

hospital purchased \$42,700,000 in goods and services from R.I. vendors, provided nearly \$9,927,888 in free and uncompensated care, provided \$5,724,000 in under-reimbursed care to Medicaid patients, provided \$418,000 in community health services in the form of direct care and \$1,990,000 in community outreach/education. Since moving to Dudley Street, the hospital has been a successful employer, adding 1,655 employees, increasing payroll to \$128,113,648 in 2004, adding approximately 30 full time Brown faculty, and increasing grant revenue to \$7,631,270 in 2004.

President and CEO Constance Howes told *Providence Business News* in an interview that Women & Infants has a "history of discipline, principally from our board of trustees that has required us to have a positive margin from operations. If you don't have that, you can't have a future."

The large scale project would not only meet a medical need in the new England region, but would also boost the economy by reinforcing Rhode Island's role as a major medical center.

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What Counts

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Service to Members
and Public Drives
Agenda

by Ernest Almonte, CPA

Upcoming Events

Leadership Day; Golf Outing

Government Affairs

Mayor Cicilline Focuses on
Providence Schools

One-on-One with Gary Clark

Former Tax Administrator for
the State of Rhode Island

Professional News

RISCPA Recruits its
Members

Academics

Roger Williams University
Financial Services CAFE

Rhode Island Hospitals Struggle to Maintain Positive Role in State's Economy

If you have to get sick, Rhode Island isn't the worst place for it to happen. In fact, overall access to healthcare is good.

More than 25,000 hospital employees and physicians serve the needs of Rhode Islanders, and nearly half a million patients are seen in the state's 16 hospitals each year. But R.I. hospitals not only provide quality care, they also serve as an economic generator. A \$2.2 billion dollar industry, hospitals make up 8 percent of the state's gross product. Health services continues to be a growing segment of the economy, and teaching hospitals attracted more than \$133 million in research funding in 2003.

Yet Rhode Island hospitals on average have been unable to keep up with national standards for profit margins, preventing many from building up reserves and reinvesting in capital improvements, employees and/or technology.

According to Hospital Association of Rhode Island President Edward J. Quinlan, the national standard is about a 3 percent to 4.5 percent profit margin. Rhode Island's hospitals have been falling short of that standard with some variation across hospitals.

Who uses R.I. hospitals?

Studies show that Rhode Island patients use the state's healthcare facilities often, and interestingly more Massachusetts residents – especially those seeking specialty care – come to Rhode Island for treatment than vice versa. Age, sex and race drive hospital use, with Rhode Island's high percentage of elderly and the 18-to-44 "younger working age" group having the biggest influence.

According to the SHAPE study of 2002, the majority of hospitals in Rhode Island are operating at or above capacity



Can R.I. Attain Universal Health Coverage?

New Mass. Law Eyed

As health care costs continue their steady climb, Rhode Island employers are looking for relief from every corner – especially from state government. Neighboring Massachusetts' attempt this year to rein in costs, lower premiums for workers and expand access to medical care has drawn attention from lawmakers eager to keep the state competitive and find practical solutions for Rhode Island.

A legislative study group was formed to examine Massachusetts law and determine which provisions might work for Rhode Island. In April, members of the Joint Committee on Health Care Oversight met with

Service to members and the Rhode Island Public Drives Agenda

As I begin my term as president I feel elated about the opportunity to influence our profession. Thank you to the membership for giving me this chance. It is important though to reflect upon the past before we move forward.

I would like to express my appreciation to Michael Decataldo for his leadership as president over the past year. Mike put a tremendous amount of time and energy into moving our organization to a higher degree of professionalism. Throughout his term our finances improved dramatically and he led us through our centennial celebrations. I am proud to have served under his leadership.

We should also be thankful for the 16 years of service that Ray Church gave to our organization. Ray always put the members needs above his own. I wish Ray the very best in his retirement and wish him good health and a long happy life.

I would also like to thank Kris and Denise for all their hard work in making the RISCOPA a vibrant and member friendly organization.

Now I would like to walk through my goals for my term as president. I hope you will see something that motivates you to get involved in our professional organization. My goals center around two themes; service to our members and service to the public.

Officers of the Rhode Island Society of Certified Public Accountants

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In the area of service to our members I want to focus on increasing membership in the Rhode Island Society of CPAs and, more importantly, involvement on the committees. The RISCOPA is proud of the members that have served in the past and encourage their continued participation. We also welcome new faces and new ideas. There are many issues facing the profession, from Sarbanes Oxley provisions and tax law changes, to governmental auditing and educational advancements.

