Home Health

BUSINESS REPORT

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

HCFA says PPS on schedule for implementation in 2000

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

WASHINGTON – The **Health Care Financing Administration**'s (HCFA; Baltimore) Director of the Office of Chronic Care, Tom Hoyer, told participants in last week's National Policy Conference here that the agency is working feverishly to complete the prospective payment system (PPS) in time to implement the new system in just over 19 months. He also predicted the new system will be in place for all home health agencies by the Oct. 1, 2000, deadline. But many industry observers believe HCFA has established an unworkable timetable for completing the new system.

Hoyer confirmed that HCFA plans to use an episode definition of 60 days with no limit on the number of episodes a patient could have. "Currently, our case mix methodology uses about 20 patient characteristics and one treatment characteristic," reported Hoyer. "There are a lot of different combinations of characteristics you could look for, and we have attempted to select ones that will give you a reasonable standard of comfort."

Hoyer said that HCFA hopes to use OASIS data for standardization, but acknowledged there will obviously be a "time-crunch" for the proposed rule. "We won't have as much data for that rule as we would hope," he said. "But we should have a much greater amount of data by the time we get to the final rule, which will assure us of having prices that accurately reflect practice around the country."

When challenged over whether or not the one month of data that will be available from OASIS to set initial prices will be sufficient, Hoyer defended HCFA's rate setting methodology. "With any luck," he said, "at the time we set the rates in the proposed rule we will have data from 90 agencies in the case-mix study and one month of OASIS data." He added that HCFA should have "significantly more" data by the time the final rule is developed.

Hoyer also confirmed that HCFA plans to have outlier payments for high-cost payments, as well as "payment reductions for very short episodes." Since the law requires

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Medicare Commission folds; the proposed 10% copay lives

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

WASHINGTON – The **National Bipartisan Commission on the Future of Medicare** disbanded last week without producing any final product. But it was equally clear the positions carved out by various factions are not likely to end along with the commission's deliberations.

Unfortunately for the home care industry, that means Sen. John Breaux's (D-LA) proposal for a 10% copayment for home healthcare probably will resurface shortly in legislation that is likely to garner the support of many Republicans. Already, the chairmen of the Senate Finance Committee and the House Ways and Means Committee have announced they will schedule hearings on Breaux's proposal.

That 10% copay proposal for home health was included

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HomeCare Concepts settles Medicare fraud lawsuit for $10M

By KAREN PIHL-CAREY
***HHBR* Staff Writer**

HomeCare Concepts of America (HCCA; Dallas), one of the largest home health companies in Texas, has settled a Medicare fraud lawsuit for $10 million, payable to the federal government and a whistle-blower.

In turn, HomeCare has filed lawsuits against the former owners of the subsidiary home health company where the alleged fraud took place. HomeCare bought **Infusion Management Systems** (IMS; Dallas) in June 1996, without knowing about a federal investigation that culminated with last week's settlement.

"We are the new owners of the company. All of the alleged activities occurred prior to our ownership of it," HomeCare Vice President Rick Buck told *HHBR*.

The previous owners gave HCCA no indication of an investigation, which is why the company is suing the for-

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Members of 106th Congress speak out for home care issues

By MEREDITH BONNER
***HHBR* Editor**

WASHINGTON – Attendees at the **National Association for Home Care**'s (NAHC; Washington) National Policy Conference heard some words of encouragement from members of Congress last week.

Legislators who have played key roles in fighting to keep the home care industry strong despite the hardships it has undergone told members of the home care arena they intend to keep the fight going this year, after a session last year that they said produced a building block for home care legislation.

"Our goal is to secure quality care for our seniors," said Rep. Tom Coburn (R-OK). "The best care is in the home, not in a facility. If Congress ignores what's about to happen in healthcare, we will have ignored those who depend on us the most."

But legislators told attendees that Congress can't do it alone. Congress needs the help of home care providers and their patients, the members said. "I think the visits people have made (to their Congressmen) . . . and the phone calls have made a difference," said Rep. Jim McGovern (D-MA), adding that this puts pressure on Congress.

But McGovern said the changes that have taken place in the industry are "still a crisis." McGovern warned that unless there is a full court press to make something happen, Congress will not do anything. "The inclination of this Congress is to try to get away with not doing anything," he said.

