

Home Health

BUSINESS REPORT

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

MONDAY, MAY 3, 1999

VOL. 6, No. 18

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HCFA allows HHAs to use faxed CMNs, cover letters

By MATTHEW HAY

HHBR Washington Correspondent

BALTIMORE – The **Health Care Financing Administration** (HCFA; Baltimore) has offered guidance allowing durable medical equipment (DME) suppliers to use faxed certificates of medical necessity (CMN) in what will probably be the industry's biggest regulatory victory this year. The program memorandum states that faxed CMNs may be used to initiate billing to the Medicare program as long as the original CMN is maintained.

In addition, HCFA instructed the durable medical equipment regional carriers (DMERC) to lift any restrictions that prohibit suppliers from communicating with physicians using cover letters. HCFA pointed out that cover letters are "not required by HCFA, nor regulated by HCFA" and said the DMERCs "should not take adverse action against suppliers that solely involve cover letters."

Confusion about the use of cover letters has swirled ever since the Region B DMERCs restricted their use last year.

HCFA outlined the documentation requirements for the DMERCs to follow and said claims that do not meet these requirements will be denied and/or an overpayment will be assessed.

According to HCFA, a written order must be sufficiently detailed, and it must include: the patient's name, a description of the item (the description can be either a narrative or a brand name/model number), a physician's signature, and all options or additional features. Options will be separately billed or will require an upgraded code. In addition, the date on the written order or the CMN should be the date that the physician has signed the written order and/or CMN. In addition, HCFA outlined these requirements:

- Suppliers must have a verbal, faxed, or original order in their records before they provide any item of durable medical equipment, prosthetics, orthotics, and supplies to a beneficiary.

- For items that are dispensed based on a verbal order,
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HCFA gets green light for Polk County project

By MATTHEW HAY

HHBR Washington Correspondent

TAMPA – The **Health Care Financing Administration** (HCFA; Baltimore) will move ahead with its competitive bidding project in Polk County, FL.

HCFA got the green light last week when U.S. District Judge Susan Bucklew rejected the recommendation of U.S. Federal Magistrate Mary Scriven to impose a temporary injunction based on evidence that the agency had violated federal rulemaking requirements.

The decision is a major blow to durable medical equipment (DME) suppliers who believed that Bucklew would accept Scriven's March 10 recommendation in favor of a temporary injunction. The DME industry was hoping for a temporary injunction, or even a more long-term injunction, to derail the project, which it has long opposed. But HCFA claimed it was not surprised by the outcome of the decision and said

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HCAA urges immediate action on IPS and appeal process

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – The **Home Care Association of America** (HCAA; Jacksonville, FL) used the House Ways and Means Health Subcommittee hearing on beneficiary and provider appeals April 22 to voice its concerns over what it considers an inadequate appeals process for home health claims as well as more far-reaching challenges facing the industry.

In testimony submitted to the subcommittee, HCAA Chairman Dwight Cenac urged Health Subcommittee Chairman Rep. Bill Thomas (R-CA) to schedule immediate hearings on the interim payment system (IPS) for home healthcare. "At last count, over 2,000 home health agencies have been forced out of business, causing the patients of those agencies to be forced into more costly nursing

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Workshop offers glimpse of home care technology future

By **AUDREY KINSELLA**
Special to **HHBR**

Healthcare that once dealt with disease and illness may someday convert to healthcare that deals with the "whole person" throughout a "whole life."

That is just what some futuristic thinkers are keeping in mind as they develop home care technologies.

We are not a bilingual culture, said Des Cummings, who works with **Celebration Health** near Orlando, FL. "We know the language of healing, but not the language of health," he said.

Cummings was one of several speakers at a workshop entitled *Home Care Technologies for the 21st Century*, held last month in Rockville, MD.

Sponsored by the **National Science Foundation** (Washington) and organized by the **Food and Drug Administration** (FDA; Washington) and **Catholic University of America** (Washington), the workshop provided an opportunity "to analyze and dream about" where technology is and should be going, Donald Marlowe, director of the **Office of Science and Technology** at the FDA, said. It offered technology forecasts about home and self-care.

