Home Health
BUSINESS REPORT

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

HCFA publishes OASIS rules with no concessions

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

WASHINGTON — The **Health Care Financing Administration** (HCFA; Baltimore) last week published a final rule that will require agencies to begin using the Outcome and Assessment Information Set (OASIS) for comprehensive assessment. The regulations are being published in two parts, according to HCFA. The final rule includes only that portion of the proposed home health conditions of participation relating to comprehensive assessment and collecting OASIS as part of the assessment. An interim final rule was also published that will require agencies to report OASIS data electronically as a condition of participation. Under these rules, home health agencies are required to begin collecting OASIS data by Feb. 24, 1999, and transmitting these data by April 26, 1999. A final section of the OASIS regulations yet to be published will address how the data is to be transmitted to HCFA.

There is no comment period for this final regulation, however, home health agencies and others are allowed to make cost "impact" comments within 15 days, and they are being urged to do so by industry representatives. The interim final rule has a 60-day comment period that ends March 26, 1999.

The OASIS data set is a set of standardized questions designed to reflect key characteristics of home health patients. Under the new regulation, these data will replace the patient assessment protocols that home health agencies are currently required to use for Medicare beneficiaries. HCFA said that more complete patient information will allow physicians, home health agencies, and patients to measure individual patient outcomes and make better treatment decisions.

The OASIS data is also crucial to the development of the prospective payment system (PPS), which the Balanced Budget Act of 1997 (BBA) requires to be in place by Oct. 1, 2000. In her interim report to Congress last month on the

See OASIS, Page 7

Caretenders' site closings to cause 4Q99 $1 million charge

By MEREDITH BONNER
***HHBR* Editor**

Caretenders (Louisville, KY) has closed and sold home care operations at two sites, and the company said it expects to take a charge of nearly $1 million in 4Q98 because of the closings.

The two sites, Caretenders' Richmond, VA, nursing operations and its home medical equipment operations in Boston generated revenues of $1.2 million and $3.7 million, respectively, in 3Q98. Caretenders also said the two sites contributed pre-tax losses of $244,000 and $476,000, respectively.

The company's chairman/CEO, William Yarmuth, said Caretenders will continue to focus its home health business on operating under the Interim Payment System (IPS). "We still see room for improvement in most of our markets," he said. "The positive effects of our restructuring

See Caretenders, Page 2

Grassley says industry should focus on PPS reforms, not IPS

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

WASHINGTON — Sen. Charles Grassley (R-IA), chairman of the Senate Aging Committee and a strong supporter of the home care industry, last week urged the industry to give up on further reforms in the interim payment system (IPS) and instead focus on bringing about a workable prospective payment system (PPS)." I would suggest that the time is right to focus on the prospective payment system for home care where the prospects of success are better," Grassley told a group of healthcare professionals Jan. 25.

Grassley said that last year's budget agreement, which delayed the effective date for PPS by one year until October 2000, is "a golden opportunity to work out the bugs in PPS." But as far as the chances that Congress will take up IPS reform again this year, Grassley said he is not optimistic.

See IPS, Page 2

IPS

Continued from Page 1

"What prevented real reform last year," he said, "was the inability of the home care industry to reach a consensus on a budget neutral solution." And the reason for that, he said, was the division between high-cost and low-cost home health agencies.

"With the funding crisis that Medicare faces, the only way payment reform can happen is with some redistribution from high-cost to low-cost agencies." Grassley asserted. "Members of Congress listen to their constituents, so unless this division in the industry can somehow be bridged this year, Congress will continue to reflect it." Grassley said he feels as strongly as ever about the "inequities caused by IPS," but that absent a significant shift in the industry's position he doesn't see much hope for further IPS reform this year.

Not everyone has been as quick to write off additional IPS reforms this year, however. In fact, an aide to Rep. James McGovern (D-MA) last week confirmed that his boss has already started drafting an outlier policy for long term medically complex patients and discussing that legislation with his colleagues. "Under IPS, there is no outlier provision, and under PPS, there is supposed to be an outlier policy," said the aide. "Basically, there is a group of seniors that are now caught between these two policies until PPS is in place.