McGovern also expressed his disagreement with the proposed 10% copay for home healthcare Medicare beneficiaries. "I think it is a bad idea," he said. "And bad ideas become law if we don't fight them."

Rep. Robert Weygand (D-RI) agreed with McGovern, saying, "Our greatest opponents are some of those in highest power."

Weygand added that some of the most efficient agencies were the ones who were hurt the most.

Sen. Christopher Bond (R-MO), Rep. Nick Rahall (D-WV), Rep. Debbie Stabenow (D-MI), and Rep. Van Hilleary (R-TN) also spoke at the NAHC-sponsored conference. ■

HomeCare

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mer owners of IMS. Defendants named in the suit are former owners Stephen Maberry, A.B. Jones Jr., and C. Louise Maberry and the company's accountant, Harry Mishra of **Mishra Health Consulting** (Houston).

Buck said HCCA fully cooperated with the government. "We've been anxious to put this behind us and move the company forward," he said.

The whistle-blower suit was filed by Dallas resident Jennifer Thomas, a former IMS employee, who alleged that IMS officials fraudulently took more than $20 million from the government. Thomas had worked for IMS four years before being fired a month before HomeCare took over operations.

An investigation by the **Health and Human Services' Office of Inspector General** found that the fraud occurred before the IMS sale in 1996. In the settlement, Thomas and her attorneys will receive more than $1 million. The rest will go to a Medicare trust.

In a suit filed in a Dallas federal court last week, HomeCare alleges that the IMS sellers misrepresented and inflated the purchase price. The suit complains that Mishra committed "accounting malpractice" in the preparation of financial statements. And it charges the former owners with engaging in "an effort to sell the companies to an unsuspecting and innocent buyer and to distance themselves from the companies before the fraud was discovered."

Said Buck: "We intend to pursue every legal option open to us to recover damages, hold those responsible who actually committed the alleged illegal activities, and clear the good name of our company."

The amount of which HCCA hopes to recover through a lawsuit against the former owners and accountant of IMS is yet to be determined. IMS employs more than 8,000 people and serves 8,500 patients each month.

Buck said the government investigation has not diminished the company's clientele.

"The quality of care and our service to customers has not and has never been effected by this," he told *HHBR*. "That has not hurt the company at all." ■

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COMPANIES IN THE NEWS

Ambulatory withdraws plan to reorganize PHP

Ambulatory Healthcare Corp. of America (Manassas, VA) has formally withdrawn its sponsorship of a reorganization plan for **PHP Healthcare Corp**. (Reston, VA), which filed Chapter 11 bankruptcy in November. Ambulatory President/CEO William Danielczyk said the plan, while received favorably by some, did not reach approval with all of the constituencies. Ambulatory operates outpatient service delivery systems, including home health agencies.

AHOM tries to overcome a disappointing FY98

American HomePatient (AHOM; Brentwood, TN) is trying to cut expenses to offset cuts in revenue and bad debts, and it is waiting for results from a **Justice Department** investigation of the company's billing since 1990, reported *The Tennessean*. After a disappointing FY98, the home health company has replaced almost all of its management team. The company's earnings are expected to be reported later this month. In the meantime, it is trying to raise its stock price, which stands at about $2 a share, compared to its 52-week high of just under $22. The **National Association of Securities Dealers'** Automated Quotations system warned the company in a letter that, under Nasdaq rules, its stock listing was in jeopardy due to a closing bid price of less than $5 for more than 30 days. Nasdaq granted the company a hearing, but postponed a decision on the matter. The company could choose a 1-for-4 reverse stock split, giving investors one share for every four they own. Shareholders have been asked to give the board permission to do this, but executives are talking with the **Securities and Exchange Commission** (Washington) about other options, reported *The Tennessean*.

Putnam affiliate suffers $130,000 loss

Bennington Area Home Health Care, an affiliate of **Putnam Memorial Health Corp.** (Bennington, VT), will close out FY98 with a $130,000 loss, said Putnam CEO Harvey Yorke. The company's **Southwestern Vermont Medical Center**, which includes the home health affiliate, is facing a financial crisis because of Medicare and Medicaid reimbursements, company officials said. Home healthcare is taking the biggest hit, said Bennington Area Home Health interim President Julia Maroney. Vermont patients get $1,000 less in benefits than before the Medicare changes, and those benefits will decrease another 15%, reported the *Associated Press*.

