst of the good natured revelry there came a new thought.

He said: It was the most natural thing in the world for these Shriners, the soul of good nature, inventors of new ways to revive old smiles, pioneers in new fields of happiness to undertake this new path, it was in the scheme of things that Shriners should begin to wonder whether they were not a bit selfish.

The Mystic Shrine is not a Masonic organization, but every Shriner must be a Mason. He must be sufficiently advanced to understand the higher arts and crafts of Masonry to know its code, its moral and dogma.

Nowhere in the whole structure of Masonry is the building stone of selfishness to be found. Craftsmen are taught to cast it out, break it in pieces so that by the application of tools of Masonry, the plumb, square and level, the trowel and every implement that will aid in shaping a unit of strength and beauty, the several parts may become building stones in the better lives of better men.

A few weeks ago I was privileged to sit within the audience hall of Harry Emerson Fosdicks church on Riverside Drive. A magnificent structure, the last word in art, architecture and the power of wealth to raise an ornate home for spreading the gospel of Christianity. Its towering massiveness is impressive in a setting where new marks have been set in the height of towers and the mass formations of man-made institutions.

The great audience hall accommodating possibly three thousand people was crowded to standing room only, others waiting outside, many turned away. It was not a special service. Just the usual run of attendance at that church.

A large surplice choir, minister and assistant minister, gowned and formalized to fit into the grandeur of the massive church scenery. A great church organ, exemplifying the vibrant influence of music to charm and soothe, or fire with new energy, new courage, new enthusiasm.

The night before in the theatre district, with its weaving, restless people, its crowded amusement places, its bright lights and gayety, one was given to wonder when anyone ever had a serious thought, or cared much which way they were going in this world or the next.

But here was a church, holding more than many of the theatres, crowded to the guards. The hymns were hymns the congregation could sing. The harmony of the mass had the volume that gives courage to the uncultured voice that is usually quieted for fear a discordant note will be overheard.

The sermon title "The Perils of Worshiping Jesus" arrested attention. The pastor told his hearers that there are two ways of destroying a great man – to crucify him or worship him. Destruction by worship was an original thought. And he developed in clear and simple language. All that a great life has stood for may be destroyed by surrounding the personage with form and ceremony, and the trappings of ritualism, man-made machinery in which the followers become so interested or involved or priest-led and theology ridden that they lose sight of the vital lessons of living that the great teacher sought to unfold.

The soul of the thought wiped out by the belittling study of the varieties of ecclesiastical machinery put on the market, each presented as the only one worthy to set the thought in motion.

Sensing the thought of his hearers, the preacher turned to the wealth, and the ceremony, and trappings of

worship within which he stood, and of which he was in a great measure the builder. He believed in the values of architectural beauty to adorn the house of worship, but it was all as sounding brass and tinkling cymbal if it led men's thoughts and acts and lives away from the simple truths of right-living and right human relations, as taught and handed down to us by the great master.

In my own limited words and halting phraseology I hope I may have presented to you the appropriateness of this peril of worship in its application to our fraternity, our temple and this occasion.

The cornerstone of Masonry is the Holy Bible. Not its words and form, but the thought it has passed on to us as the guide of our lives. The architecture, the form, the beauty are necessary values. They reflect the spirit of the architect. We may become so deeply interested in the form of the structure that we forget the lesson of life laid down by the great architect of the universe.

Shriners with their joy, and bands, and bright colors, and abundant good nature began to think.

He said "Where are we bound?" "Where do we go from here?" "This is all right, but it is not the end."

Beneath the rough shell of gorgeous display and a healthy boy's quote of horse play to keep guard against the rigidity of old age, there lived, and has always lived, the love of a child. Here centers everything worthwhile in life. We build for the children for the children that they may go forward to great achievement and happier surroundings. Faith in God, loyalty to county, guardianship of the home and it all centers around the lives of little children, He said.

Breaking away from their own selfish happiness, nobles of the Mystics Shrine, the eternal enemies of Killjoy in all forms, turned to the helpless, the unfortunate, the handicapped, crippled child. Ambitious to spread real and lasting happiness, Nobles have opened new vistas of comfort and relief in homes once dark with the distress that comes from loss of hope.

We think of the boys and girls that have been made over, whole lives have been revolutionized in cheer, and hope and happiness in the Shriners Hospitals.

That is not all. That is hardly half of the glory of the Shrine hospital movement. We can tell you, the communities in which they are located have seen full-grown men revolutionized by the new interest they have found, the new purpose, the new directions that have come into their lives by the opportunities these children have brought to their door. Millions of dollars that might have been wasted are turned to the channels that put crippled children on their feet mentally, morally, physically.

Millions of hours of time that might have been wasted in the pleasures of a passing hour have become the happiest moments in the existence of men who go in search of the children that others forgot.

Children have been regenerated. Don't forget the thousands of men who have seen a new light, and having seen, press forward to new achievements.

It was appropriate indeed that the dedication of this new hospital, inspired by the carefree Shriners, fostered and aided by all elements of the community should take place on Thanksgiving Day. The people of a great nation are devoting some portion of the day to grateful contemplation of Providential care.

With form and ceremony in keeping with the occasion we dedicate a structure of cement and stone, wood and steel, to the kind care, love and protection of little children. The glory of it all, the beauty and symmetry of the building, the dollars invested, the thing that cheers and inspires and gives us true cause to give thanks is the

certain knowledge we have that the spirit of Masonry, the spirit of good fellowship in the Shriners playground of Masonry is not beclouded or diverted. Rather is it revived and re-invigorated. We are holding true to our principles when, as gorgeous, as boisterous, as hard boiled, as round diamond-like as we may be, the full truth of our deeds and our desires is the pride and joy we gain when it is said of the boys of the Shrine –

“And a little child shall lead them”

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