Home Health
BUSINESS REPORT

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A WEEKLY REPORT ON NEWS, TRENDS & STRATEGIES FOR THE HOME HEALTHCARE EXECUTIVE

Clinton proposal could be boon to home care

An *HHBR* Staff Report

President Clinton proposed a four-part long term care plan today that would bring significant financial help to Americans who care for elderly relatives in their homes.

The core of the plan is a $1,000 yearly tax break for either patients or their caregivers. The tax credits are expected to reach about 2 million Americans and cost $5.5 billion over five years.

In his initiative, which is expected to cost $6.2 billion over the next five years, the president is also proposing a new National Family Caregivers Support Program that would provide a range of critical services for caregivers such as respite care, home care services, and information and referral.

According to a report by the *Associated Press*, Clinton will ask Congress for $625 million in grants over the next five years to state and local agencies on aging, which were created by the Older Americans Act of 1965, to set up the support program.

The third component of the four-part plan calls for a national campaign to educate Medicare beneficiaries about the programs' limited coverage and how best to evaluate long term care options. According to the *AP* report, the campaign, at a cost of $10 million, would make sure all 39 million Medicare beneficiaries realize they are not covered for most long term care; know what to look for in supplementary private insurance; and are aware they might be eligible for long term care welfare benefits under Medicaid.

In the fourth part of the plan, Clinton proposed that the federal government begin offering affordable long term care insurance to its employees, acting as a model employer, in hopes that other employers would follow suit.

According to the White House, the aging of Americans will only increase the need for quality long term care options. The number of Americans age 65 or older will double by 2030 (from 34.3 million to 69.4 million), so that one in five Americans will be elderly. The number of people 85

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Infusion coalition seeks to shape new EDI regulations

By MATTHEW HAY
***HHBR* Washington Correspondent**

ALEXANDRIA, Va. — Home infusion representatives are developing a strategy to help shape emerging federal regulations that will standardize the coding of healthcare claims and other requirements for electronic data interchange (EDI). These regulations, which will be finalized this year, will have a major impact on home infusion providers, according to members of The **National Home Infusion Association** (NHIA; Alexandria, VA), the **National Alliance for Infusion Therapy** (NAIT; Washington), and the **Home Infusion EDI Coalition** (HIEC; Phoenix).

"When these standards are finalized, we will have a situation where if you want to do business through EDI you will have to conform to these standards," said NHIA Executive Director Lorrie Kline Kaplan. "We have a very short window of opportunity to work together as an industry to influence these regula-

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Home care groups see bad trend in Medicare ruling

By MATTHEW HAY
***HHBR* Washington Correspondent**

WASHINGTON — The **Health and Human Services** (HHS; Washington) Medicare Appeals Council (MAC) last month overturned a decision by an Administrative Law Judge (ALJ) regarding skilled nursing services provided to a Medicare beneficiary. Far from being viewed as an isolated decision by the MAC, some home care representatives see the decision as part of a larger and more ominous pattern on the part of the **Health Care Financing Administration** (HCFA; Baltimore) to eliminate the Medicare home health benefit for long term, medically complex patients.

"It is just outrageous," **American Federation of Home Health Agencies** (AFHHA; Silver Spring, MD) Executive Director Ann Howard told *HHBR*. "HCFA is going to remove the medically complex, longer term patients by

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Infusion

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tions. We must take action early in the first quarter of 1999."

HIEC, composed of home infusion providers and associations, was developed in 1994 and since that time has worked closely with insurers and electronic networks to promote electronic claims and EDI for home infusion providers. HIEC has already developed a national system for encoding home infusion claims that codes drugs with NDC codes. It now hopes to promote this system with federal regulators as the baseline for the new federal regulations. The coalition has also worked closely with the Accredited Standards Committee, the country's predominant EDI standards setting organization.