Coram to provide better drug therapies

Coram Healthcare (Denver) has entered into an agreement with **Empire Blue Cross and Blue Shield** (New York) to better provide drug therapies to patients at home. The agreement will cover instances when it is necessary to provide patients access to prescription drug therapies delivered intravenously in their homes. **Coram Prescription Services** will supply the prescription drug therapies. The insurance coverage will extend to patients in New York and northern New Jersey.

Company to provide home health customer service

DynaMarketing (Long Island, NY), a company expected to open next month, will provide customer service for national mail-order catalogs that carry home healthcare products and other general merchandise. The company will also build a call center employing 400 people in Spotsylvania, VA.

HCR owner purchases stock

HCR Manor Care (Toledo, OH) owner Ronald Baron purchased 52,763 company common shares in February, according to a Form 4 released by the **Securities and Exchange Commission** (Washington). Baron owns 10% of the company. He acquired the stock between Feb. 22 and 26 at prices ranging from $22.05 to $24.50 a share, giving him 227,950 company shares.

Health Care Solutions acquires Foley Medical

Health Care Solutions (Ann Arbor, MI), a home respiratory therapy medical equipment and infusion company, acquired **Foley Medical** (Youngstown, MI), a company also known as **Family Home Medical**. Foley will become a division of Health Care. The terms of the acquisition were not disclosed, reported the *Detroit Free Press*.

HCAI intends to acquire Bios Corp.

Home Care America (HCAI; Boca Raton, FL) has signed a letter of intent to acquire **Bios Corp**. (Deerfield Beach, FL), an Internet company that publishes *www.EthicsBureau.com*. Financial terms were not disclosed. The acquisition should be complete by April 17, HCAI said. It will bring HCAI one step closer to its goal to divest its healthcare operations. The company has received an offer for its healthcare assets and expects to enter into a formal agreement soon. At that time, the HCAI name and Nasdaq symbol will change.

Lincare executive purchases 10,000 shares

Lincare Holdings (Clearwater, FL) CFO Pal Gaobs purchased 10,000 shares of the company's common stock earlier this month, according to a Form 4 released by the **Securities and Exchange Commission** (Washington). He acquired the stock on March 10 for $33 per share. Following the transaction, he held 10,000 shares of the company and had indirect ownership of 3,100 shares.

McKesson to move to larger facility

McKesson MedManagement (Albuquerque, NM), a home healthcare equipment and services provider, will

move its facility to another part of the city. The move to 4900 Menaul into a former school and office supply building will triple the size of the facility to 25,000 square feet.

MiniMed announces 2-for-1 stock split

MiniMed (Sylmar, CA) announced a 2-for-1 stock split last week. It will issue one additional share of common stock for every share outstanding, increasing the total number of fully diluted shares outstanding to about 28 million. The split will be effective April 1 for shareholders of record at the close of business that day, and it will be distributed April 16. MiniMed Chairman/CEO Alfred Mann said he expects the move will increase the liquidity of stock and broaden the stockholder base.

NHC opens new home care program

National HealthCare Corp. (NHC; Murfreesboro, TN) has announced that it has opened a home care program in Merritt Island, FL. The program will be in addition to NHC's healthcare center and assisted living complex in Merritt Island. NHC has also scheduled its annual shareholder meeting for April 26 at its offices.

National Home Healthcare reports 2Q99 results

National Home Healthcare Corp. (Scarsdale, NY) reported $10 million in revenues in 2Q99, compared to $8.8 million in revenues in 2Q98. Net income was $85,000, 2 cents per share, compared to the previous year's net income of $170,000, 3 cents per share. The 2Q99 income includes the loss of $324,000, 6 cents per share, from a 30.5% interest in **SunStar Healthcare**. The 2Q98 income includes the loss of $372,000, 7 cents per share, from SunStar.

Internet retailer acquires Banyan

Netoy.com Corp. of Nevada, an Internet retailer, has acquired **Banyan Healthcare Services** (Philadelphia) for an undisclosed amount of money. Banyan said it will change its name to Netoy.com Corp., appoint a new board and move its office to Largo, FL, reported *Dow Jones News Service*. The company has also declared a 1-for-10 reverse stock split, effective March 15.

