Home Health
BUSINESS REPORT

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

GAO releases surety bond report; industry cheers findings

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

WASHINGTON – The **General Accounting Office** (GAO; Washington) last week released its long-awaited report on the surety bond requirement for home health agencies, and it was mostly good news for the home care industry. The report, entitled "Medicare Home Health Agencies: Role of Surety Bonds in Increasing Scrutiny and Reducing Overpayments," recommends that the bond requirement should be capped at $50,000, that exemptions be granted to agencies with proven financial track records, and that separate bonds should not be required for agencies that participate in both Medicare and Medicaid.

The report was requested by Congress after a firestorm of protest from the home care industry prompted the **Health Care Financing Administration** (HCFA; Baltimore) to postpone the date by which home health agencies must obtain a bond. Under pressure from Congress, HCFA withdrew the surety bond requirement last June pending completion of the GAO's assessment.

The surety bond requirement was initially established by the Balanced Budget Act of 1997 (BBA), and HCFA published its surety bond regulation in January 1998 requiring home health agencies to obtain a financial guarantee bond. However, HCFA's regulation also allowed it to recover delinquent overpayments made for any reason rather than just those resulting from fraud and abuse. In addition, it also set the bond amount at 15% of an agency's Medicare revenues, higher than the minimum $50,000 required by the BBA.

According to the GAO, HCFA raised the value of the bond above the legislated minimum out of concern about overpayments. For example, HCFA argued that 60% of home health agencies had overpayments in 1996 – an amount that equaled roughly 6% of Medicare's spending on the home health benefit that year – and said it expected these overpayments to increase in the future. But according to the GAO, HCFA's own experience shows that most overpayments are recovered.

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DME groups blast HCFA's recently released draft compliance program

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

WASHINGTON – The **National Association of Medical Equipment Services** (NAMES; Alexandria, VA) and the **Health Industry Distributors Association** (HIDA; Alexandria, VA) last week leveled sharp criticism in response to the **Department of Health and Human Services** (HHS; Washington) **Office of Inspector General**'s (OIG) draft compliance program for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) published Jan. 28. The two groups outlined a convincing case that the OIG badly exceeded its charter in developing the draft compliance by ignoring existing Medicare law.

While NAMES said it supports the development of a compliance program for the DME industry and credited the OIG with incorporating many of the suggestions made in its initial comments last year, it also cited "a number of areas" where the OIG overstated the requirements of current federal regulations pertaining to Medicare.

In support of this contention, NAMES cited repeated examples where the draft goes "far beyond" what is required of suppliers under current federal statutes, regulations, and manual provisions and said the OIG "should clearly identify those suggested supplier practices that do not reflect actual supplier obligations." For example, NAMES pointed out that the OIG states DMEPOS supplier billing agents may only receive payment based on a fixed fee without specifying that this restriction applies only to billing arrangements under which reimbursement is made directly to the billing agent.

NAMES also included numerous other inconsistencies addressing areas such as inappropriate incentives, independent sales representatives, cover letters, supply closets, training programs, and qualifying tests for oxygen therapy. With regard to oxygen and oxygen equipment, NAMES

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Surety

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"HCFA data indicate that unrecovered overpayments in 1996 were less than 1% of Medicare's home healthcare expenditures, although even this lower percentage overstates the problem," the GAO asserted. "Further, there was no evidence that larger agencies would be expected to have more unreturned overpayments to justify the requirement for a larger bond."

The GAO noted that HCFA's 15% requirement would have increased the cost of a bond "considerably" for some agencies and dismissed HCFA's argument that when large agencies fail to return overpayments, the potential loss to Medicare is greater than when smaller agencies do so. "HCFA has not undertaken any analysis to determine the relationship between unrecovered overpayments and [an agency's] size," the GAO added. "In fact, larger agencies might be more likely to return them because they have more resources to manage the repayments and a greater incentive to remain in the Medicare program."

The **National Association for Home Care** (NAHC; Washington) immediately welcomed GAO's findings regarding the $50,000 cap and elimination of the 15% requirement, but expressed concerns with the GAO's support of HCFA's requirement for a financial guarantee bond. "Congress imposed the surety bond requirement as an antifraud effort," said NAHC. "As a result, HCFA should have required an antifraud bond as opposed to a financial guarantee bond."

The home care industry favored an antifraud bond because recoupments for these bonds could only have been exercised for fraudulent or abusive behavior and, as a result, the standards for qualifying for these bonds and the collateral requirements would not be as burdensome. The GAO disagreed, however. "We believe that HCFA made a prudent choice in specifying the surety bond as a financial guarantee," said the GAO, arguing that HCFA's use of a financial guarantee bond will "ensure more scrutiny and benefits" to Medicare by deterring home health agencies that lack "relevant business experience" from entering the program while existing Medicare-certified agencies will be examined as to "business soundness." It added that home health agencies with overpayments that do not make an effort to repay them will be unlikely to obtain a subsequent surety bond and will be removed from the Medicare program. "Generally," concluded the GAO, "all providers will be deterred from incurring overpayments and will have incentive to repay any that are discovered.