"Everyone initially wrote off any chance for IPS reform last year as well, and we were finally able to pass some changes late in the year," the aide pointed out. But he too said the home care industry would have to work together "as a unit and not in separate directions" to bring about any changes. "Whether it's the 15% cut or the creation of an outlier or putting together a PPS that works, all sides need to get together well before their trip to Capitol Hill to decide what they want to push for in unison."

The legislative and regulatory priorities recently announced by the **American Federation of Home Health Agencies** (AFHHA; Silver Spring, MD) also reflects this view. In fact, additional IPS reforms were listed as the organization's

See IPS, Page 5

Caretenders

Continued from Page 1

actions have improved our operating results from the prior quarter."

Caretenders responded to the recent Medicare reimbursement cuts in July when the company laid off 150 employees as part of a restructuring designed to save $7 million a year.

In 3Q98 ended Dec. 31, Caretenders' revenues rose to $24.8 million from 3Q97 revenues of $23.4 million, an increase of 5.9%. The company recorded a net income of $1.1 million, 34 cents per share, compared to net income in 3Q97 of $410,404, 13 cents per share. This net income, Caretenders said, included a one-time gain from settlement of litigation with **Columbia/HCA Healthcare** (Nashville, TN) of $793,000. The lower operating results were principally due to the impact of IPS for Medicare home health services, officials said.

CFO Steve Guenthner told *The Courier-Journal* of Louisville, KY, that much of the current improvement is due to increased sales in the company's adult day care operations, which are not subject to the Medicare cuts that have hurt the rest of the business.

Caretenders also said it has been notified by Nasdaq that it does not meet the minimum public float requirement of $5 million. Caretenders is scheduled for a hearing concerning listing qualifications for the National Nasdaq market system. If Caretenders is unable to meet the requirements of Nasdaq, the company said, its stock would move from the National market system to the Nasdaq SmallCap Market.

Over the last several months, Yarmuth said, the company has been focused on operating under the new reimbursement system.

"We continue to believe that home healthcare is a vital piece of the health system in this country. Furthermore, we believe that our adult day care operations serve as a model for a new way to address the needs of the senior population," he said. "Our goal will continue to be to offer the quality services we think are necessary to allow seniors to remain outside of institutionalized care for as long as possible." ■

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COMPANIES IN THE NEWS

AHOM expects low results for 4Q98

American HomePatient (AHOM; Brentwood, TN) said it anticipates its financial results for 4Q98 ended Dec. 31 will be substantially lower than expected. Preliminary evaluations of the company's financial information for the quarter indicate results will be negatively affected by lower than anticipated revenues and higher than expected general and administrative costs. Management is continuing to evaluate other factors that may affect 4Q98 earnings, AHOM said.

Information currently available indicates that the short fall in revenues is attributable primarily to the exit and deemphasis of certain lower margin business lines which was achieved by the termination of several select payer contracts and the cessation of certain branch-level products and services.

Concurrently, the company did not experience the revenue improvement in other areas expected to help offset these activities. The general and administrative expenses increase is due primarily to the one-time impact of severance arrangements for several of the company's recently departed senior executives.

AHOM President/CEO Joseph Furlong said, "We are currently evaluating the company's strategic direction to determine the appropriate business and product mix for profitable revenue growth going forward. We have already initiated a significant effort to reduce expenses in all areas of the company's operations."

Under the terms of AHOM's amended credit agreement, the company is required to meet certain financial covenants that management now believes will not be met based on anticipated 4Q98 results. Consequently, the company anticipates entering into negotiations with its bank group to obtain waivers of financial covenants and/or to amend the credit agreement. The company is current in its payment obligations under the credit agreement. AHOM said it expects to release its earnings for 4Q98 and FY98 in early March.

AHP notices decrease in FY98 sales

American Home Products (Madison, NJ) reported net sales of $13.5 million for FY98, compared to $14.2 million for FY97. Net revenues for the year were impacted by unfavorable foreign exchange, as well as the dispositions of the company's medical devices businesses and the acquisition of **Solvay S.A.** (Belgium), the worldwide animal health business.