The regulations HIEC is focusing on are required by the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The centerpiece of that bill was a set of protections that guaranteed workers could maintain their insurance when they changed jobs. However, it also requires the secretary of **Health and Human Services** (HHS; Washington) to develop and enforce national standards for health insurance EDI. This includes electronic claims and other health insurance transactions, healthcare coding systems, as well as confidentiality and security standards. Also included are national entity identifiers for payors, employers, and patients.

The full impact of these changes will be felt by home infusion providers and the rest of the healthcare industry in the year 2000 with large-scale implementation of standardized EDI taking place in 2001. The law requires the compliance of all payors including Medicare, Medicaid, managed care organizations, and other private health insurers.

The goal of EDI is to minimize the manual entry of data and enable healthcare providers to transmit clinical, demographic, insurance, and service information to carriers electronically for timely adjudication. The majority of institutional health claims are now submitted electronically as well as many physician claims. Many durable medical equipment (DME) claims are also submitted electronically as well as some home care agency claims.

"Unfortunately for home infusion providers," said Kaplan, "virtually the only payor accepting claims via true EDI is Medicare." Some infusion providers submit a certain number of applicable claims electronically to the durable medical equipment regional carriers, (DMERC) but most other payors do not accept any of their claims electronically. Some payors may accept portions of certain claims electronically, but home infusion companies must key-in the claim in a very detailed fashion. "This is definitely not EDI," said Kaplan.

HIEC members see both positive and negative developments in the proposed regulations for implementing the requirements of HIPAA that have so far been published in the *Federal Register*. On the positive side, the regulations proposed that the coding system for drugs be based on NDC number rather than the HCPCS codes that are currently used. "HCPCS codes are not nearly inclusive enough to specify the wide array of drugs supplied by the infusion industry and most payors already require NDC number," Kaplan said.

However, the proposed rules also stated that the systems used for coding claims will be HCPCS, CPT, ICD-9-CM, and NDC codes. "None of these systems adequately describes the full scope of services we provide or includes specification of our professional services. "This challenges HIEC to get our coding system incorporated into the federal regulations somehow," said Kaplan.

The home infusion representatives are also concerned that the proposed rules do not clearly define exactly what type of claim a home infusion claim is—retail pharmacy, professional service, or institutional claim. "We hope to eliminate the need to 'split' our claims — where we have to submit one claim for drug products and other for supplies and professional services — maybe even to two different places," said Kaplan. "Infusion providers are having a terrible time getting paid lately, and this only makes it worse." In addition, said Kaplan, there is currently no real way for infusion providers to bill explicitly for professional clinical pharmacy services. "If we can gain national recognition for a coding system that addresses these issues, it will be a giant step forward for the infusion industry," she told *HHBR*.

While HIEC, NHIA and NAIT have already formally commented on these aspects of the proposed regulations, the coalition believes that opportunity still exists to help shape the final regulations if the industry is adequately united in its recommendations. ■

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COMPANIES IN THE NEWS

Amedisys secures new credit line

Amedisys (Baton Rouge, LA), through an arrangement with **National Century Financial Enterprises** (Dublin, OH) has secured a $25 million asset-based line of credit and a $3 million, 3-year term loan. National Credit provides medical accounts receivable financing, medical equipment leasing, and loans. Amedisys also announced it has acquired 67% of **Tanglewood Surgery Center**, a multi-specialty outpatient surgery center in Odessa, TX, and sold its durable medical equipment division. "The sale of our DME division is the final step in our restructuring plan," said William Borne, chairman/CEO. Our management team is now entirely focused on home health care, infusion therapy, and ambulatory surgery centers. We believe the company is strategically poised for future growth."

ComTech's board grows

ComTech Consolidation Group (Houston) has expanded its board of directors from three to six people, with four new directors to be added. Newly appointed members include William Dickerson, Lloyd Broussard, Winifred Fields, and Jim Thuney, who will serve along with existing directors Richard Behlmann and Joel Flowers. All newly appointed directors are managing directors of ComTech operating divisions. Thuney was named interim CEO/chairman to replace company founder Roger Stewart, who died recently.