Henry Kelly of the **White House Office of Science and Technology** talked about his office's Partnership for Advancement of Technology in Housing, which has as its goal a broad preventative approach to home health services. By partnering with the housing industry, it intends to help remove or reduce major environmental impacts, such as poor air quality in the home.

Findings from the workshop and information and other resources related to home care technologies are available at Web site: www.hctr.be.cua.edu/HCTWorkshop/. A full report of the recommendations and findings that were generated by workshop participants will be made available through this Web site and in printed format by this summer. ■

New home care group sets bold agenda for the future

By **MATTHEW HAY**
HHBR Washington Correspondent

WASHINGTON – The newly formed **American Federation of Home Care Providers** (AFHP) held its first board meeting in Washington, DC, last week where it established an ambitious plan for the new organization. Ann Howard, AFHP's vice president of national policy and member benefits, said the new organization represents "an exciting new model" that emphasizes value-added services in combination with the more traditional functions of an association.

Last month, the **American Federation of Home Health Agencies** (AFHHA) announced it was merging with **U.S. Health Networks** and its affiliates. AFHHA's existing board of directors will serve as the Membership Advisory Board pending the election of a new board of directors. AFHP will have offices in Washington, DC, that focus on legislative and regulatory issues, as well as an office outside Washington that manages administrative functions.

U.S. Health Networks is made up primarily of consultants and certified public accountants, many of whom have long-standing relationships with AFHHA members. That group also specialized in meetings and communications. AFHHA, which represented mainly independent home health agencies, was reportedly hard-hit last year when the home health industry took a beating under IPS.

"We are organizing and getting ready for the next phase," said Ann Howard, who managed AFHHA for more than 10 years. "We have a lot of new energy and new faces joining many of the existing executives that have been active with AFHHA, and that makes this an exciting and promising venture," Howard told *HHBR*. "Through this restructured organization, we will be able to provide our members with many more support services and an abundance of information using state-of-the-art technology that

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COMPANIES IN THE NEWS

Allied revenues decline in 3Q99

Allied Healthcare Products (St. Louis) reported revenues for 3Q99 ended March 31 of \$19.2 million, compared to \$22.8 million in 3Q98. The revenue decrease was due to the relocation of the company's **B&F Medical** operations from Toledo, OH, to St. Louis, as well as the sale of the **Bear Medical** unit. Allied reported a net loss of \$200,000, 2 cents per share, compared to a net income of \$200,000, 3 cents per share, in 3Q98. The company recorded bookings of \$18.5 million during 3Q99, compared to bookings of \$22.5 million during 3Q98. In 3Q99, bookings declined in the company's home care division, emergency product group, and architectural products, the company said. Orders for home care products were likely affected by the B&F relocation.

Apria reports a profit for 1Q99

Apria Healthcare Group (Costa Mesa, CA) reported a profit for 1Q99, which ended March 31, of \$15.6 million, 30 cents per share, compared to a net loss in 1Q98 of \$6.6 million, 13 cents per share. Net revenues were \$228.3 million in 1Q99, compared to \$250.5 million in 1Q98. "The increase in revenues and gross margin percent demonstrated real topline growth over the previous quarter," said CEO Philip Carter. "The increase in net revenues is in spite of continuing to exit unprofitable infusion business in 4Q98 and absorbing an additional 5% cut in reimbursement from Medicare."

Bergen to supply products to VNS

Bergen Brunswick Corp. (Orange, CA) will be the exclusive supplier of prescriptions, medicine, equipment, and other home health goods to **Visiting Nurse Service Inc.**, a home health agency. Services, the company officials said, will be routed through **Sims Communications' One Medical Service** network. Terms of the deal were not disclosed, reported *Dow Jones Business News*.