Pediatric Services downgraded; company faces lawsuit

Moody's Investors Services (New York) downgraded the ratings assigned to **Pediatric Services of America** (Norcross, GA). The company's $70 million senior secured credit facility was downgraded from B1 to B3, and its $75 million 10% senior subordinated notes were downgraded from B3 to Caa2, reported *Dow Jones Newswire*. The ratings outlook is negative, Moody's said. The downgrade follows the company's announcement that it would report a significant loss for its 3Q. In other news, a securities class action lawsuit has been filed in the **Federal District Court for the Northern District of Georgia** against Pediatric Services, President/Chairman/CEO John Sansone, and CFO/Treasurer/Secretary Stephen Mengert on behalf of common stock purchasers between Dec. 23, 1997, and July 29, 1998. The complaint charges that the defendants misrepresented information concerning the company's accounts receivable.

Employees could lose jobs with Providence transition

As many as 108 employees of **Providence Home Health and Hospice of Seattle** could lose their jobs when Providence turns its hospice operations over to **Visiting Nurses Service of the Northwest** (Seattle) this spring. In return, Visiting Nurses is turning over its home health business to Providence. Providence Home Health administrator Bob Ogden said he's not sure how many of the 108 hospice workers will be let go, reported *The Seattle Times*.

Respironics settles patent dispute

Respironics (Pittsburgh) has settled a patent dispute related to its bi-level technology. While terms of the settlement are confidential, the company disclosed in a press release that **AirSep Corp**. (Buffalo, NY) has agreed to a final court order prohibiting it from manufacturing, distributing, or selling bi-level sleep therapy products in the United States. Also, AirSep will pay Respironics an unspecified amount in damages and legal fees. AirSep had been manufacturing, distributing, and selling a bi-level positive airway pressure technology for the treatment of obstructive sleep apnea. Respironics had already patented such a device.

Respironics has also announced that its board has authorized the repurchase of an additional 1 million shares of the company's common stock. The company has already repurchased about 1.9 million shares since the program began in August 1998. ■

Medicare

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in a proposal developed by Breaux, who co-chaired the Commission along with House Ways and Means Health Subcommittee Chairman Bill Thomas (R-CA). The plan failed to win support of his fellow Democrats and fell one vote short of the 11-vote "supermajority" required by the commission's guidelines. The final vote was 10-7. The only Democrat to support Breaux's proposal was Sen. Bob Kerrey (D-NE).

The commission was assembled with the goal of developing long-term reforms for Medicare. The centerpiece of Breaux's plan was the elimination of the government's practice of paying beneficiaries' bills directly along with the government's role of setting prices for Medicare services. ■

PPM/MSO NEWS

• California regulators seized control of **MedPartners**' (Birmingham, AL) California health plan and filed a petition for reorganization under Chapter 11 bankruptcy just over a week ago. A few days later, a Riverside, CA, physician practice management (PPM) company agreed to acquire 27 hospitals and one clinic from MedPartners, easing the minds of hundreds of California doctors. **KPC GlobalCare** (Riverside, CA) solidified the deal March 16, in which the company will take over operations in Riverside and San Bernadino counties and **Talbert Medical Group** in Orange County. The deal should close within 30 days. Global Care has said that it will sell individual physician's groups practices back to various physicians groups once the MedPartners deal closes. Once the deal was announced, Dr. Kali Chaudhuri, Global founder, said he received 33 calls from physicians who wanted him to buy other MedPartners group practices. Early in March, the **California Department of Corporations** (Sacramento, CA) ordered **MedPartners Provider Network** (Long Beach, CA) to stop transferring funds to its parent company because it had not demonstrated "a fiscally sound operation," reported *The Wall Street Journal.* Under the order, the company in California was barred from transferring funds, except to pay capitation and compensation to providers. The company said it "was surprised by the department's decision," but that it was confident it could demonstrate a "fiscally sound operation." The company said it received a clarification later in the week that ensured the order wasn't intended to stop it from paying "ordinary and necessary expenses," including staffing and administration expenses. But on March 11, the regulators seized operations to the surprise of MedPartners officials. "The department's action was completely unexpected, and we believe it is unwarranted," a spokesman told *Dow Jones Business News*. The company said the action cost shareholders $500 million. It has asked the Bankruptcy Court, as well as the California Superior Court, to halt the seizure. MedPartners' stock plunged 77% in 1998, prompting the company's plans to exit the PPM industry. The company also agreed this month to sell assets and a PPM business it manages, all valued at $150 million, to **St. Luke's Episcopal Health System** (Houston) and **Methodist Health Care System** (Houston), reported *Dow Jones*. The sale is expected to close by April 30. Last week, MedPartners also announced the sale of its hospital-based physician business, **Team Health**, to an affiliate of **Madison Dearborn Partners**, **Cornerstone Equity Investors**, **Beecken Petty & Company** and Team Health's current management team in a recapitalization agreement.