"Our immediate mission is to further organize and complete an exempt initial public financing for each of the three divisions as stand alone spin-off entities: The Home Health, Mental Health and Technical divisions, each with funding to further expand into their most lucrative business opportunity currently available to their respective business," Thuney said. "As planned, ComTech will remain as majority shareholder in each respective spin-off entity, with the underlying value of its stock based on the public market value of its holdings in each of the three spin-off entities. When the spin-offs are completed, ComTech plans to declare a stock dividend to its shareholders of the stock it retains in the spin-off entities."

HealthCor closes loan

HealthCor Holdings (Dallas) has closed a $6 million working capital loan. The funds net of transaction costs will be used for working capital purposes. Terms call for monthly payment of interest at the rate of 11% per annum and full repayment of the facility by Dec. 31, 1999. If the full $6 million is not repaid by the due date, the loan will convert into common equity shares in sufficient number to represent 19.99% of primary shares outstanding. The transaction represents the first step of a planned recapitalization announced by the company on Dec. 15. HealthCor provides home health care services in the southwestern and central United States.

Stock deal struck

An agreement between **In Home Health** (Minnetonka, MN) and **ManorCare Health Services** (Toledo, OH) to modify the terms of the 200,000 shares of In Home Health's convertible preferred stock held by ManorCare. Under the terms of the modification agreement, ManorCare irrevocably waives the voting rights of the preferred stock, except with respect to any proposal presented to In Home Health's stockholders that involve liquidating the company, merging or consolidating exchange agreements with another corporation, or amending the company's articles of incorporation. ManorCare continues to maintain a 41% interest in In Home Health's common shares outstanding in addition to the preferred shares held. Wolfgang von Maack, chairman of the board, said he expects the modification to improve the company's ability to act on decisions in terms of independence and timeliness. In Home Health has annual revenues of $97 million.

Matria to buy Gainor

Matria (Marietta, GA) signed a definitive agreement to acquire the business assets of **Gainor Medical Management** (McDonough, GA). Matria officials said Gainor's global position in the diabetes disease management market will complement Matria's disease management infrastructure and broaden the scope of Matria's diabetes business internationally through expanded services, a larger patient base, and enhanced relationships with self-insured companies, managed care organizations, and key diagnostic companies.

Matria expects the purchase price to be about $130 million, and the transaction will be accounted for under the purchase method of accounting. The financial consideration will be composed of about $85 million in cash at closing, and $45 million in preferred stock, some of which is convertible and includes warrants. The acquisition is expected to be completed by mid-January. Matria's board of directors will then be expanded to nine seats with the addition of Mark Gainor, CEO of **Gainor Medical**, and Rod Dammeyer, managing director of Equity Group Corporate Investments, a privately held investment firm controlled by **Sam Zells. Bowles Hollowell Conner & Co.**, a division of **First Union Capital Markets**, was financial advisor to Matria during the transaction.

MiniMed, FDA set date

MiniMed (Sylmar, CA) officials say the **Food and Drug Administration** (FDA) has set Feb. 26 as the date for an FDA advisory panel to consider, make recommendations, and vote on a premarket approval application (PMA)

for a system designed to provide continuous glucose monitoring for people with diabetes. MiniMed has developed a minimally invasive continuous glucose monitoring system that provides continuous readings of interstitial glucose levels. MiniMed's continuous sensor is designed to be inserted into the subcutaneous tissue, usually in the abdominal area, using a soft cannula type device. The company wants to introduce a series of products using the system, the first of which is a physician monitor to be used as a diagnostic tool in treating patients with diabetes, much like a cardiac holter-style device.

Also, in an interview with *The Wall Street Transcript*, MiniMed's chairman/president/CEO, Alfred Mann, described the PMA system: "For people with diabetes that are on intensive management, at least four – or even more – five or six measurements are made per day. And even this is not nearly enough. There are people who measure as many as 16 times a day! Today, each measurement requires a person to stick a needle into a finger to draw a drop of blood, which is put on a chemically treated strip. That process is not pleasant and deters compliance."