Beverly sells to HomeCare Solutions

Beverly Home Care, a subsidiary of **Beverly Enterprises** (Fort Smith, AR), has sold its middle Tennessee operations to **HomeCare Solutions** (Chattanooga, TN). The deal was made final March 31, reported the *Nashville Business Journal*, and the five locations will merge with HomeCare's Madison, TN, office, which operates under the name **Southern Home Health and Hospice**. The merger will eliminate some jobs belonging to 150 employees. Beverly plans to divest itself of home health care services, but will maintain a presence in hospice, infusion, and home medical equipment services, Beverly Home Care President Glen Cavallo told the *Journal*.

Coram CEO resigns position

Donald Amaral has resigned his position as CEO of **Coram Healthcare Corp.** (Denver), but will remain chairman of the company's board. Richard Smith, currently the company's president, has taken his place and will also be a member of the company's board. Amaral joined Coram in 1995 when the company was in serious financial condition. He is credited with turning things around, settling shareholder class action suits, resolving the dispute with **Caremark International** and **Caremark Inc.** for \$165 million, and selling the lithotripsy division for about \$126.6 million. He also reduced debt by half, the company said. Smith told the *Denver Post* that nothing will change "about the strategic direction of the company," and that Amaral wants to concentrate on strategic issues.

HealthCor's revenues drop in 4Q98

HealthCor Holdings (Dallas) saw net revenues decrease in 4Q98 to \$24.9 million, compared to \$34.6 million in 4Q97. The company reported a net loss for the quarter of \$64.2 million, \$6.36 per share, compared to a net loss in 4Q97 of \$15.4 million, \$1.53 per share. For the year, net revenue decreased to \$115.7 million, compared to \$143.2 million in FY97. HealthCor attributes the decrease to a reduction in Medicare nursing revenues because of the changes to reimbursement. The decrease is partially offset by a growth in revenues in the respiratory therapy/medical equipment business. The company posted a net loss of \$98.3 million, \$9.74 per share, compared to a net loss of \$15.6 million, \$1.56 per share, in FY97. The net loss includes pre-tax charges during FY98, including good will write-offs of \$31.8 million, additional provisions for doubtful accounts of \$31.6 million, and a loss on disposition of assets of \$1.5 million.

Interim faces suit over dropped services

Three Tennessee women filed a suit in U.S. District Court against **Interim HealthCare** alleging the company's Tennessee offices dropped their services because of Medicare cuts. The women claim that Interim had a process of identifying and dropping patients who were high-cost users of home healthcare, reported *The Tennessean*. David Butler, attorney for Interim, said the company did nothing wrong. But plaintiff attorneys say the company circulated a document telling employees to determine the costly users of home healthcare and transfer them out of the company's coverage.

Interwest announces record earnings

Interwest Home Medical (Salt Lake City) has announced record earnings for 2Q99, which ended March 31. Total revenues were \$7.8 million, an increase of 12% over the \$7 million in revenues recorded in 2Q98. Net income was \$412,000, 10 cents per share, compared to 2Q98 net income of \$343,000, 8 cents per share.

Mallinckrodt reports increased earnings

Mallinckrodt (St. Louis) reported earnings of \$31.9 million in 3Q99 ended March 31, compared to earnings of \$27.9 million in 3Q98. The company's net sales were \$675 million – 4% more than 3Q98 sales of \$649.8 million.

Matria notices increased revenues in 1Q99

Matria Healthcare (Marietta, GA) saw revenues increase by 81% in 1Q99, up to \$59.4 million, compared to \$32.8 million in 1Q98. Net income was \$935,000, 3 cents per share, compared to a 1Q98 net loss of \$5.6 million, 15 cents per share. Results from 1Q99 include the acquisitions of **Gainor Medical Management** and **Diabetes Management Services**.

McKesson HBOC to restate 4Q98 results

McKesson HBOC (San Francisco) said that improper accounting at its **HBO & Co.** healthcare information management business is causing it to restate results for 4Q98. The announcement caused McKesson's shares to nosedive 48%, reported *The Wall Street Journal*. Earnings for 4Q98 will be reduced by about \$17 million, 6 cents per share, to \$160 million, 56 cents per share. It was previously announced that earnings were \$177.2 million, 62 cents per share. The company now projects a lower profit outlook for FY99 of \$2.50 a share, instead of \$3 a share. The accounting problems were due to improperly recognized revenue of software sold by the company to hospitals and doctors. Various contingencies in the sales had not been met, but the company expects the sales will eventually be recorded.