"Screening by a surety appears to be the most useful for new agencies," the GAO further reasoned, adding that the "rapid increase" in the number of home health agencies entering the Medicare program "with little scrutiny" also makes requiring surety bonds a useful mechanism for screening agencies already in the program. At the same time, the GAO acknowledged that "little may be gained from repetitive scrutiny of established, mature agencies" and recommended that Congress develop a mechanism to exempt agencies that have demonstrated fiscal responsibility.

The GAO also said that while allowing agencies to substitute a Treasury note for a surety bond would enable HCFA to recoup some unrecovered overpayments, it would also undermine the objective of requiring Medicare providers to submit to "outside scrutiny." Hence, the GAO said Treasury notes should not be allowed to replace surety bonds.

The GAO also found that requiring home health agencies to obtain separate bonds for both Medicare and Medicaid was "excessive" and noted that while requiring one bond for two programs may diminish the financial protection, it will not impact the incentives for agencies to repay overpayments.

Concerning the number of agencies that had already acquired a bond, the GAO cited HCFA's estimate that about 40% of all agencies obtained a bond prior to HCFA's postponement of the requirement. Provider-based agencies were more likely to secure a bond, said the GAO, while freestanding agencies were the least likely. The timing of the requirement may have affected some agencies that were reluctant to use their own assets as collateral and to provide personal indemnity because of the "uncertainty" created by the substantial changes in Medicare's payment policy, said the GAO. "It is not possible to determine whether they could have purchased bonds or ultimately will."

There is no set timetable for HCFA to revise and republish its regulations. However, the GAO's findings typically carry great weight on Capitol Hill, and HCFA is expected to follow its primary recommendations. ■

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COMPANIES IN THE NEWS

ComTech to sell home health assets

ComTech Consolidation Group (Houston) will sell certain home health care assets to W.D. Dickerson, who heads the company's asset management team. Dickerson will buy the **PMP Capital Group** and its **Professional Management Providers** unit for $5 million. The acquisition will close within a few weeks. ComTech also formed the **NMSI Capital Group** to hold its medical services division's assets, and the **Asset Funding Group** to provide asset-based funding to the company's units.

Coram to take $1.8M charge in 1Q99

Coram Healthcare (Denver) said it will take a restructuring charge of $1.8 million in 1Q99 resulting from a major corporate reorganization in 1Q99. The reorganization eliminated certain management positions and is expected to save $6.3 million annually.

Coram's revenues for FY98 totaled $526.5 million, up from $473.1 million in FY97. Not including the revenue generated by the Lithotripsy Division operations that were sold in 1997 and 1998, Coram's revenue grew by 20.6%. The company reported a net loss in FY98 of $21.7 million, 44 cents per share, compared to a FY97 net income of $125.3 million, $2.30 per share.

In 4Q98, the company's revenues increased 10.1% to $158 milion from 4Q97 revenues of $143.6 million. The net income for the quarter was $.8 million, 2 cents per share, compared to a 4Q97 net loss of $19.2 million, 39 cents per share. In 4Q98, Coram reversed $3.9 million of restructuring reserves; expensed $1 million of financing costs; and reported a $1.1 million difference related to a reduction in the gain on the sale of assets in 3Q98 and the write off of certain assets in 4Q98.

Criticare's lawsuit moves forward

Criticare Home Health Service (Miami) is moving forward with its lawsuit against **Option Care** (Bannockburn, IL) and its subsidiary, **Home Pharmacy**. The lawsuit, filed last October, alleges fraud and conspiracy on the part of Option Care. It charges the company with conspiracy, breach of contract, and several counts of interference with advantageous business relationships, reported *Dow Jones News Service*. Criticare is seeking a trial in Dade County, FL.

HHS owes $750,000 in back pay

Health Staffing Services (HSS; Fort Lauderdale, FL) is prohibited from moving documents out of its Memphis office while the **U.S. Department of Labor** (Washington) attempts to gain back pay owed to the company's employees. About 300 workers, employees of **Mid-South Home Health** (Memphis, TN), are owed four weeks of pay. Mid-South closed suddenly on Feb. 17, when **Union Planters Bank** (Miami) unexpectedly pulled its financing for daily operations. About $750,000 is still owed to workers. The labor department filed a lawsuit against HSS; President Ron Lusk; Kenneth Welt, bankruptcy trustee; and **Capital Factors**, a division of Union Planters. HSS converted its Chapter 11 bankruptcy to Chapter 7, so all assets will be sold off for the benefit of creditors. The only secured creditor is Capital Factors, owed about $8 million by the company.

Healthfield buys Alabama HHA

Healthfield (Atlanta) has acquired **Mid South Home Health Agency**, which has 13 offices in Alabama. Purchased for cash and stock, Mid South was the first acquisition using Healthfield's recently established $28 million in financing. Healthfield officials said financing included $25 million from **Finova Capital Corp**.'s Healthcare Finance Division and $3 million from current stockholders and management.