Net income for FY98 was $2.47 billion, $1.85 per share, compared to $2.04 billion, $1.56 per share, for FY97. Figures for FY97 include one-time costs for the withdrawal of the company's anti-obesity products.

Results for 4Q98 showed a decrease in net sales with the last quarter of FY98 reporting $3.2 billion, compared to $3.6 billion for FY97. Net income was $349.6 million, 26 cents per share, compared to $571.8 million, 43 cents per share, in the previous year.

IHHI shareholders take loss in 1Q99

In Home Health (IHHI; Minnetonka, MN) reported net income in 1Q99 ended Dec. 31 of $517,000, 2 cents per share, compared to a net income in 1Q98 of $860,000, 3 cents per share. Payment of a required preferred stock dividend to **HCR ManorCare** (Toledo, OH) resulted in a net loss available to common shareholders of $132,000 for 1Q99, compared to net income available to common shareholders of $186,000 for 1Q98, the company said. The preferred stock dividend relates to an investment of $20 million provided by HCR ManorCare in 1995. Revenue totaled $18.6 million in 1Q99 compared to revenues of $27.9 million in 1Q98.

A reduction in revenue derived from the cost-based Medicare program accounted for 84% of the revenue decrease from last year. The remaining reductions in revenue from the prior year period consisted primarily of reductions in extended hours, including non renewal of unprofitable contracts. Direct costs as a percentage of revenue were reduced to 56% this period from 58% last period.

"Over the past year, the company has significantly reduced its reliance on the cost-based Medicare program, enhanced the efficiency of service delivery to our remaining patient base, and achieved significant reductions in corporate overhead," said Wolfgang von Maack, chairman/CEO. "While these actions have resulted in a reduction of overall revenue, they have contributed to an increase in the company's gross margins on direct care." Von Maack added that these actions "have enabled the company to minimize the impact of cost limits imposed by the Interim Payment System (IPS) during 1Q99." While IPS remains a significant challenge for IHHI, he said, "the system continues to force many of our weaker competitors to exit our markets, increasing current opportunities for the company to obtain higher margin business and the potential for success under the Prospective Payment System. We have recently enhanced our sales efforts in a number of markets and are prudently evaluating acquisition opportunities where we can leverage our existing resources."

Interwest 1Q99 revenues jump 23%

Interwest Home Medical (Salt Lake City) saw revenues in 1Q99 ended Dec. 31 of $7.7 million, a jump of 23% from 1Q98 revenues of $6.2 million. Net income for 1Q99 was $406,000, 10 cents per share, compared to net income in 1Q98 of $337,000, 8 cents per share. Interwest President/CEO James Robinson said the results of the quarter "clearly reflect the benefits of our renewed focus on our core respiratory/oxygen business. This is especially satisfying after a year of the Medicare oxygen reimbursement.

reduction." Robinson added that the company expects to continue the respiratory business focus and cost control measures and will continue to target strategic acquisition opportunities with quality revenue and net income streams with an eye toward enhancing shareholder value. Interwest has expanded to 28 branch locations in Utah, Arizona, Idaho, Nevada, Colorado, Alaska, and California.

Invacare notices 22% sales increase

Invacare (Elyria, OH) reported record sales for FY98, showing $797.5 million in net sales - a 22% increase over the previous fiscal year's sales of $653.4 million. Net income was $45.8 million, $1.50 per share, compared to $1.6 million, 5 cents per share, in the previous year. The results from FY97 include a non-recurring unusual expense of $1.28 per share.

Malachi Mixon, chairman/CEO, attributed the results to management changes and European sales growth. About 8% of the increase in net sales was due to acquisitions and unfavorable currency translation, the company said. Mixon expects FY99 to repeat 1998's results with slow profits in the first half of the year while investments are made, then a pay-off in the second half of the year.

Sales for 4Q98 rose 23% to $210.3 million over the previous year's amount of $170.8 million. Net income was $14.2 million, 47 cents per share, for 4Q98, compared to $3.4 million, 11 cents per share, for 4Q97.