I encourage you to look at the committees listed on our web site and their missions and find one that appeals to you. I also urge management and experienced CPAs to encourage their staff members to get involved. We all know that the tone from the top plays an important role in the behavior of the staff so I respectfully request that you take the time to educate your staff and fellow CPAs and encourage them to engage in committee involvement. If you are interested in serving on a committee, contact the Society and I will be happy to make the appointment.

The second area of service is to the public. This is the role that our profession stands for; it is P in CPA. During the next year our focus will be on financial literacy. There are many reasons why this is so important and I would like to share a few. Forty nine percent of American families spend \$1.22 for every dollar that they make.

Bankruptcies are up dramatically in the United States. There are so many homes financed with interest only or variable interest loans. Many more individuals and families are at a high risk of financial failure.

To combat these problems, RISCOPA will embark on a path to financial literacy. We will use the tools of the AICPA and the knowledge of our members to educate the Rhode Island public to help them develop healthy financial practices. We will offer programs every month covering a wide variety of topics. I know that many of our members have a strong background in finance so I am sounding a call to action. We need to assist Rhode Islanders to become financially independent. We also need to

help them to make sound financial choices. If you want to write articles or speak at functions or you would be willing to appear in a television interview, please contact me; I welcome your support. There are numerous topics that we could cover and approximately one million people in our state so a lot of volunteers are needed. This is an area in which the results will give you a great feeling of satisfaction. We can help create a better workforce by having employees who know how to handle their personal finances and therefore can focus on improving their skills at work. We can also help members of our state become less dependent upon the government by improving their ability to manage their finances.

On a different note, I would like to inform you that the RISCOPA is in the process of recruiting for the executive director position by a task force under the leadership of Jackie Tracy. I encourage you to review our website and contact Jackie if you have any leads on great talent. We are looking for someone to accomplish the remarkable.

In closing I would like to thank our members for their confidence in me and I look forward to achieving success for all of you. Feel free to contact me via email anytime you wish with a question or a comment.

Sincerely,

Ernest A. Almonte
RISCOPA president



Ernest A. Almonte, CPA
RISCOPA President

Government Affairs

Providence Mayor David Cicilline Focuses on Providence Schools

Since taking office, Providence's 36th mayor, David Cicilline, has made public school reform one of his top priorities. Fiscal stability and after-school programming are key to his agenda. And currently an effort is underway to assess the ability of Providence Public Schools to meet the educational needs of the 21st Century. Mayor Cicilline recently answered some questions regarding Providence Schools for *What Counts*.

How does the Providence school system and its students compare to other similar cities throughout the country?

The performance of students in the Providence Schools is comparable to their counterparts in other urban districts around the country. Unfortunately, the challenge of getting good results in urban areas has been a stubborn one nationwide. However, there are districts that have bucked

the trend and I believe we are on a track to become one of those.

As Mayor, what have your major educational goals and successes been?

When I came into office, both the city and the schools faced a financial crisis. So fiscal stability had to be the first goal. We cut hundreds of salaries and made tough choices that reduced programming, but school funding is a yearly fight for all cities and towns. Rhode Island is second-to-last in the nation in terms of the share of education costs paid for by the state, which is why property taxes are high in Rhode Island.

Despite the financial challenges, our schools have been making steady gains. But the improvement isn't happening quickly enough. Our current goals are clearly laid out in a plan called "Realizing the Dream" developed by Superintendent Donnie

Evans. It articulates very specific strategies for rapidly accelerating the pace of improvement.

You recently received a national award for leadership in after-school programming. Please explain the role you believe after-school programs play in education.

The rationale behind investing in quality After-School is that it does two important things. First, it keeps kids occupied in the hours that all the data say are the most dangerous for young people – the

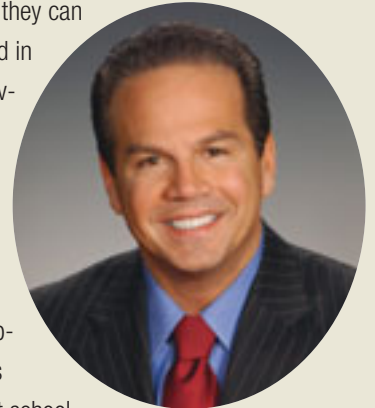
time when they can get involved in violent activity or other unhealthy behavior. Second, it enhances the development that's going on at school and gives kids a chance to explore things they might otherwise not be able to. Actually there's a third thing. It gives kids something fun to do and kids should have fun.