Olsten closes Rhode Island office

Olsten Corp. (Melville, NY) plans to close its Providence, RI, health services office, laying off six full-time employees, reported the *Providence Journal-Bulletin*. An additional 25 part-time home health workers will be affected. Olsten serves about 125 patients in Providence, and the company will make arrangements to transfer these patients to other home health agencies, as is required by federal Medicare rules. Olsten said last month it would close or consolidate 15 nursing offices nationwide to save money and that it would take a special charge of about \$70 million to settle federal investigations and to restructure the company. The company has also said that it is providing primary distribution and support services for the Avocet PT-Pro, a hand-held diagnostic device manufactured by **Avocet Medical**. The device measures blood clotting time in patients receiving anti-coagulant therapy.

Rehabicare says revenues grew in 3Q99

Rehabicare (New Brighton, MN) reported higher revenue and net income for 3Q99. The company saw revenues

go up to \$10.9 million, compared to \$8.4 million in 3Q98. Net income was \$681,000, 7 cents per share, compared to a net loss in 3Q98 of \$1.8 million, 17 cents per share. Results for 3Q99 reflect the merger of **Stadyn** and Rehabicare approved by shareholders on March 17. The merger was recorded as a pooling of interests.

Respironics reports results for 3Q99

Respironics (Pittsburgh) reported \$90.9 million in net sales for 3Q99 ended March 31. Net sales in 3Q98 were \$80.1 million. Net income was \$8.3 million, 26 cents per share, for 3Q99, compared to a net loss of \$22.3 million, 69 cents per share, for 3Q98. The 3Q98 figures include charges of \$37.5 million, 82 cents per share, related to the company's merger with **Healthdyne Technologies**. Also, Respironics has entered into a long-term distribution arrangement with **Heinen+Lowenstein GmbH** (Bad Ems, Germany), a home care distribution company. Heinen+Lowenstein will distribute all Respironics and Healthdyne products in Germany.

Shands employees offered jobs with Flagship

Most of **Shands HealthCare's** (Gainesville, FL) home care workers will be given the option to accept positions with **Flagship Healthcare** (Miami Lakes, FL), the company that acquired Shands recently for an undisclosed amount. Severance packages will be given to any of the 845 employees affected who do not want the job with Flagship. Shands plans to close some of its sites across Florida, but will continue operating out of Gainesville.

Star completes private placement

Star Multi Care Services (Huntington Station, NY) has completed a private placement by the sale of \$575,000 Series A 8% convertible preferred stock valued at \$1 per share. The **Shaar Fund** has purchased the stock providing Star nets proceeds of \$500,000. After 60 days, the stock may be converted to common stock. The stock pays an 8% annual dividend payable quarterly that may be converted into common stock if the company chooses. Shaar has also received the right to purchase 50,000 common stock shares of the company at 115% of the closing bid price on the trading day preceding the closing date of the sale. Star plans to use proceeds from the sale to satisfy working capital needs and reduce its outstanding balance on its revolving loan. "This represents a strategic investment by the Shaar Fund to capitalize on the remarkable turnaround of our home healthcare company, said Star president/CEO Stephen Sternbach. "This financial contribution will provide operating capital as we expand our market in the highly fragmented home healthcare industry."

Sunrise announces results for 3Q99

Sunrise Medical (Carlsbad, CA) announced its financial results for 3Q99 ended April 2. Net income was \$1.8

million, 8 cents per share, compared to a net loss in 3Q98 of \$98,000, 0 cents per share. Income had been reduced in 3Q98 due to \$5.3 million in reengineering expenses. Net sales were \$170 million – 3% higher than 3Q98 sales of \$164 million. Also in 3Q99, **Home Healthcare Group** sales rose 2% and **European Homecare** sales rose 8%. Both are subsidiaries of Sunrise.