In addition, Healthfield has signed a contract with **United HealthCare** covering 225,000 capitated lives. With the new contract, Healthfield will cover about 750,000 of the estimated 1.1 million lives covered by HMOs in Georgia.

Healthsouth sees $4B in FY98 revenues

Healthsouth's (Birmingham, AL) FY98 ended Dec. 31 revenues reached $4 billion, a 28% increase over FY97 revenues of $3.1 million. The company recorded a net income in FY98 of $46.6 million, 11 cents per share, compared to a FY97 net income of $343.1 million, 89 cents per share. Nonrecurring expenses associated with the discontinuation of substantially all of the company's home health operations and other non-core businesses reduced net income by $427 million in FY98.

In 4Q98, the company's revenues totaled $1 billion, compared to revenues of $884.5 million in 4Q97, an increase of 18%. The company reported a 4Q98 net loss of $193.8 million, 46 cents per share, compared to a 4Q97 net income of $102.2 million, 25 cents per share.

Home Care America may divest home health offices

Home Care America (Boca Raton, FL) is considering divesting its $10-million, healthcare-related companies and re-investing the sale proceeds into its wholly owned internet subsidiary, **America Internet Technologies** (Boca Raton, FL). Home Care has received some offers for its healthcare operations. It will continue to trade on Nasdaq under the symbol HCAI unless its divestiture is completed.

Lincare acquires Convacare

Lincare Holdings (Clearwater, FL) acquired **Convacare Services** (Terre Haute, IN), a company with annualized revenues of about $22 million. Convacare pro-

vides home oxygen and respiratory therapy services throughout Indiana, Illinois, Kentucky, and Ohio. Lincare has a goal to have $60 million to $70 million of acquired revenue in 1999, reported *Dow Jones News Service*.

According to a report by **Prudential Securities** analysts, Lincare's 4Q98 earnings were 1 cent better than original estimates due to margin improvements. Revenue was $0.3 million higher than expected, and internal unit growth was about 14%, or almost double the industry rate. The company acquired six companies with $15 million in annualized revenue in 4Q98, the report said.

Mallinckrodt, Data Critical team up

Mallinckrodt's Nellcor Oximetry business (Redmond, WA) signed an agreement with **Data Critical Corp**. to distribute a line of wireless products to healthcare providers. Terms were not disclosed, but the company said the first product is scheduled for release in 4Q98.

Matria reports drop in FY98 revenues

Matria Healthcare (Marietta, GA) reported FY98 revenues of $135.2 million, compared to FY97 revenues of $144.5 million. Net loss for FY98 ended Dec. 31 was $101.5 million, $2.78 per share, compared to a FY97 net loss of $20.9 million, 57 cents per share. FY98 results included a $113.5 million charge associated with amortization and writedown of goodwill, other intangibles, and research and development. The net loss in 4Q98 was $6.4 million, 18 cents per share, compared to a 4Q97 net loss of $4.1 million, 11 cents per share. 4Q98 revenues were $34.8 million, compared to 4Q97 revenues of $37.1 million. President/CEO Donald Millard said shareholder value should increase with the company's plan to diversify into different businesses, including that of clinical information management, respiratory services, and women's health.

McKesson HBOC, Spartanburg sign agreement

McKesson HBOC (San Francisco) and **Spartanburg Regional Healthcare System** (Spartanburg, SC), which offers home health services, have signed a five-year corporate partnership agreement in which McKesson will supply pharmaceutical, medical-surgical, automation, and information technology products across Spartanburg's integrated healthcare delivery system. Spartanburg Vice President Raymond Shingler said he expects the agreement to save the company $3.5 million in the five years. Under the agreement, McKesson will supply Spartanburg with programs like Optipak for outsourcing assembly and delivery of procedure-based packages of surgical supplies and Optima for identifying and documenting logistical costs.

McKesson has also signed a five-year agreement with **Super Sav-On Drugs**, which will generate an estimated $23 million in revenues the first year. Super Sav-On will install McKesson's computer application in its 16 stores. The application, OmniLink, can provide patients at home with reminders to refill their prescriptions.

FDA advisory panel approves glucose product

Minimed (Sylmar, CA) won the recommendation of a federal advisory panel that the **Food and Drug Administration** (Washington) approve the company's continuous glucose monitoring system. The system includes a sensor, implanted just below the skin into the patient's abdomen, which checks glucose every five minutes. It will take about 288 readings each day. Analysts expect sales of the sensor to be modest at first because few diabetics will want something under their skin, reported *The New York Times*. The company is building a factory to handle production of the sensors.

In other news, Minimed CEO Alfred Mann has dismissed rumors that the company might sell itself. "We're always talking with people, but given our strategic plan it's probably premature," Mann told *CNBC*.

Option Care expects poor results in FY98

Option Care (Bannockburn, IL) expects to report poor results for 4Q98 and FY98, the company announced last week. The worse-than-expected losses are between 2 cents and 5 cents per share for both 4Q98 and FY98. In 4Q97, the company had a loss of $3.9 million, 36 cents per share, including charges. In FY97, the company posted a loss of $2.1 million, 20 cents per share, including charges. The company also expects to report revenues of $114.4 million for FY98, compared to $100 million for FY97. The company said it is eliminating unprofitable business lines.