The return on the investment is what you don't have to pay by preventing bad behavior (i.e. incarceration, social services), and also you get the benefits of more motivated, better educated kids coming out of school into the workforce.

What were the major issues Providence schools were facing that led to the master planning project? How was the project initiated? Why was now the right time for this undertaking?

As has been widely reported for a long time, urban school facilities all around the country are in bad shape. We're no exception. But it's a problem that has been largely ignored here and it shows in many of our schools. It sends a terrible message to our kids about our priorities and it degrades the learning environment. Keeping our heads in the sand was unacceptable to me.

We asked Gilbane to survey the condition of the schools so we could get a detailed account of the problem and then go from there. What we learned was pretty startling. Decades of neglect had created a situation in which, for most of the schools, it would be as or more expensive to fully rehabilitate them than to tear them down and start over. That's when we realized that there was a real opportunity





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One-on-One with Gary Clarke

Gary Clark, Tax Administrator for the State of Rhode Island, retired in April after more than 30 years of state service. He has lived in Barrington since he was 7, in the home his father built. Clark and his wife graduated from Barrington High School, as did his children, and his grandchildren now attend Barrington elementary schools. A lawyer and CPA, he intended to start a solo law practice but the former tax administrator, John Norberg, convinced him to come work in the legal department in 1974. He worked his way up and became head of the Division of Taxation in 1984.

What Counts: What are some of the biggest changes you've seen in the state's tax operation?

Gary Clark: When I went to work back then, we had just started the personal income tax in 1971. We had the personal income tax on a mainframe computer, but that was it. There were no personal computers, at least in our division. Shortly after that we started to get out of the dark ages and we got onto PCs and eventually onto networks. It went from #2 pencils and spreadsheets to electronic spreadsheets on everybody's desk.

Events

SEPTEMBER 29, 2006

Leadership Day

Come hear James Williamson, chair-elect of the AICPA speak on today's issues. Wannamoisett Country Club in Rumford, R.I.

JANUARY 30, 2007

Networking Reception

Members of RISCPA, the R.I. Bankers Association and R.I. Bar Association have the chance to network at the Providence Marriott.

APRIL 24, 2007

Annual Dinner

To be held at the Providence, Marriott.

WC: Many state residents work for small businesses. How can the state improve the climate for small businesses?

GC: I think the trouble most small businesses have is that they get bogged down in the tremendous amount of paperwork and bureaucracy that they have to deal with between the federal government, the state agencies and city or town agencies. The more the agencies get up online and allow companies to file forms electronically, that will help. It will also help for agencies to work together, like the Division of Taxation and the Secretary of State for example. They are very closely aligned in terms of corporate taxes and the more that those two work together online, through their respective web sites, allowing users to jump from one page to another, it will allow the small businesses that don't have much time to do what they need to do a lot quicker.

WC: You must have seen a lot of legislation that affected the state tax department. What sticks out in your mind?

GC: Well, we went from a piggyback state income tax (a percentage of the federal income tax) in 1971 to a taxable income tax today – and that was just 5 to 6 years go. It was a very easy system for people to use and an easy system for us to administer. But it got to a point where if someone said what is your state's rate, and Massachusetts said 5.3 percent, and Connecticut said 5 percent, and we said 27.5, everyone was shocked. It got to a point where it wasn't politically feasible to stay at that rate. We got it down to 25 percent, but it was still a problem. We had to go to taxable income, but it's still showing high. There's legislation now that would give the option of keeping it the way it is now or having a flat rate of the federal income tax rate.

WC: What advice would you give to a freshman legislator about the state's tax policy?

GC: I would like to see the Division of Taxation go in and once a year or every other year and give a seminar for freshman legislators – a one or two hour lecture on how we do things and what the problems are. They'd at least have an idea of what they were getting into when some of these tax bills come through. We've done it in the past. It gives them a chance to hear from our side, and then they could ask their own fiscal advisors from that point on.

WC: A lot of states give tax incentives to lure businesses. In your experience, is that a good idea?