• **InSight Health Services Corp.** (Newport Beach, CA) and its affiliate, **Connecticut Lithotripsy**, have received a certificate of need from Connecticut to provide portable lithotripsy services. The affiliate is a partnership owned by InSight and local urologists, which began operating March 1. The certificate endorses the company and expands the breadth of services it can provide in the state. In other news, the company has partnered with **NorthTowns Medical Associates** (Buffalo, NY) to provide equipment, facilities, and management services to NorthTowns' multi-modality radiology practice. InSight intends to make more investments with NorthTowns to expand the network throughout the western New York area.

• **ProMedCo Management Company** (Fort Worth, TX) reported its results for 4Q98 and FY98, both with increases in net revenue. The company saw $225.5 million in revenues for FY98, up 176% from $80.6 million a year earlier. Net revenues were $68.8 million in 4Q98, up 92% from $35.9 million in 4Q97. Net income, including a $600,000 nonrecurring charge for the writeoff of costs in connection with the refinancing of the company's credit facility, was $12.2 million, 58 cents per share, in FY98, compared to $5.4 million, 38 cents per share, in FY97. In 4Q98, net income was $3.1 million, 13 cents per share, compared to 4Q97 net income of $2.3 million, 15 cents per share.

• **Clinical Studies** (Providence, RI), a subsidiary of **PhyMatrix** (West Palm Beach, FL), plans to launch a new clinical trial site management division called **Hospital and Network Research Services**. The division will focus on expanding clinical research presence among academic and community-based physicians. It fulfills PhyMatrix's goal to reposition the company along two business lines: pharmaceutical services and provider network services.

• **IntegraMed America** (Purchase, NY) has announced that Senior Vice President/CFO Gene Curcio will leave the company March 27 to join **Tandem Health Care** (Pittsburgh). President/CEO Gerardo Canet will act as CFO until someone else is recruited. Curcio accepted the opportunity so he could move closer to his family roots in Pittsburgh.

• **Physician's Specialty Corp.** (Atlanta) acquired the nonmedical assets of **Advanced Surgical Arts P.C.** (Wayne, NJ). Financial terms were not disclosed, but Physician's said doctors from **Advanced Surgical** will join its **ENT Associates** unit in New York. The acquired company provides otolaryngology, plastic surgery, and audiology services.

• **MIM Corp.** (Elmsford, NY) has appointed Recie Bomar as vice president of sales and marketing. Bomar has over 10 years experience in the managed care industry, most recently as the vice president of sales and marketing at **PharmaCare**. Before that, he was the national director of sales and services at **Revco D.S**. MIM Corp. is an independent pharmacy benefit management and prescription mail

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REGIONAL DIGEST

• A mother and her son who worked as home health aides in Troy, NY, for an 87-year-old woman are accused of stealing more than $50,000 from the woman, now deceased. The aides allegedly drained the woman's bank accounts, stocks, and other assets between 1995 and 1996, reported the *Associated Press*. They were arraigned March 2 on second- and third-degree grand larceny charges.

• Six people were indicted earlier this month in a $1 million healthcare Medicare fraud case, involving an employee of **Staff Builders**' (Lake Success, NY) Port St. Lucie, FL, branch. Federal agents say a businessman created fake invoices in exchange for Medicare reimbursements. He failed to disclose $400,000 in kickbacks he got from an office supply company, then set up a dummy corporation to feed false purchase invoices, reported the *Associated Press*. He also allegedly took part in schemes to pay employee salaries at doctors' offices in order to be reimbursed by Medicare, even though the employees worked for doctors who performed no Medicare work processed through Staff Builders. Those doctors were charged with receiving kickbacks.