Tenet to sell Regional Health System

Tenet Healthcare Corp. (Santa Barbara, CA) has placed **Regional Health System** (Columbia, MO) up for sale, and **BJC Health System** (St. Louis) has shown interest. Regional Health System, which includes a home health service, is one of 20 hospitals that Tenet intends to sell because they don't fit in the company's core strategy to develop networks of hospitals, a company spokesman told the *Columbia Daily Tribune*. ■

WHAT THEY'RE SAYING

• The **National Bipartisan Commission on the Future of Medicare** will try again this week to find 11 out of 17 members to support a proposal for reforms on Medicare. The plan calls for increased out-of-pocket expenses for Medicare home health services, reported *Gannett News Service*. Opponents have said that a 10% copayment will hurt vulnerable seniors, but Sen. Phil Gramm (R-TX) supports more copayments. "The problem is, everybody wants something for nothing," he said. ■

DME

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pointed out that while the OIG's recommendation that suppliers have independent physiological laboratories submit all raw test results to the ordering physician "may be a good clinical practice," there is no requirement for suppliers to send raw test results to the treating physician.

HIDA's comments echoed this same theme. While correctly noting that the OIG's draft compliance program for DMEPOS is "far more detailed" than prior guidance documents issued by the OIG for clinical labs, hospitals, home health agencies, and third-party billers, HIDA said its primary concern is that the OIG has "apparently taken liberties to offer its own interpretations" of federal regulations or statutes concerning supply closets, advanced beneficiary notices, CMN cover letters, fax CMNs, and supplier billing agents.

"It is premature and presumptuous for the OIG to offer its assumptions and interpretations of Medicare rulings, guidance, or regulations not yet issued by HCFA," HIDA asserted, "especially given that the OIG's proposed interpretations often conflicts with prior rulings or statements issued by the Medicare carriers and HCFA."

HIDA points out, for example, that all four durable medical equipment regional carriers (DMERC) issued notices in December 1997 prohibiting suppliers from placing medically necessary items and services in "supply closets" to facilitate a beneficiary's discharge from a hospital or physician's office, but notes that HCFA later declared these prohibitions unenforceable, and they were withdrawn by the DMERCs. The OIG, however, included language in the draft compliance program that mirrors the rescinded DMERC prohibition.

NAMES added that it is "extremely concerned" about the OIG's expectation that all suppliers, regardless of size, would be expected to meet the objectives for all the extensive policies and procedures contained in the draft. "The final guidance should focus on the need to adopt policies and procedures to address major compliance objectives," argued NAMES, "but it should leave it to the supplier to determine how best to accomplish these objectives." ■

CORPORATE LADDER

• **Healthfield** (Atlanta) has appointed Thomas Robbins president/CEO. Robbins comes to Healthfield from **Apria Healthcare Group** (Costa Mesa, CA), where he served as executive vice president of field operations.

• **Total Renal Care Holdings** (Torrance, CA) has named Richard Lester to the newly created position of vice president, investor relations. He is moving from his current position as vice president, corporate development. Lester's corporate development responsibilities are being transitioned to other executives responsible for business development. ■

MANAGED CARE REPORT

• **Blue Cross of Northeastern Pennsylvania** (Wilkes-Barre, PA) and its managed care subsidiary, **First Priority Health**, has named Denise Cesare president/CEO. Cesare is the first woman to be named CEO of the health plan. She succeeds Tom Ward, who recently announced his retirement.

• **PacifiCare Health Systems** (Santa Ana, CA) reported 4Q98 and FY98 results. PacifiCare also said its board of directors has reapproved its share repurchase plan whereby it may repurchase up to 10% of its outstanding class A common stock and class B common stock. In addition, the company said it expects its 1999 effective tax rate to decrease. Revenues for FY98 totaled $9.5 billion, up 6% from FY97 revenues of $9 billion. The company recorded a FY98 net income, including pretax charges taken in 3Q98, of $202 million, $4.40 per share, compared to a FY97 net loss of $22 million, 75 cents per share. For the quarter, revenues were $2.3 billion, about the same as 4Q97 revenues. PacifiCare reported a 4Q98 net income of $59 million, $1.28 per share, compared to a 4Q97 net loss of $114 million, $2.78 per share.

• **WellPoint Health Network** (Thousand Oaks, CA) was recently ranked as the most admired healthcare company on *Fortune*'s annual list of America's Most Admired Companies. WellPoint credits the ranking to steady growth and its customer-focused products and services. WellPoint moved up from the No. 3 spot on the healthcare company list last year.

• The **Department of Justice** (Washington) continues to scrutinize the proposed $1 billion merger between **Aetna** (Hartford, CT) and **Prudential Insurance Co. of America**'s (Newark, NJ) healthcare business, reported *Best's Insurance News*. Aetna said the department has made a second request for information. The department needed more time to study the effects of the transaction, Aetna officials said, adding the company has complied with every request. Aetna still expects to close the transaction by the end of June.