McKessonHBOC reports record 3Q98 revenues

McKessonHBOC (San Francisco) reported record revenues in 3Q98 ended Dec. 31. Before special charges, the company had a net income of $59.4 million, 56 cents a share, compared to $42 million, 43 cents a share, a year earlier. After $17.2 million in charges for 3Q98 acquisitions, 3Q98 net income was $42.2 million, 40 cents a share. Revenues increased 24% to $5.8 billion, not including $2.2 billion in sales to customers' warehouses.

Court drops charges against Olsten's Quantum

Olsten Health Services (Melville, NY) said it has been advised by the U.S. Attorney's Office for the District of New Mexico that it has dropped its criminal charges investigation into certain past practices of **Quantum Health Resources**, which was acquired by Olsten in June 1996. The investigation had focused on allegations of improper billing and fraud against various federally funded medical assistance programs on the part of Quantum during January 1992 and April 1997.

Respironics' sales down for 2Q99

Respironics' (Pittsburgh) sales in 2Q99 ended Dec. 31 totaled $90.2 million, compared to sales in 2Q98 of $95.5 million. The company recorded a net income in 2Q99 of $7.4 million, 23 cents per share, down from 2Q98 net income of $9 million, 27 cents per share. During the quarter, Respironics featured several new products at the major tradeshows, including the Millennium Oxygen Concentrator, the BiPAP Vision Ventilatory Support System, the Esprit Ventilator, and the REMstar LX and Tranquility Auto CPAP units.

Sims' subsidiary secures contracts

Sims Communications (Irvine, CA) said that its **One Medical Service Subsidiary** has obtained four sole-provider home medical equipment managed care contracts for its Santa Barbara, CA, network of independent pharmacies and accredited vendors. The company estimates that the agreements will generate $675,000 per year in HME sales. The One Medical Service system allows pharmacies to efficiently sell home healthcare products and services. Besides providing for **Joint Commission on the Accreditation of Healthcare Organizations** training, the One Medical Service system includes a retail display containing Sims' point-of-sale terminal and voice and data communications, in which, through voice prompting and touch-tone entry, customers can order more than 5,000 home medical equipment products from the company's catalog for delivery.

ADP to handle Staff Builders' payroll

Staff Builders (Lake Success, NY) has contracted with **Automatic Data Processing** (Roseland, NJ) to handle its payroll check printing, direct deposit, and W-2 processing.

It chose ADP because the payroll service would provide more reliability, reduced costs, and a disaster recovery capability for the company's 40,000 employees nationwide.

Using ADP, Staff Builders hopes to streamline the human resource and payroll departments, as well as reduce field employee turnover. Historically, ADP has restored employee confidence in the payroll system, and it has reduced their phone calls about ambiguous earnings statements.

Production delays slow Sunrise sales

Second quarter sales for **Sunrise Medical** (Carlsbad, CA) decreased about 3% from last year due partly to fewer shipping days and production delays in Mexico, according to Chairman/President Richard H. Chandler. Net sales were $163 million for 2Q99 ended Jan. 1, compared to 2Q98 sales of $169 million.

"We announced over 30 new products at the Medtrade show in November, which penalized the second quarter with heavy launch expenses," Chandler said.

Non-recurring expense and income items negatively impacted last year's earnings, which may account for the 96% increase of net income for 2Q99. Net income rose to $1.8 million, 8 cents per share, from $.9 million, 4 cents per share, the previous year. The decline in revenue was offset by controlled marketing and selling, as well as fewer administrative expenses. ■

PPM/MSO NEWS

• **Physicians Resource Group** (Dallas) said it has been unable to reach an agreement with **NationsBank** (Charlotte, NC) over repayment of a $9.5 million bank loan that is in default, reported *The Dallas Morning News*. The manager of eye doctors' practices had a deadline, which was missed, to make good on the loan, which was due Dec. 31. Physicians Resource said NationsBank now may take legal action to enforce its rights, the *Morning News* reported.

• **IntegraMed America** (Purchase, NY) has promoted three officers to senior vice presidents. Eugene Curcio was promoted to senior vice president/CFO; Jay Higham is now the senior vice president of marketing and development; and Donald Wood has become senior vice president/COO.