GC: On occasion, perhaps. But in general it's tough because when you start giving incentives to a specific industry, all it does is annoy the other industries. Other states look at you and say, they gave a 10 percent credit, so we'll give a 15 percent credit. You wind up giving so many incentives you follow each other to the bottom. And only the little guy is paying taxes. The best idea is to have a tax system with very low rates with a broad base and have it apply to as many people as possible so everybody gains and no one loses. What happens with these incentives is that a few gain, and everybody who loses is miserable until they get something. It's a tough act to follow.

WC: What are your plans for retirement?

GC: Well, I'm going back to the practice of accounting with my son-in-law. He's a CPA also, and we're going to open a small practice. Eventually he'll be the winner there, because I'll retire completely someday. I love the tax world, and I think I'd be a duck out of water if I didn't stay in it somehow.

MAYOR CICILLINE from page 3

here. Either way a significant cost would be required. Why not spend the money on building a 21st-century school district, rather than simply rebuilding a district conceived in the industrial age?

What are the main goals and objectives? What is the timeline for the process?

The goal is to pull as many residents as possible together to think about what the needs are going to be in the future. We're looking at neighborhood schools and K-8 models. We're looking at where we need more capacity and where we need less. A firm called DeJong Education Planning, which has done this in other large cities, is leading the process and we expect their recommendations later in the summer.

Who are the key contributors to this project?

We're trying to get contributions from everywhere: educators, parents, students, neighbors, experts from the higher education community, business leaders. Everyone has a stake in the successful education of our children so everyone's ideas are of interest to us.

Community forums have played a major role in the master planning process. What has the response been from parents, educators and students? How will their opinions help to shape the outcome?

Everyone understands that this is a big deal and they are grateful for an open process. It's mostly excitement about the possibilities but there's also a little trepidation because change is always a little scary. We all feel sentimental about our schools, even if they've lapsed into a substandard condition. Even if we replace some of them with state-of-the-art, 21st-century learning environments, and even though we know it's the right thing to do for our kids, it will be sad to say goodbye anyway.

The input of educators and parents especially, but also of students, has been an integral part of the process. It's not a matter of their opinions shaping the process. Their opinions are the process.

With reductions budget and federal assistance in recent years, how will these important projects be funded? What are the typical sources for funding?

It's important to know that this would be implemented in phases over many years. These are capital projects so funding for these is totally separate from annual programmatic funding, and are funded by bond issues. A portion is reimbursed by the state.

Does the master planning process seek to restore some of the cut positions/programs due to budget reductions in past years?

We couldn't use the money for that even if we wanted to. There are restrictions on how capital expenditures may be allocated, and it doesn't include programming or teacher salaries. However, we will be restoring programming incrementally as part of the Realizing the Dream initiative.

Reports indicate that massive renovations and repairs are necessary across the board, how will projects be prioritized?

The experts will help us with those decisions. Facility conditions, cost, demographic factors, and the availability of temporary space are just some of the factors that will be taken into account for that determination.

How quickly can students/communities expect to feel any impact of this process? In what areas will they see the first changes?

Programmatic changes associated with Realizing the Dream are happening now. For instance, the Superintendent, in coordination with the teachers union, recently implemented major new reforms to speed up the process of improvement in middle schools. On the facility plan, we'll receive recommendations from the consultants later in the summer, and plan to implement the first phase of the plan soon after.

Are there any preliminary, topline results you can share with us?

I'm afraid you'll have to wait along with me and the rest of the residents of Providence. It's time for some bold changes and some new excitement in the Providence Schools and that's what we're going to see.

Business Valuations: Top Niche Service—Again

No surprise: *Accounting Today's* annual survey has found business valuations (BV) the top growth niche for 2005, rising from 72% of the Top 100 firms last year to 89%. In fact, over ten years running, BV has been the top growth niche, attesting not only to its popularity each year, but to its longevity as a long-standing, viable service opportunity as well.

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Professional News

Your Involvement is “What Counts” with RISCPA

Internship Programs a Two-way Street

With the demand for public and private accounting staff on the rise, internship programs provide an excellent way to gain access to a motivated and educated group of people. As the school year comes to a close, there will be many students looking for internship employment opportunities. Interns are not only a cost-effective and productive way to supplement your existing accounting staff, but also can be your next ideal employee. It may not be wise to wait until graduation time to consider their possible contribution to the success of your organization.