• A home health program for seniors in central New Jersey has become a popular resource offered by **Friends Life Care at Home of New Jersey** (Somerset, NJ). Friends Life will offer free informational seminars in April on the program and its merits to let seniors 60 years of age and older know that they can participate. The plan has entry fees of $6,000 or more depending on age, plus an ongoing monthly charge of $296.

• Speak slowly with a low tone. Print sales brochures on yellow paper with large type. Ask them to take notes. These are just a few tips for home health workers when explaining different services and financial plans to elderly clients, according to a three-day workshop by the **Society of Senior Advisors** (Denver) offered earlier this month. The workshop covered law, housing, taxation, insurance, demographics, spirituality, psychology, and healthcare from a business and medical point of view, reported *The Palm Beach (FL) Post*. Misperceptions are often based on diminished abilities to hear, see, and remember, the article said.

• Registered nurses from the eastern counties branch of the **Victorian Order of Nurses, ONA Local 42** (Cornwall, ON) have reached a settlement with their employer, avoiding many of the concessions the employer originally sought, reported the *Canada NewsWire*. Details of the agreement were not made public. "If we had allowed our employer to literally gut our collective agreement, our working conditions would have been so deplorable that our ability to provide safe, quality patient care would have been jeopardized," said Local 42 spokesperson Jaye Sullivan-Daley. "As patient advocates, we refused to contribute to a lowering of standards for home care, which would have hurt the most vulnerable members of our society . . . "

• **Fitch IBCA** (New York) assigned an "A" long-term rating to $250 million in **Aurora Health Care** bonds. It rated the company's **Wisconsin Health and Educational Facilities Authority**'s $150 million revenue bonds, series 1999A, and $50 million variable rate demand bonds, series 1999B and 1999C. The company includes 13 hospitals, four long term care facilities, 78 physician clinic facilities, 74 pharmacies, and a home health organization.

• The Arizona Auditor General is criticizing the state's regulation of home healthcare providers, saying the lax system allows for public complaints to go unchecked. The auditor issued a report last week that said the **Department of Health Services** renewed 43 home health agency licenses without making sure providers were in compliance, and it failed to fine providers for repeated violations. It also showed the department was overdue in conducting 70 home health agency Medicare inspections in August. A department spokesman, Brad Christensen, told the *Associated Press* that the problems have been corrected and that they were a result of not enough resources to do the job. The department is responsible for inspecting 140 home healthcare businesses.

• The **Florida Agency for Health Care Administration** has fined **Granny Nannies** (Altamonte Springs, FL), a company that provides certified nursing assistants, home health aides, and companion sitters, for operating without a valid nurse registry license and for filing an incomplete license application, reported the *Orlando Sentinel*. Granny Nannies had applied to open a large office in Leesburg, in addition to its Altamonte Springs office. An attorney for the company said the fine stems from a dispute with a disgruntled agency employee. The company does have a valid license to operate in six Florida counties, the attorney told the newspaper.

• **Odyssey Health Care** (Dallas) allegedly reported to Medicare and Social Security the death of an 82-year-old Indianapolis woman, who was still living, to get her back for refusing to buy the company's home health services. The company's action suspended the woman's benefits. The woman learned of the problem when her oxygen supplier told her the government would no longer pay her $500-a-month oxygen bill because she was dead, reported *The Indianapolis Star*. Sen. Richard Lugar (R-IN) has called for a federal investigation of the hospice care company. Odyssey Vice President of Clinical Affairs Pat Skogen said the company is disturbed by the charge and is doing a thorough investigation. The problem could have been caused by a data entry error, she said. The company's report of Martha Lawler's death came in April 1998, the same day Lawler and her daughter turned down a high-pressure sales campaign, the *Star* reported. Lawler died of emphysema last month.