• **PhyMatrix**'s (West Palm Beach, FL) **Clinical Studies** (CSL) subsidiary and **Universal Health Services** (King of Prussia, PA) have formed a research network that will expand both organizations' participation in pharmaceutical industry-sponsored clinical research. Under the terms of the agreement, CSL will provide site operations support, including training and staffing, as well as centralized administrative services. In turn, UHS will provide access to qualified investigators, as well as patients for psychiatric trials. ■

IPS

Continued from Page 2

top priority. Among the possible solutions AFHHA suggested in addition to an outlier policy were suspension of overpayment collections and a regional per beneficiary limit for new home health agencies. AFHHA also suggested increased funding for home care in instances where it can be demonstrated that without home health services a patient will have to receive services in a hospital, nursing home, or other setting that exacts a greater cost to Medicare or Medicaid.

Like Grassley and the McGovern aide, AFHHA Executive Director Ann Howard also stressed the importance of industry unity. "With respect to the issue of a solution to the IPS crisis, we can achieve success only if we have industry unity," demanded Howard. "If we seek merely to 'level the playing field' and to cannibalize each other's members and their reimbursement rates we will again get only a pittance. The home health industry cannot afford another internecine fight over who is the most deserving of relief."

Grassley concluded pointing to several other possibilities that may be ahead for home care. "Some have proposed various ways of redesigning the Medicare home health benefit such as a system of independent case managers or dividing the benefit into its skilled and unskilled components," said Grassley. "As far as I'm concerned, all proposals should be considered. There is no sense being locked into the present benefit just because we've done it that way in the past." ■

MANAGED CARE REPORT

• **CCN** (San Diego) has formed a long-term alliance with **Unicare** (Thousand Oaks, CA) that will bring a significant amount of group health business into the company's PPO and managed care system. The alliance, which became effective Jan. 1, will provide better access to more physicians and hospitals, said Unicare Senior Vice President Max Brown. The integration "means we can administer these services and claims with improved accuracy and faster turnaround times," he said.

• A safeguard initiated by **Blue Cross and Blue Shield of North Carolina** (BCBSNC; Chapel Hill, NC) has saved the Medicare program nearly $134 million for FY98. The guard is designed to detect and correct overcharges, bookkeeping errors, duplicate payments, and fraud cases, said BCBSNC Vice President of Medicare Operations Brown Gardner. It saved $155 million in 1997. The largest savings of two-thirds were from coordinating claims with other insurance companies, when Medicare pays for the beneficiary without knowing the person is already covered. BCBSNC follows up on these cases and reimburses Medicare for them.

• **Continuum Healthcare** (Springfield, PA) said last week that it acquired **Health Examinetics** (San Diego). The acquisition will enable Continuum to offer occupational health testing and evaluation services on-site or through contracted providers, said President/CEO Peter Hotz.

• A Broward County, FL, Circuit court judge has decided that **Humana**'s (Louisville, KY) Florida health plan members may continue to receive care in facilities owned by **Columbia/HCA Healthcare** (Nashville, TN). Humana filed suit against Columbia on Jan. 8 after the hospital chain refused to treat several Humana health plan members. The companies had a contract that expired Dec. 31, but it allowed for a three-month run-off period so plan members could make a smooth transition to other hospitals. Since Dec. 31, Columbia withheld hospital care in at least 27 cases. Circuit Judge John T. Luzzo decided Columbia hospitals must continue to treat Humana's members until the contract's run-off period expires March 31. Humana will hold its annual meeting of stockholders at 10 a.m. May 6 on the 25th floor of its corporate headquarters in Louisville. It has also changed its transfer agent from the **Bank of Louisville** to **National City Bank** (Cleveland), effective March 31.