Please contact Denise Jacobson, djacobson@riscpa.org, at the RI Society of CPAs, if you have a need for a qualified finance intern. Your internship information will be posted on the Society’s website for distribution to the State’s colleges and universities.

Statewide Campus Gatherings

You are invited to attend a meeting where you will have the unique opportunity to accomplish two key business objectives: to give back and support your community, and enhance your firm’s access to resources – students – that may help your firm gain and maintain a strong and educated staff.

The RI Society of CPAs is in the process of organizing a “Campus Gathering” at each of the State’s colleges and universities. The purpose of the meetings is to strengthen the relationship between RISCPA, its members and the State’s highly regarded educational institutions. We all have a stake in ensuring that the accounting profession continues to attract the best and

brightest students. This informal gathering will afford students, professors and the leaders of the profession the chance to explore all of the tremendous opportunities that an accounting education can provide. The following meetings have been scheduled for the Fall of 2006:

Salve Regina	September 2006
RI College	October 2006
University of RI	November 2006

Please join us for all or one of our Campus Gatherings. Kindly RSVP by calling or emailing Kris Moretti at kmoretti@riscpa.org.

Rhode Island CPAs Teach Money Basics to Teens

This summer, local accountants will team up with three Community Action Programs (CAP) to help teens learn about jobs and money.

As part of a national program to promote financial literacy (refer to page 2), the Rhode Island Society of CPAs (RISCPA) has initiated an outreach to various social and civic organizations to assist with events where financial issues can be discussed. The summer program developed by participating CAP agencies is targeted at helping teens with job skills. The financial literacy component seemed a natural fit for this program. In three communities CPAs will present a two-hour session on creating a budget, setting goals, understanding credit and the benefit of saving. The same program will be available for other groups who have an opportunity to use this service. RISCPA has also developed a presentation for adults which addresses budgets and credit.

Eight volunteer CPAs are needed for these presentations. There will be a three-hour volunteer training session scheduled for June 21, 2006 at LGC&D office at 10 Weybosset Street, Providence to help prepare for these sessions.

The launch programs are as follows:

Tritown/Johnston	• July 20, 2006	• Noon to 2 p.m.	• 4 volunteers needed
Wakefield	• August 3, 2006	• Noon to 2 p.m.	• 2 volunteers needed
Westerly	• August 3, 2006	• Noon to 2 p.m.	• 2 volunteers needed

If you are available and would like to volunteer, please call or email Kris Moretti at kmoretti@riscpa.org. Thank you.



*Rhode Island Society of CPAs
Centennial Celebration*



The 100th anniversary celebration of the Rhode Island Society of CPAs was topped off with the annual dinner that honored recipients of the outstanding service awards. Governor Donald Carcieri addressed the crowd of XXX and Cynthia Lund of the AICPA attended to bid a final farewell to RISCOPA director Ray Church.



Academics

On the Menu – Portfolio Management

Roger Williams University offers financial services students a CAFÉ like no other

Students at Roger Williams University (Bristol, R.I.) with a major or minor concentration in financial services are at a unique advantage when it comes time to enter the post-graduate world of client demands. The Center for Advanced Financial Education (CAFÉ) is an innovative resource at the fingertips of advanced students interested in the financial services industry at Roger Williams.

In the CAFÉ, students use real-time financial analysis platform, SDS Marketwatch, to make informed investment decisions, acting as real-life portfolio managers. The CAFÉ, more akin to a private wealth or fund management firm than a classroom, grounds students in reality, from the earliest stages of forming an investment strategy to reallocating a portfolio.

“The CAFÉ was established to bridge theory with practice – to give students the real world experience they need prior to entering the working world,” says Dr. Michael Melton, director of the CAFÉ and assistant professor at Roger Williams. “This is one of only a handful of centers that provide this experience to students on the undergrad level in the nation. I often open my class by telling students that if they were to hop on a plane and fly two hours in any direction, they would never see another center like this. It’s truly

unique.”

Students use the CAFÉ, complete with a conference table for discussion, a 52-inch flat plasma monitor and four computer terminals, both for in-class Portfolio Management seminars and outside of the classroom. One seminar focused on a global objective with their portfolio and students found themselves watching the foreign market regularly from 2:00 to 8:00 a.m.