• Three congressmen have asked for a delay in 15% home healthcare payment cuts proposed for some Medicare beneficiaries. Reps. Jim Ryun (R-KY), Robert Weygand (D-RI), and Ernie Fletcher (R-KY) want to add an amendment to the FY2000 budget resolution to delay the cuts. "Rural home healthcare is facing a crisis," Ryun said. "Kansas cannot afford to lose any more home health providers." About 40 in the state have closed down this year, reported the *Associated Press*.

• In Ontario, Canada, government officials have announced $45 million in new annual funding to support additional community care nurses. The investment will mean that more people can receive nursing services at home through Ontario's **Community Care Access Centres**. It includes $27 million to be spent annually for expanded in-home nursing services and $18 million to be spent on homemaking, personal care, and therapy services.

• **Summit Home Health Care** (Colorado Springs, CO) has cut the hours, pay, and benefits of its staff, hoping to catch up with bills, but a core group of employees have chosen to remain with the company anyway. Owner Cecile Alderman is trying to keep the company alive through the changes in Medicare reimbursement. She works 80 hours a week and hasn't given herself a paycheck since October, reported *The Gazette* in Colorado Springs. Some employees are cleaning the office because Alderman can't afford a janitor and working evenings and weekends to make home health visits. Alderman knew the Medicare changes were coming, but Summit Home Health spent five months going about business as usual because Alderman thought Congress was bluffing about the Medicare changes. ■

CORPORATE LADDER

• Rev. Jerry Wagenknecht has been named senior vice president of religion and health by **Advocate Health Care** (Oak Brook, IL). He will work closely with Advocate officials, physicians, staff, and volunteers to manage programs of ministry, education, and health. Prior to his appointment, he served as vice president of mission, values, and philosophy integration for Advocate since 1995.

• Michelle Morales has been named executive director of **Total Home Care** (Wichita, KS). Morales has worked for the company six years, most recently as its quality manager. **IntegriCare** (Agawam, MA) took ownership of the agency on Jan. 1, but Total will retain its name.

• Frank Fleming is retiring from his position as senior vice president of **Chad Therapeutics** (Chatsworth, CA), effective March 31. He will then become a consultant to the company, which develops oxygen delivery systems for home healthcare patients. ■

BRIEFLY NOTED

• The **Joint Commission on Accreditation of Healthcare Organizations** has designated a toll free hot line where patients, families, and caregivers can share concerns regarding the quality of care at accredited healthcare organizations. The hot line, (800) 994-6 610 , will be staffed between 8:30 a.m. and 5 p.m. weekdays for those providing or receiving care. The commission hopes complaint information will help strengthen the oversight activities and improve the quality of care in hospitals, home health agencies, nursing homes, and other healthcare businesses. Matters it will cover are patient rights, safety, staffing, and security, but not matters of billing, insurance, and payment disputes.

• If family members who take care of ailing relatives were paid for their work, it would cost the nation $196 billion more a year, according to a study conducted by Peter Arno and Margaret Memmott of **Montefiore Medical Center** and **Albert Einstein College of Medicine** in New York. The estimate is based on data from five databanks, including the *National Family Caregiving Survey* and the *National Health Interview Survey*. With 25.8 million Americans spending an average of 18 hours a week caring for relatives at the rate of $8.18 an hour, the added healthcare costs go up $196 billion – nowhere near the $32 billion a year currently being spent on home healthcare, reported *The Washington Post*. The researchers warned that the nation must find "more effective ways to support and sustain" people who care for ailing relatives because they are "the bedrock of our nation's chronic care system."

• Rep. Bernie Sanders (I-VT) has publicly opposed a 10% co-pay for home health services, and recently sent a letter with the signatures of 50 congressional colleagues to the **Bipartisan Commission on Medicare** stating their opposition. At a press conference in early March, Sanders and staff of the **Home Care Association of America** (HCAA; Jacksonville, FL) voiced their opposition. HCAA has long opposed co-pays because the majority of homebound patients live under the poverty level, it said. ■

CALENDAR

• The **Arizona Association for Home Care** will hold the Home Health Care Annual Conference May 3 and 4 at the Embassy Suites in Phoenix. For more information, call Susan Brenton or Alice Mendoza at (602) 967-2624, if you are out of state, or (800) 367-0399, if you are in Arizona. ■

PPM/MSO

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service organization that partners with managed care organizations and healthcare providers to control prescription drug costs.