• **Cigna International** (Philadelphia) has acquired a 45% stake in a Mexican managed care company and hopes to become a "national presence" within three years. The acquisition came about a week after Cigna sold its property/casualty operations for $3.45 billion to Bermuda-based Ace. Cigna bought the stake in **Planes de Salud Integral S.A. de C.V**. (Guadalajara, Mexico). The company had $2.2 million in revenues in FY98 and has about 14,000 members. ■

REGIONAL DIGEST

• The **Coalition of Wisconsin Aging Groups** (CWAG; Madison, WI) and the **American Association of Retired Persons** (AARP) expressed their disappointment recently with the state's decision to delay implementation of Family Care, a plan to redesign Wisconsin's long term care system. The decision was based upon the recommendation of **Department of Health and Family Services** Secretary Joe Leann. Instead of implementing the plan, the secretary called for expanding pilot programs in the counties to gather reliable data on cost and to demonstrate that the system can work. The plan has been in the works for a number of years. Both CWAG and AARP officials say they believe there is still potential for initiating the framework of such a system. Both are concerned that halting the plan will have severe consequences for the state's elderly. The parties urge the governor to reconsider his decision and meet with advocates and counties to see if it's still possible to reach some consensus.

• **ResCare** (Louisville, KY) has entered into a definitive agreement to acquire **American Patient Care Corp**. (APC; Rome, GA), a private home care agency providing services for people with disabilities in the Rome, GA, area. Structured as a cash purchase of assets, the transaction is expected to close in 1Q99, subject to normal licensing approvals. APC generates about $1.2 million in annual revenue and provides home care services to roughly 160 patients.

• The owner of **Amitan** (Cleveland), a healthcare agency, recently pleaded guilty of Medicare fraud and was sentenced to six years in prison and ordered to repay $12.9 million, reported *The Plain Dealer* of Cleveland. The owner was one of 34 at Amitan who were indicted on charges they billed the federal government for more than $14 million of unnecessary and unperformed treatment. Prosecutors said Amitan created false medical records that were signed by nurses and doctors and had subcontractors that kept pools of patients who didn't qualify for home care, yet submitted bills for their treatment, the *Dealer* reported.

• **Baylor Health Care System** (Dallas) and **Texas Health Resources** (Dallas) formally agreed last week to combine operations, bringing together a group of home health centers, as well as 24 hospitals, 40 clinics, senior centers, and a retirement center. Combined, the new operation, which will be named **Southwest Health System**, generated $2.3 billion in operating revenues in FY98. Texas Health Resources includes the **Harris Methodist Health System**, the **Arlington Memorial Hospital Foundation**, and **Presbyterian Healthcare Resources**. Baylor's network is led by **Baylor University Medical Center** (Dallas). ■

WHAT THEY'RE SAYING

• Providing long term care to America's elderly is a growing challenge as the baby boom generation ages, and President Clinton's tax credit proposal could be a start toward solving the problem, said Dwight Bartlett, senior health fellow of the **American Academy of Actuaries** (Washington). The president has proposed a $1,000 tax credit for aged, ailing, or disabled Americans and the families who take care of them. "The tax credit could help ease the burden on caretakers," Bartlett said. "However, many experts believe that a comprehensive solution will involve improving access to long term care insurance." Bartlett noted that the American Academy of Actuaries is prepared to help if elected officials decide to go beyond the tax credit proposal to improve access to long term care insurance. The academy's newly released monograph, *Long-Term Care*, examines actuarial issues in designing public-private insurance programs, including the use of tax incentives that in effect reduce the cost of coverage to individuals. The monograph is available at the academy web site, *www.actuary.org*.

• A recent editorial published in *The Salt Lake Tribune* says President Clinton's recent long term care proposal doesn't go nearly far enough. The editorial stated that politicians have shyed away from the topic because the economic value of services provided by family members for free is close to $200 billion a year, which is double the nearly $100 billion the government presently spends annually on nursing homes and home healthcare through Medicare and Medicaid. "The last thing politicians want to do is to substitute paid government services for the services caregivers currently provide." But the editorial stated that supporting caregivers is another thing altogether; sensible, far less costly and politically almost sure to win substantial support from both republicans and democrats. ■

CORPORATE LADDER

• **Healthcare Automation** (Warwick, RI) has named Robert Zaleski senior vice president of sales and marketing. Zaleski has worked almost 30 years in hospital and home health pharmacy operations, most recently as the director of sales for **Software Technologies**.