“I spent so much time there,” says Jennifer Mare Dahlgard, a Financial Services major entering her senior year at Roger Williams in the fall. “I found myself wanting to do my homework in the CAFÉ so I could always have an eye on the market,” she says.

Dahlgard hopes to move to New York City after graduation to become an investment banker. “My experience investing real money in the CAFÉ helped confirm my decision to get into investment banking,” she says.

Today, there are several institutions of higher education providing financial services students the opportunity to invest “real dollars” through student managed funds (SMFs), as the CAFÉ does, however, these are typically managed on the graduate level. At Roger Williams, students can get real money management experience at the undergraduate level, making them more marketable to employers after graduation.

Dahlgard, in the midst of interviewing for fall internships, agrees. “When I go out for interviews and employers find out that I have already invested \$100,000, in a group setting, their eyes light up,” she says.

Brandon Parrish of Lincoln, R.I. understands first-hand the value of the CAFÉ. Entering his senior year at Roger Williams University in the fall, the stress of finding a job is fast approaching.

“The CAFÉ has absolutely been a valuable resource to me,” says Parrish. “Already at work, for example, I am familiar with technical terms and industry jargon that I would have never known,” he says. Parrish, a Financial Services and Economics double-major, is currently working at Smith Barney in Providence, applying his practical experience learned in the CAFÉ.

Parrish says he has always planned to pursue a career in the financial services sector, and now feels more prepared to do so. “If you were to compare my credentials before versus after my involvement with the CAFÉ, the difference it has made is astonishing,” he admits.

Roger Williams University is a regional, liberal arts university offering undergraduate and graduate programs with its main campus in Bristol, R.I. One of the fastest-growing liberal arts universities in the country, Roger Williams enrolls more than 4,000 students and is accredited by the New England Association of Schools and Colleges.

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Topic: Understanding Long-term Care Insurance

It's a fact: People today are living longer. Although that's good news, the odds of requiring some sort of long-term care increase as you get older. And as the costs of home care, nursing homes, and assisted living escalate, you probably wonder how you're ever going to be able to afford long-term care. One solution that is gaining in popularity is long-term care insurance (LTCI).

What is long-term care?

Most people associate long-term care with the elderly. But it applies to the ongoing care of individuals of all ages who can no longer independently perform basic activities of daily living (ADLs)—such as bathing, dressing, or eating—due to an illness, injury, or cognitive disorder. This care can be provided in a number of settings, including private homes, assisted-living facilities, adult daycare centers, hospices, and nursing homes.

Why you need LTCI?

Even though you may never need long-term care, you'll want to be prepared in case you ever do. After all, the national average cost of nursing home care is approximately \$56,000 a year. (Source: AARP, 2001.) Although Medicaid does cover some of the costs of long-term care, it has strict financial eligibility requirements—you would have to exhaust a large portion of your life savings to become eligible for it. And since HMOs, Medicare, and Medigap don't pay for most long-term care expenses, you're going to need to find alternative ways to pay for long-term care. One option you have is to purchase an LTCI policy.

However, LTCI is not for everyone. Whether you should buy it depends on a number of factors, such as your age and financial circumstances. Consider purchasing an LTCI policy if some or all of the following apply:

- You are between the ages of 40 and 84
- You have significant assets that you would like to protect
- You can afford to pay the premiums now and in the future

- You are in good health and are insurable

How does LTCI work?

Typically, an LTCI policy works like this: You pay a premium, and when benefits are triggered, the policy pays a selected dollar amount per day (for a set period of time) for the type of long-term care outlined in the policy.

Most policies provide that certain physical and/or mental impairments trigger benefits. The most common method for determining when benefits are payable is based on your inability to perform certain activities of daily living (ADLs), such as eating, bathing, dressing, continence, toileting (moving on and off the toilet), and transferring (moving in and out of bed). Typically, benefits are payable when you're unable to perform a certain number of ADLs (e.g., two or three).

Some policies, however, will begin paying benefits only if your doctor certifies that the care is medically necessary. Others will also offer benefits for cognitive or mental incapacity, demonstrated by your inability to pass certain tests.

Comparing LTCI policies

Before you buy LTCI, it's important to shop around and compare several policies. Read the Outline of Coverage portion of each policy carefully, and make sure you understand all of the benefits, exclusions, and provisions. Once you find a policy you like, be sure to check insurance company ratings from services such as A. M. Best, Moody's, and Standard & Poor's to make sure that the company is financially stable.