• **HIP Plan of Pennsylvania** said last week it is suspending its operations April 30, reported *American Health Line*. The closing is a casualty of the collapse of **HIP Health Plan of New Jersey** (HIPNJ). HIPNJ Senior Vice President Susan Kavanagh said its "close cross-border relationship with many of our members does not make it feasible to continue operations . . . We will retain our license and hope to return to Pennsylvania in the future." The decision to withdraw from Pennsylvania, the company said, will not affect the operations of the parent company, HIP Health Plans, or its affiliates, **HIP Plan of New York** and **HIP Plan of Florida**. ■

TECH UPDATE

• **Electronic Data Systems** (Plano, TX) and **Health Hero Network** (Mountain View, CA) are working together to provide an online service to enable care providers to communicate with their patients at home. The Health Hero Network Online Service will provide a two-way link for managing a chronic illness and track a patient's health status. Care providers can gain access to patient data using a standard web browser. "Oftentimes, the only interaction between patients with chronic illnesses and their healthcare providers is during infrequently scheduled appointments or when there is a health crisis," said Health Hero Network Founder/CEO Steve Brown. "The information obtained through (the service) can provide caregivers with more opportunities to identify potentially serious conditions sooner and modify the patient's treatment earlier to alleviate future health complications."

• **Medix Resources** (Denver) and its subsidiary **Cymedix Lynx** have settled an agreement of $125,000, payable to them, by **Andrx Corp**. (Fort Lauderdale, FL) and **Cybear**, a company in which Andrx owns the majority. Medix and Cymedix claimed that Cybear, Andrx, and certain officers of the companies unlawfully appropriated Medix's computer software, using it in the development of Cybear's healthcare software.

• The **Visiting Nurse Service of New York** now plans to use **Speech Machines'** (Redwood City, CA) CyberTranscriber TalkForms to enable its healthcare workers to conduct clinical reporting from remote locations. The technology allows field staff to enter patient vital signs, clinical progress, and other data by speaking into a phone. The data is delivered through encrypted e-mail and goes into the company's database.

• **ProxyMed** (Fort Lauderdale, FL) reported net losses for both FY98 and 4Q98 ended Dec. 31. The company lost $11.8 million, 75 cents per share, in FY98, compared to a net loss of $18.5 million, $1.75 per share, a year earlier. Company revenues were $37.8 million, compared to $10.9 million in FY97. For 4Q98, the company lost $3.8 million, 21 cents per share, on revenues of $11.4 million, compared to 4Q97's loss of $3.4 million, 30 cents per share, on revenues of $3.1 million. The net losses include charges relating to acquisitions.

• The **Secretary of Veterans Affairs** (Washington) announced that the agency will fund projects that use telemedicine to enhance home care for paralyzed veterans. The Telemedicine in Home Care projects will be based in 15 spinal cord injury/dysfunction centers at veterans medical centers in 11 states, including New Mexico, Georgia, Massachussetts, New York, Ohio, Texas, Illinois, California, Tennessee, Wisconsin, and Washington. More than $500,000 is earmarked for the project.

• **Infosys** (Chicago) has formed agreements with **North Memorial Health Care** (Minneapolis) and the **Visiting Nurse Association of Houston**, both home health agencies, to install its Microsoft Windows NT with SQL Server 7.0. The software will serve as the agencies' operating platform for financial, administrative and clinical functions.

• A division of **Unilever PLC** launched a palm-held computer monitor designed to help women pinpoint when they are most likely to get pregnant, reported *Dow Jones Business News*. The ClearPlan Easy Fertility Monitor tracks a woman's menstrual cycle and helps project when she is most likely to conceive. The monitor will cost $199 and will be available at pharmacies. **Unipath Diagnostics** President Patricia Nasshorn told *CNBC* that the boom in these types of home health products is "phenomenal."

• **Healthcare Automation** (Warwick, RI), a provider of home health management software, reimbursement services, and consulting, has named Charlie Kohl vice president of technology. Kohl comes to Healthcare Automation from **Sapient Corp**. (Cambridge, MA) where he focused on the creation of custom client/server and internet systems. As vice president of technology, Kohl will help guide Healthcare Automation in the development of the next generation of home health management products and services. ■

CALENDAR

• The 11th Annual **National Managed Health Care Congress** (NMHCC) will be held March 29 to April 1 at the **Georgia World Congress Center** in Atlanta. Featured speakers include Dr. Ruth Westheimer, Steve Forbes, and Dr. Patch Adams. Exhibitors include home health companies and vendors of home health products. For more information, visit the web site at *www.nmhcc.org* or call (888) 882-2500.

• The 14th Annual Northeast Healthcare Conference & Exhibition will be held June 8 and 9 at the Foxwoods Resort Casino in Mashantucket, CT. For reservations, call (800) 243-9774 or e-mail *rdpsteven@aol.com*.

• 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.