NHMC makes two appointments

National Healthcare Manufacturing Corp. (Winnipeg, Manitoba) appointed Brian Allison as company CFO and promoted Kurt Tarter to vice president of United States sales. The company also posted its results for the six-month period ended Oct. 31, which saw revenues at $5.8 million, a 39% increase from the $4.2 million posted for the similar period the previous year. Gross profits for the first six months of 1998 were $2.4 million, up from the $2 million posted by the company in the first six months of 1997.

New York Health Care buying back stock

New York Health Care (New York) has bought about 50,000 shares of its common stock. On Dec. 31, 1997, company officials announced that the board of directors had authorized a program to repurchase up to $200,000 worth of New York Health Care common stock from time to time in open market transactions. The company has about $130,000 remaining under this program and expects to buy additional shares in the open market if current price levels remain constant. "We continue to believe that New York Health Care common shares represent good values at current price levels and do not reflect the company's strong year to date financial performance," said the company's president/CEO, Jerry Braun. "Our latest third quarter financial results were highlighted by a 138% increase in net income on a 47% revenue gain. For the first nine months, the company's revenue, net income, and EPS have significantly exceeded 1997 results. Moreover, we have yet to realize any revenue associated from our estimated $11 million contract with the city of New York, which is due to begin in January 1999." ■

Denials

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hook or by crook. They are going to remove them through the per-beneficiary limit and if any of them had the good fortune to find an agency that was willing to continue providing them services they are going to remove them through this policy."

In three decisions, an ALJ had previously found that the daily skilled nursing visits rendered to a Medicare beneficiary in her home between Dec. 1, 1995, and Feb. 29, 1996, were medically reasonable and necessary and qualified for Medicare coverage. The services had been ordered by a physician pursuant to valid plans of care and certified by the beneficiary's treating physician to be necessary.

The MAC reversed these decisions, however, on the basis that the daily services which the beneficiary received during this period were "not 'intermittent' within the meaning of section 1814 (a) (2) (C) of the Social Security Act" and "were not realistically expected to end at any finite and predictable point in time.

"The provider has asserted that the plans of treatment document endpoints to daily care because the physician ordered daily care only for the 60-day period covered by each plan," the MAC noted. It argued, however, that "none of the plans establish that a finite and predictable end point to the daily catheterizations was expected, let alone predictable.

"There is no evidence that the provider here contacted the intermediary, provided supporting documentation, or attempted to justify that unusual circumstances existed here," the MAC added. "Nor is there any evidence that would support a finding that such a projection would have been realistic during the period at issue, given the beneficiary's prognosis."

Since the beneficiary did not receive any other services during this period that would have qualified her for home health services such as physical or speech therapy or continued occupational therapy, the MAC ruled that Medicare should not pay for these home health services.

"The provider knew or should have known that the beneficiary was not eligible for home healthcare services and is liable for the cost of the care under section 1979 of the Act," the MAC concluded. It found no evidence, however, that the beneficiary "knew or had reason to know that she was not eligible for the services" and ruled that she is not liable for the cost of the services.

"This is a 100-year-old stroke patient who desperately needs the services and who without the services clearly will either die or will go into an institutional setting," said AFHHA's Howard. "I don't think there is anything in the Medicare law that says there has to be an endpoint to the services or that home health is only for beneficiaries who are going to recuperate within a predictable period of time. This is HCFA policy now, and it's very scary." ■

PPM/MSO NEWS

• **Complete Wellness Centers** (Washington) will increase the size of its board of directors from nine members to 15. There are currently seven members serving on the board. In conjunction with the resolution, the board of directors has voted to add eight new members on Jan. 4. The eight new directors, representing a majority of the board, are affiliated with **Wexford Management, Wexford Spectrum Investors, and Imprimis Investors** (collectively known as **Wexford**). Complete Wellness Centers is a multidisciplinary physician practice management company and manages 82 Complete Wellness Medical Centers.