When comparing policies, you'll want to pay close attention to these features and provisions:

- Elimination period: The period of time before the insurance policy will begin paying benefits (typical options range from 20 to 100 days). Also known as the waiting period.
- Duration of benefits: The limitations placed on the benefits you can receive (e.g., a dollar amount such as \$150,000 or a time limit such as two years).

- Daily benefit: The amount of coverage you select as your daily benefit (typical options range from \$50 to \$350).
- Optional inflation rider: Protection against inflation.
- Range of care: Coverage for different levels of care (skilled, intermediate, and/or custodial) in care settings specified in policy (e.g., nursing home, assisted living facility, at home).
- Pre-existing conditions: The waiting period (e.g., six months) imposed before coverage will go into effect regarding treatment for pre-existing conditions.
- Other exclusions: Whether or not certain conditions are covered (e.g., Alzheimer's).
- Premium increases: Whether or not your premiums will increase during the policy period.
- Guaranteed renewability: The opportunity for you to renew the policy and maintain your coverage despite any changes in your health.
- Grace period for late payment: The period during which the policy will remain in effect if you are late paying the premium.
- Return of premium: Return of premium or nonforfeiture benefits if you cancel your policy after paying premiums for a number of years.
- Prior hospitalization: Whether or not a hospital stay is required before you can qualify for LTCI benefits.

When comparing LTCI policies, you may wish to seek assistance. Consult a financial professional, attorney, or accountant for more information.

What's it going to cost?

There's no doubt about it: LTCI is often expensive. Still, the cost of LTCI depends on many factors, including the type of policy that you purchase (e.g., size of benefit, length of benefit period, care options, optional riders). Premium cost is also based in large part on your age at the time you purchase the policy. The younger you are when you purchase a policy, the lower your premiums will be.

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advocates who helped draft the Massachusetts law.

“It’s a major expansion in affordable coverage that will end up helping literally hundreds of thousands of Massachusetts residents who don’t have health insurance be able to get it at what we hope will be an affordable price,” said John E. McDonough, executive director for Health Care for All in Boston.

Christopher Koller, Rhode Island’s health insurance commissioner, said getting a similar plan passed in Rhode Island would take cooperation.

“One of the key things we learned today from Massachusetts is that the solution involved everybody. It involved individuals, it involved employers and it involved the state government. I think regardless of which way we go, all those players are going to have to be involved in the solution, as well as providers,” Koller said.

In Rhode Island, approximately 113,000 residents have no health insurance. In Massachusetts, about 500,000 are uninsured. States across the country are seeking solutions to a growing problem:

- Health insurance premiums rose, on average, 9.2 percent in 2005 across the U.S.
- The annual premium that a health insurer charges an employer for a health plan covering a family of four averaged \$10,800 in 2005.
- Workers contributed \$2,713, or 10 percent more than they did in 2004 (3).
- The annual premiums for family coverage eclipsed the gross earnings for a full-time, minimum-wage worker (\$10,712).

During this legislative session, several bills were considered by the General Assembly to address affordability and accessibility issues. One bill, the “Fair Share Health Care Fund,” would require businesses with more than 1,000 employees to spend at least 8 percent of its payroll on health care, or pay the difference into a fund that will help pay for health care for the uninsured. In May, the state Senate approved a bill that would track employers of people who use publicly funded health care.

The Massachusetts law, for the first time in the nation, requires individuals to obtain insurance. It offers sliding-scale subsidies for the poor and allows people and small businesses to buy private insurance through a state-organized marketplace. Businesses with more than 10 workers will be assessed \$295 per worker every year if they don’t provide insurance. State residents must submit their insurance policy information on tax returns, or be penalized by the Department of Revenue. Tax credits will be available for health insurance.

States are grappling with health insurance now because of the stalemate between political parties in Washington and because of new flexibility in the Medicaid program that allows states to experiment with expanding accessibility. For example, Vermont, which recently passed a health insurance reform law, is expanding coverage by increasing the tobacco tax and adding to its Medicaid rolls to ensure its

60,000 residents currently without insurance have health insurance.

One trend seems increasingly clear: individuals and small companies will need to take greater responsibility for health insurance and controlling medical costs. A recent survey of 1,674 employers, including 52 in Rhode Island, found that the increasing applicability of Web-based solutions and the growing sophistication of benefits advisers is enabling companies of all sizes to use tools and services that were previously available only to large employers.