• The **California Association for Health Services at Home** (Sacramento, CA) is holding its 1999 Annual Conference & Home Care Expo May 19-21. The conference will be at the Disneyland Hotel in Anaheim, CA. For more information on the conference, call (800) 622-4724. ■

PPM/MSO NEWS

• **Physicians Resource Group** (Dallas) retired the company's senior bank debt of $6.9 million. It was held by **Compass Bank** in Birmingham, AL. The New York Stock Exchange is seeking to de-list Physicians Resource, the company that doctors complained made accounting errors, late payments, and caused other problems.

• Shares of **Pediatrix Medical Group** (Fort Lauderdale, FL) rose $6.50 in late February to close at $31, following news that the firm had expanded by purchasing three doctor groups in Tacoma, WA. Terms of that sale were not disclosed. On the same day, a shareholder filed a lawsuit in the **U.S. District Court for the Southern District of Florida** on behalf of purchasers of Pediatrix's stock, claiming the company issued false statements regarding its financial condition and performance. It seeks to recover damages for those who bought the stock between April 28, 1998, and Feb. 12, 1999.

• **AmeriPath's** (Riviera Beach, FL) board of directors appointed James New as chairman, a position held previously by Thomas Roberts. New is the president/CEO of AmeriPath and has been a director since Jan. 1996. Prior to that, he served as president/CEO of **RehabClinics**, which he founded in 1991. The board also accepted the appointment of Dr. Dennis Smith Jr. as senior vice president/medical director of the company.

• The not-for-profit **Miami Children's Hospital** is trying to get out of the physician practice management (PPM) business. The hospital is talking with privately-held **Kelson Pediatric Partners** (Hartford, CN), and a decision on whether the doctor management group will buy the PPM will come later this month, reported *The Miami Herald*.

• **Urology Healthcare Group** (UHG; Franklin, TN) intends to merge operations with **Affiliated Medical Centers** (AMC; Torrance, CA). AMC had planned on launching its new physician practice management initiative sometime this year until UHG approached the company about a business combination. UHG did not release details of the transaction.

• **Concentra Managed Care** (Boston) may revert to its old structure before the 1997 merger between **CRA Managed Care** and **Occusystems. Welsh Carson Anderson & Stowe** (New York) acquired Concentra in a $1.1 billion merger agreement with its unit, **Yankee Acquisition Corp**. Under the agreement, Concentra shareholders will receive $16.50 in cash for each share, giving Welsh Carson 93% of the company's outstanding shares. An independent third-party investor will purchase the remaining 7%. Analysts expect Welsh Carson will sell off a part of Concentra and split it along the old lines. ■

REGIONAL DIGEST

• **University Hospital** in Augusta, GA, had $540,000 in unexpected revenues in 1Q99 ended Jan. 24, following a year of layoffs and diminished earnings. Most of the gains came from trimming costs, President/CEO Richard Parks told *The Augusta Chronicle*. The university's home health division also saw better-than-expected earnings with net revenues of $530,000 more than what was budgeted.

• The **Conejos County Home Health Agency** in Colorado is now under the direction and management of the **Conejos County Hospital**. The agency will run as it always did, but the county government will no longer oversee it. The county negotiated with the hospital to take over the agency in an effort to be more efficient. Nurses can now do hospital work when home health work is at a minimum.

• The owner of a Colorado Springs, CO, home health company is worried that Medicare will put her out of business. Cecile Alderman, owner of **Summit Home Health Care**, received a letter in January that said she owed the federal government a large sum of money – back pay for going over the $3,400-per-patient allotment. "If Medicare doesn't work with us, we won't make it," Alderman told *The Gazette* in Colorado Springs. The federal government probably won't set up payment plans because too many home health agencies owe Medicare money, the article said. Since the new rules began in October 1997, more than 40 home care agencies in Colorado have closed. Others have survived by turning away costly patients or by accepting only private insurance.

• Two years ago, the Arkansas legislature required criminal background checks for all prospective employees of nursing homes, home healthcare agencies, and elder care hospices. But that eliminates too many potential employees, according to state Rep. Stuart Vess (D-North Little Rock). Vess proposed allowing people convicted of misdemeanor theft charges to be hired as long as the offense occurred more than five years ago and the person has committed no crimes since then. The House passed the legislation 71-13 last week and sent it on to the Senate.

• A total of 80 Sarnia, ON, **Para Med** homemakers, who provide home care services, voted to join the **Service Employees International Union** (SEIU) last week. "Home care is an integral part of our health delivery system," SEIU Local 220 Member Organizer Pam Calder told the *Canada NewsWire*. "Wage cuts and the elimination of travel allowances at a time when the demand for home care services is skyrocketing is not acceptable in the province of Ontario today. Home care

workers are joining SEIU because they want their work respected and recognized, and they want to deliver top service."

• According to a new study, Massachusetts doctors are worried patients are receiving insufficient home care in light of recent federal cutbacks, reported *American Health Line*. A survey of 1,300 state doctors commissioned by the **Massachusetts Medical Society** found that two-thirds said home healthcare is "at least insufficient at least some of the time," with chronically ill and elderly patients hurt the most. The study also found nearly half of physicians extend hospital stays for fear of insufficient home care, and almost 40% of doctors made house calls in response to the problem.