• **Med-Emerg International** (Ontario, Canada) reported a net income loss of $44,000 compared for 3Q98 ended Sept. 30, an improvement over its 3Q97 net income loss of $108,007. Med-Emerg had net revenues for 3Q98 of $3.9 million, an increase compared to its 3Q97 net revenues of $2.7 million. Med-Emerg is pursuing its consolidation of physician practice management across Canada by assembling a team of healthcare specialists and forming strategic alliances with partners to develop its chain of Family Health/Urgent Care Centers. "Management believes the company is well positioned to capitalize on the significant opportunity through rapid consolidation of physicians into group medical practices," said Carl Pahapill, president/CEO.

• **MedPartners** (Birmingham, AL) has entered into a definitive agreement for the sale of its government services business to **America Service Group** (Brentwood, TN) for about $67 million. The government services businesses, one of the two businesses that comprise MedPartners' contract services division, provides hospital-based physician management services and medical services to correctional institutions and other government organizations. The transaction should be completed by the end of January. **Bowles Hollowell Conner & Co**., a unit of **First Union Capital Markets Group**, advised MedPartners on the transaction. In November, MedPartners announced that it plans to separate from its physician practice management and contract services divisions to focus on its pharmacy benefits management division, Caremark.

• **BMJ Medical Management** (Boca Raton, FL) and five of its subsidiaries have filed for Chapter 11 bankruptcy protection. The filing was necessitated by, among other things, company officials said, actions by two medical groups in Florida affiliated with the company that "unjustifiably withheld monies due the company related to the collection of the company's accounts receivable. The company has filed a complaint and a motion for a temporary restraining order as part of its efforts to recover these funds, continue collection of accounts receivable and compel compliance by affiliated medical groups with their respective obligations under their management services agreements." Also, the company's board of directors has elected Charles Sweet to serve as president/CEO, succeeding Donald Lothrop, who will remain on the board. Sweet joined BMJ in May and has been COO/chief information officer. BMJ is a single specialty physician practice management company focused on musculoskeletal care. ■

Proposal

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or older, nearly half of whom need assistance with everyday activities, will grow even faster (from 4.0 million to 8.4 million).

Sen. Harry Ried (D-NV), who serves on the Senate Special Committee on Aging, joined the president at the White House earlier today to announce the plan. Reid, according to a *States News Service* (Washington) report, said this is the first of many steps that need to be taken to ensure quality healthcare for seniors.

"I think this is really keeping with what I believe is needed," Reid said. "We need to pass this legislation."

Some home care representatives were not overwhelmed by the measure, however. "This is really just a Band-Aid on a very serious problem and more of a distraction than anything else," said **American Federation of Home Health Agencies** (AFHHA; Silver Spring, MD) Executive Director Ann Howard. "It's not a bad idea as a complement to the Medicare home health benefit, but a $1,000 annual credit is a poor substitute for the revocation of the Medicare home health benefit for long term, medically complex patients.

"Once again, the patients we are talking about are those who are considered 'too sick'," said Howard, "and this will only translate into two or three weeks of care before these patients have to be shipped off to a nursing home or another institutional setting."

Whatever the merits of the tax break may be, the immediate response on Capitol Hill suggested Clinton's initiative won't meet any resistance in Congress. "These items were contained in the Republican Contract with America, and we passed them as a $6.5 billion healthcare initiative in December 1995," House Ways and Means Health Subcommittee Chairman Bill Thomas (R-CA) said this morning. "Since President Clinton vetoed these Republican provisions in 1995, I'm delighted he has changed his tune and is supporting them today. Every year millions of Americans go without adequate long term care because they are forced to go without many services. This GOP initiative the president has adopted can make a difference."

Assistance for long term care patients and their caregivers will be the largest new domestic initiative in the budget Clinton is preparing to send to Congress in a month, *The Washington Post* reported. ■