• **qmed** (Laurence Harbor, NJ) has named Robert Mosby, an investment analyst and broker with media experience, as its new director of corporate communications. Mosby said he plans to bring the company's efforts of improving health and reducing costs to public view. Mosby's new position was added to free up the operational staff to focus on growing sales, said qmed President/CEO Michael Cox. ■

OASIS

Continued from Page 1

progress of PPS, **Department of Health and Human Services** (HHS; Washington) Secretary Donna Shalala said that because there must be national data to accurately develop the rate structure under PPS, it is critical that these data be collected and reported "as soon as possible."

The new rules confirmed the fears of the home care industry. "They didn't change any of their positions," the **National Association for Home Care**'s Mary St. Pierre (NAHC; Washington) told *HHBR*. "There are no further concessions on cost reimbursement, and the regulations will apply to all patients." The industry had urged HCFA to apply the new requirement only to Medicare and Medicaid patients and to require collection of only core data elements needed for development of PPS. The industry also sought additional payments for the cost of implementing the new requirement.

NAHC said HCFA is underestimating the cost the new rules will impose on home health agencies. "NAHC believes that HCFA has grossly underestimated the actual costs to home health providers of implementing OASIS," said NAHC. "In addition to the already insufficient reimbursement for costs associated with OASIS, HCFA has acknowledged that about 70% of agencies will not receive any adjustment because they have reached their per-beneficiary limits under the interim payment system." NAHC urged all home care providers to submit public comment to HCFA regarding these costs within the required 15 working days.

To determine patient needs, home health agencies will complete the patient assessment within 48 hours after it begins providing care. A patient-specific comprehensive assessment must be performed on each patient receiving services from a home health agency, except maternity and pediatric (under 18) patients and persons receiving only housekeeping and chore services. The comprehensive assessment must incorporate the current version of OASIS, using exact language and groupings. However, the order of the OASIS data grouping within the comprehensive assessment may be determined by each agency. Among the other key provisions included in the final regulation are the following:

• Eligibility for the Medicare home health benefit, including homebound status, must be determined both at the time of the initial assessment visit and at the time of the comprehensive assessment.

• The initial assessment visit must be conducted by a registered nurse (unless a patient is receiving only rehabilitation therapy services) within 48 hours of referral, or within 48 hours of the patient's return home, or on the physician-ordered start of care date. An occupational therapist may perform the initial assessment visit for non-Medicare patients.

• The comprehensive assessment must be completed in accord with the patient's needs, but no later than five calendar days after the start of care, by a registered nurse (or therapist if a patient is receiving rehabilitation therapy services only).

• The comprehensive assessment must include a review of all medications the patient is receiving and identify potential adverse reactions, ineffective drug therapy, significant side effects, significant drug interactions, duplicate drug therapy, and noncompliance.

• The comprehensive assessment must be updated and revised (including OASIS) as frequently as the patient's condition changes, but not less often than: (1) every second calendar month, (2) within 48 hours of the patient's return home from a hospital stay of 24 hours or more (unless diagnostic only), and (3) at discharge.

As with the initial assessment, occupational therapists may do comprehensive assessments for all non-Medicare patients. They may also do the comprehensive assessment on Medicare patients where continued occupational therapy is the qualifying skilled service for Medicare eligibility.

The interim final rule for reporting the data includes these provisions:

• Home care agencies and their contracted agents must ensure the confidentiality of a patient's identifiable information.

• Agencies must electronically report all OASIS data collected in accord with the comprehensive assessment regulation to the state agency or HCFA OASIS contractor.

• OASIS data must be accurately encoded and ready for transmission within seven days of completing an OASIS data set.

• The encoded OASIS data must accurately reflect the patient's status at the time of the assessment.

• Accurate, encoded, and locked OASIS data must be transmitted to the state agency or HCFA OASIS contractor at least monthly for all assessments completed in the previous month and in the format specified by HCFA.

• Data must be transmitted using a direct telephone connection from the agency to the state agency or HCFA OASIS contractor.

• Data must be encoded and transmitted using software supplied by HCFA or that conforms to HCFA specifications. ■

CALENDAR

• The **Health Industry Distributors Association** (Alexandria, VA) is holding its Home Care Washington Conference April 20-21. Among the issues that will be addressed at the conference are, competitive bidding, inherent reasonableness, home health agency consolidated billing, and managed care reform. For more information, or to register, call (703) 838-6134. ■