• **CM HealthCare Resources** (CMHR; Deerfield, IL), the home healthcare subsidiary of **Children's Memorial Hospital**, is moving its corporate offices from Deerfield, IL, to Northbrook, IL, effective March 29. Because of its growth as a home care provider for children and adults, the company says, it needed to increase its office space. The corporate office now also houses a 24-hour nursing support station. CMHR's Valparaiso office, serving northwest Indiana, is not affected by this move.

• **Liberty Home Care**'s (Wilmington, NC) administrative offices have moved to another Wilmington location. The company provides skilled nursing, rehabilitation services, medical social services, and home health aides.

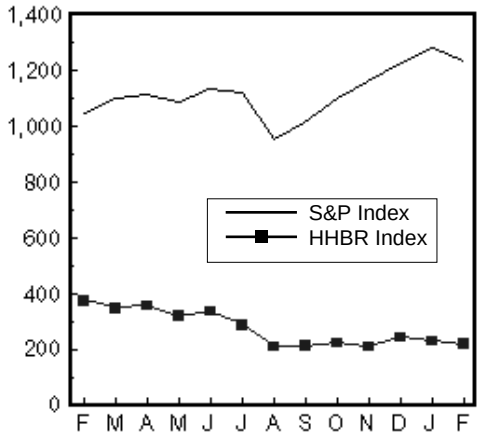
• Linda George, associate director of **Boston Senior Home Care**, told the *Boston Herald* she will send out notices this week informing her clients of the restoration of the agency's home care services. She said the agency saved enough money by cutting services in January and February to restore them, she hopes for the rest of the year. Boston Senior Home Care, one of three state-funded, non-profit home care agencies, told it's clients at the end of December that they would be losing one home care visit per month because of an increased caseload dumped on the agency due to Medicare cuts, the *Herald* reported. ■

MONTHLY STOCK INDEX COMPARISON

	CLOSE 1/29/99	CLOSE 2/26/99	NET CHANGE	PERCENT CHANGE
HOME HEALTH INDUSTRY STOCK INDEX	231.51	222.34	-9.17	-3.96
DOW JONES INDUSTRIAL AVERAGE	9358.83	9306.58	-52.25	-0.56
N.Y.S.E. COMPOSITE	600.44	586.46	-13.98	-2.33
S&P 500 COMPOSITE	1279.64	1238.33	-41.31	-3.23
NASDAQ OTC COMPOSITE	2505.89	2288.03	-217.86	-8.69
DOW JONES HEALTH CARE INDEX	594.57	568.93	-25.64	-4.31

HHBR'S HOME HEALTH COMPOSITE STOCK INDEX

The Home Health Business Report Composite Stock Index represents the collective performance of 9 publicly traded companies with primary businesses in the home healthcare industry. Companies included in the Composite Index are denoted with an inverted triangle (▽) in the "company name" column of our monthly stock tables appearing on page 8. The HHBR Composite Stock Index was compiled by Nordby International, and has been constructed to show comparative performance of a selected group of home healthcare stocks with the S&P 500-Stock Index. The Index was calibrated to match the 435.71 closing of the S&P 500 on Dec. 31, 1992.



MAJOR MOVERS IN HOME CARE IN FEBRUARY 1999

TOP FIVE PERCENTAGE GAINERS

Healthcor Holdings Inc.	60.00
Option Care Inc.▽	28.00
Community Care Services	26.32
New York Health Care Inc.	3.13
Lincare Holdings Inc.▽ (s)	1.79

TOP FIVE DOLLAR GAINERS

Lincare Holdings Inc.▽ (s)	0.63
Option Care Inc.▽	0.44
Community Care Services	0.16
Healthcor Holdings Inc.	0.06
New York Health Care Inc.	0.03

TOP FIVE PERCENTAGE LOSERS

Integrated Health Services Inc.	-57.59
In Home Health Inc.▽ (s)	-48.72
NuMed Home Health Care Inc.	-29.49
Olsten Corp. (The)▽	-23.85
Mid Atlantic Medical Services	-23.31

TOP FIVE DOLLAR LOSERS

Integrated Health Services Inc.	-8.06
Mallinckrodt	-4.00
Respironics Inc.	-2.56
Mid Atlantic Medical Services	-2.38
Chemed Corp.	-2.38

Market Diary:	Advances	Declines	Unchanged	New Highs	New Lows
	This Month.....5	This Month.....31	This Month.....1	This Month.....2	This Month....3

Public Company Financial Statistics (Feb. 26, 1999, close)