Web-based tools can allow workers to manage chronic conditions such as asthma and diabetes. They can compare benefit plans as well as cost and quality information about doctors and hospitals to ensure they get the best care at the right price. And employers can reward workers who take care of themselves. According to *Providence Business News*, one company is implementing a new health plan on June 1 that requires workers to contribute 20 percent toward their premiums, but if workers who smoke commit to an eight-week smoking cessation program company-paid, they can cut their contribution in half. They can reduce the other 10 percent by demonstrating they have undergone the recommended basic screenings – blood tests as appropriate, a Pap smear, a mammogram, a colonoscopy, whatever is appropriate for their age and gender.

Robert F. Calise of The Cornerstone Group in Warwick told *PBN* it’s not a matter of whether employers should be responsible for their workers’ health – the reality is that they’re cost-effective, because “employers that engage actively in this type of communication will find they end up with healthier employees.”



RI HOSPITALS
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largely because of its aging population. In addition, utilization plays a critical role in healthcare usage including Emergency Room (ER) use, which is slightly higher than the national average. ER visits are largely driven by demographics and insurance coverage. But contrary to popular opinion that uninsured individuals overload emergency departments, it's more often younger, working age people with commercial insurance coverage, possibly indicating that R.I. emergency rooms serve as substitutes for regular doctor visits for some of the state's residents.

Reason for concern

Several factors contribute to the financial squeeze many hospitals are feeling. Over the past three years, Rhode Island hospitals, surgeons and general practitioners have experienced triple-digit percent increases to medical malpractice premiums. In addition, the R.I. Department of Health issued a report in 2006 that noted more than \$100 million in free or uncompensated care (including charity care, bad debts and Medicaid "shortfalls") was provided by Rhode Island hospitals in 2005. Maintaining a quality, affordable, accessible health-care delivery system in our state requires a look at why these numbers are so high.

In the past, Rhode Island has maintained one of the lowest uninsured rates in the nation. However, the uninsured rate has risen to 11 percent since 2001, up from 7 percent.

Health Insurance Commissioner Christopher Koller told *Providence Business News* that, "The first solution is to make people insured." He also stressed the importance of encouraging people to use less costly care options, such as primary care doctors instead of emergency rooms.

Rising premiums also contribute to hospital write offs. In the past decade, employers have faced double-digit increases for health insurance and require more contribution from employees – some of whom have opted to drop coverage. As co-payments and deductibles have increased, patients are often unwilling or unable to meet the payments. Bad debt accounted for \$52.5 million in

hospital write offs in 2004.

Making way for change

Increasing demand for quality, state-of-the-art health care has led to a growing workforce and some hospitals have been able to buck financial strains and forge ahead with significant hospital improvements. Major renovations are paving the way to accommodate increasing and changing needs of our population.

Rhode Island Hospital is New England's third largest acute-care hospital and the Level One Trauma Center for southeastern New England. A major expansion project included a larger state-of-the-art emergency department that accommodates 110,000 patients a year. In addition, the ER includes a radiology unit, chest pain center, critical care unit, and fast track area. The new ER also offers private rooms to accommodate families and promote privacy – linked in research to improved healing. Rhode Island Hospital employs 6,300 people.

Women & Infants Hospital is an internationally recognized leader in perinatal and women's health and delivers about 73 percent of all babies born in R.I. (9,300 last year). A milestone in its 120-year history was the relocation to its current, inner-city location in 1986. That move, and outreach to high-risk populations, contributed to a reduction in the state's infant mortality rate in the 1980s and 90s.

Women & Infants Hospital is embarking

on its next chapter with plans underway for a \$64 million expansion and improvement project. When completed, the project will ensure that Women & Infants can meet the projected needs for neonatal care and expanded capacity for obstetrics.

High patient volume throughout the hospital and the rising C-section rate contributed to an unprecedented demand on Women & Infants that frequently strains its physical capacity. But the biggest reason for expansion is overcrowding of current NICU which was built for 41 babies and now serves on average 65 babies each day. The construction project, expected to begin in 2007, is the biggest building project for Women & Infants since opening its current facility and will increase building size by 54 percent.

Like many, the hospital is a significant contributor to the local economy and valued and trusted resource to women, infants and families – regardless of their financial position. In FY2004, the

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