• A shareholder of **Concentra Managed Care** (Boston) is suing the company for shortchanging him in a $1.1 billion buyout by an investment firm. Concentra, which reported $616 million in sales for FY98, said in early March it would be acquired for $16.60 per share in cash by **Welsh, Carson, Anderson & Stowe** (New York). On March 4, a suit was filed by stockholder William Steiner who said the company directors had themselves in mind when they sold the company. He said they failed to maximize shareholder value.

• **PhyMatrix** (West Palm Beach, FL) has closed a $30 million revolving line of credit, which has a three-year term. About $9.2 million of proceeds from the loan were used to pay off the previous credit agreement. In September, the board authorized an initial share repurchase plan whereby the company could repurchase up to $15 million of its common stock. By November, it had repurchased 213,000 shares for $.5 million. ■

WHAT THEY'RE SAYING

• According to an opinion column in the *Los Angeles Times*, the recent election that gave the **Service Employees International Union** the right to represent 74,000 home healthcare workers has started a social drama like when President Franklin Roosevelt's "New Deal" surfaced. The New Deal "opened the door to a wave of organizing that built the big industrial unions" and "doubled living standards." "With SEIU, home healthcare workers will see higher wages, employers will see less turnover, and the public will see better quality care," the column said.

• Home health providers in Maine are dealing with budget shortfalls as a result of the Balanced Budget Act of 1997, a home health provider wrote in a letter printed in the *Bangor* (ME) *Daily News*. The budget is already balancing on the backs of the elderly, and now the **Medicare Payment Advisory Committee** wants to make things worse, the letter said. "By adding another layer to this system, we are ... providing opportunities for more bureaucracies," Mary Cahoon Hancock wrote. ■

PPS

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consolidated billing, payment to agencies will include all services covered under home health, including durable medical equipment. However, DME will be reimbursed separately under the fee schedule. Hoyer also noted that payments will be pro-rated if two agencies provide the services.

"We are looking at making a significant payment at the beginning of the episode and the remainder of the payment at the end of the episode," Hoyer reported. "We are sensitive to the need for cash flow, and we hope to assure it in that manner."

Hoyer said HCFA is working as fast as it can to complete the PPS system, but added that with "a lot more time and a lot more data, we could certainly make a lot more refinements." He attempted to allay concerns by noting that the PPS system will continue to be refined even after the final regulation is published. "We hope to continue to refine the system and make the payments more accurate," said Hoyer.

He also noted that the home health industry will have the opportunity to hold a "national policy debate" each year based on a single set of assertions and payment data from the past year. This puts decisions on a "real-time basis" and ties them to "real information."

"The real question," the **National Association for Home Care**'s (NAHC; Washington) Bill Dombi said in response to Hoyer, "is whether or not the database being used for the creation of the case-mix adjustment system and the reimbursement rates are reliable." Asked to explain how the limited case-mix sample of only 90 agencies being used by HCFA can be statistically valid, HCFA's Ann Meadow said that without knowing how case mix varies, the agency set out to get "as diverse a group of agencies as possible consistent with scarce resources." She said HCFA selected eight states with a wide range of home health utilization patterns. "Given the state of knowledge at the time the project was planned," she said, "I think the sample is a good one."

When asked whether HCFA selected a statistically valid sample, Hoyer said the agency took "very great care" to do "a statistically valid stratified sample" across the country. "They are not all low-cost agencies," he argued. "We took particular care to do it. We wanted to have an absolutely representative sample of agencies, and we are confident we do have that." He added that HCFA "oversampled" to make sure it had extra agencies.

Dombi made it clear, however, that in the industry's view, there are still many unanswered questions. For example, Dombi queried whether there will be an expedited settlement of cost-reports disputes prior to determining the PPS rates. But that issue was left unresolved.

Dombi also raised questions about whether or not the majority of agencies selected for the 1997 audits are very low-cost agencies. "If the majority are low-cost agencies," said Dombi, "PPS rates may be extremely low and extremely difficult for agencies."

"I am much more encouraged about the quality of this payment system than I was in October 1997," Hoyer said. The 27-year HCFA veteran also discounted rumors that he plans to retire before the program is implemented. ■