EXCH	COMPANY		TICKER SYMBOL	CLOSING PRICE 2/26/99 $	% CHANGE THIS MONTH	% CHANGE THIS YEAR $	52 WEEK HIGH	52 WEEK LOW	EPS LAST 12 MOS. $	PRICE/ EARN RATIO $	MARKET CAPITAL (1000S)~ $
NAS	Amedisys Inc.		AMED	2.00	-17.93	-30.43	5.25	1.50	-2.42	–	6130
NAS	American HomePatient Inc.▽		AHOM	2.44	-2.50	34.48	26.88	1.44	0.12	20	36528
NYS	Apria Healthcare Group Inc.▽		AHG	9.06	-13.69	1.40	13.94	2.56	-8.70	–	469247
NAS	Caretenders HealthCorp.		CTND	2.44	-9.30	-11.36	7.94	1.75	-1.34	–	7629
NYS	Chemed Corp.		CHE	29.56	-7.44	-11.75	41.44	25.13	1.98	15	279395
NYS	Columbia HCA Healthcare		COL	17.88	-1.38	-27.78	34.63	17.00	0.59	30	11538420
NAS	Community Care Services		CCSE	0.75	26.32	200.00	6.00	0.13	-0.81	–	5359
NYS	Coram Healthcare Corp.▽		CRH	1.75	-12.50	-6.67	3.13	1.06	-0.88	–	86016
NYS	Fresenius Medical Care		FMS	19.38	-4.62	-17.55	25.75	12.50	0.41	47	1356250
NYS	Graham-Field Health Products Inc.		GFI	2.63	-6.67	-22.22	19.75	1.81	-1.76	–	82191
NAS	Healthcor Holdings Inc.	(L)	HCOR	0.15	60.00	60.00	4.50	0.06	-4.92	–	1514
NAS	Help at Home Inc.		HAHI	1.25	-16.67	-25.93	2.13	0.53	0.00	–	2336
NAS	Home Health Corp.		HHCAC	0.44	0.00	40.00	10.75	0.19	-5.15	–	4320
NAS	In Home Health Inc.▽ (s)		IHHI	1.25	-48.72	-31.03	4.50	1.13	0.15	8	6833
NAS	Infu-Tech Inc.		INFU	2.25	-5.26	12.50	7.50	1.75	-0.03	–	7342
NYS	Integrated Health Services Inc.	(L)	IHS	5.94	-57.59	-57.96	39.94	5.63	-3.27	–	313601
NAS	Interwest	(H)	IWHM	3.16	-4.72	-6.48	5.00	2.44	0.37	9	12906
NAS	Invacare Corp.		IVCR	23.75	-5.94	-1.04	28.75	19.88	1.50	16	709745
NAS	Kelly Services Inc.		KELYA	25.50	-8.11	-19.69	38.50	23.75	2.23	11	938426
NAS	Lincare Holdings Inc.▽ (s)		LNCR	35.63	1.79	-12.17	44.38	30.94	1.44	25	2073589
MKG	Mallinckrodt		MKG	30.94	-11.45	0.41	40.00	19.75	1.41	22	2205380
NAS	Matria Healthcare		MATR	3.13	-10.71	8.70	6.50	1.40	-2.71	–	113781
NYS	Mid Atlantic Medical Services		MME	7.81	-23.31	-20.38	14.00	4.44	0.21	37	387766
ASE	National HealthCare	(L)	NHC	10.38	-15.31	-33.06	38.50	9.88	-0.58	–	117414
NAS	National Home Health Care Corp.		NHHC	4.38	-10.26	-7.89	5.00	3.88	0.20	22	22684
NAS	New York Health Care Inc.		NYHC	1.03	3.13	3.13	2.25	0.63	0.09	11	3878
NAS	NuMed Home Health Care Inc.		NUMD	0.22	-29.49	-26.67	2.00	0.13	-0.43	–	1093
NYS	Olsten Corp. (The)▽		OLS	6.19	-23.85	-16.10	17.63	4.50	0.05	124	502920
NAS	Option Care Inc.▽	(H)	OPTN	2.00	28.00	18.52	5.88	0.75	-0.38	–	22012
NAS	Pediatric Services of America		PSAI	2.50	-12.09	-28.57	21.75	1.94	-1.21	–	16630
NAS	Respironics Inc.		RESP	12.81	-16.67	-36.04	29.63	9.88	-0.15	–	406528
NYS	Sabratek		SBTK	18.88	-8.21	15.27	36.13	13.00	0.81	23	185239
NAS	ServiceMaster L.P.		SVM	18.69	-1.97	-15.30	25.50	16.00	0.64	29	5555925
NAS	Staff Builders Inc.▽		SBLI	0.18	-17.81	-68.00	2.47	0.09	-2.99	–	4233
NYS	Star MultiCare Services Inc.		SMCS	1.63	-3.70	13.04	4.19	1.13	-1.02	–	8526
NAS	Sunrise Medical Inc.		SMD	7.25	-8.66	-41.71	16.25	6.56	-0.39	–	160936
NAS	Transworld Home HealthCare Inc.		TWHH	4.19	-11.84	-10.67	7.13	2.13	0.05	84	73495

KEY: (H)=NEW HIGH • (L)=NEW LOW • NYS=NEW YORK • ASE=AMERICAN
NAS=NASDAQ • (s)=STOCK SPLIT • ▽ in HHBR Composite Index • NA=not available

MARKET CAPITAL figure reflects total for this class of stock only. Stock listed is the most actively traded of the company's classes of stock.

Source: Nordby International, Boulder, CO.