Transworld stock to trade on American

Transworld Healthcare (New York) has announced that its common stock will begin trading on the American Stock Exchange, effective April 30, instead of Nasdaq. The stock symbol will be TWH. The change occurred because the company's shares were not quoted at a price of \$5 or more, putting it out of compliance with Nasdaq's rule. ■

BRIEFLY NOTED

- *American Demographics* magazine reports that more Americans are worried about financing long term care than about paying for retirement. About 60% worry that their spouses will need long term care. The **Hartford Financial Services Group** (Hartford, CT) is promoting its long term care insurance by offering it to its employees and retirees eligible for benefits, the company said. Under the plan, individuals will be covered for home healthcare and other supportive services.

- The **Agency for Health Care Policy and Research** (AHCPR) found recently that about half of home healthcare clients receive only some or none of the support services they need. Data collected on 2,013 home health clients of 12 nonprofit Massachusetts agencies in 1993 showed that 85% of clients needed one or more support services – help with nutrition, housework, or other routine activities – but that nearly half had an unmet need, and 80% had three or more services not being provided.

- To help families find resources to help their ailing elders, the **National Association of Area Agencies on Aging** and the **U.S. Administration on Aging** are operating an Eldercare Locator, reported the *New Orleans Times-Picayune*. The nationwide database provides information on home-delivered meals, transportation, legal assistance, housing options, recreation and social activities, adult day care, senior centers, and home health services. To reach the Eldercare Locator, call (800) 677-1116 weekdays between 8 a.m. and 7 p.m.

- The **Visiting Nurse Association of America** (VNAA) held its annual meeting April 7-9 in Orlando, FL, where speakers explored new approaches to patient care. During an awards banquet, five people were recognized for their contributions to the home health industry. And VNAA industry experts offered hands-on exercises and ideas for innovative business practices. ■

AFHP

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homes, more costly emergency rooms, or worse, left at home without receiving necessary patient care," asserted Cenac.

Unfortunately, Cenac's appeal may have fallen on deaf ears — at least for the moment. House Ways and Means Committee and Senate Finance Committee staffers told *HHBR* last week that no hearings dealing with IPS have been scheduled so far this year.

"Congress maintains that there has been no interruption in services, but the question I have is, 'What happened to the patients of the 2,000 agencies that have gone out of business,'" argued HCAA Director of Government Affairs Scott Lara. He argued that many of them have opted for more costly institutional care.

Cenac said that the home health industry can not afford to await the outcomes of independent assessments by the **General Accounting Office** (GAO; Washington) or the Medicare Payment Advisory Commission (MedPAC) on the impact of IPS. MedPAC, an influential congressional advisory body, is scheduled to complete its report next month.

The HCAA Chairman further argued that HCFA's recent troubles with OASIS data collection effort make it ever more likely that the agency will not be able to implement a prospective payment system (PPS) for home health care by the Oct. 1, 2000 deadline.

"It is imperative that you ask HCFA Administrator Nancy Ann Min-DeParle if indeed HCFA will be able to implement PPS for home health care on Oct. 1, 2000," argued Cenac.

Cenac also recommended that Thomas query DeParle about the implementation of PPS for skilled nursing facilities (SNF). A HCFA town hall meeting on the SNF PPS at the agency's headquarters in Baltimore on April 23 revealed widespread belief that that system has left numerous facilities teetering on the edge of bankruptcy and financial organizations largely unwilling to consider any further investment in these facilities.

In the area of appeals, Cenac protested the ability of the HCFA administrator to overturn the decisions of an Administrative Law Judge when they are in favor of home health providers. He said home health agencies have been under "an unrelenting attack by the fiscal intermediaries regarding costs" but argued these same fiscal intermediaries are not using the concept of reasonableness when conducting audits.

"HCFA must reinstate the 'waiver of liability' to home health agencies who are complying with laws and regulations," said Cenac. "The 'us versus them' mentality at HCFA, the intermediaries, and the surveyors must be replaced by the concept of reasonableness between surveyors, fiscal intermediaries, HCFA, and home health providers when dealing with audit and compliance issues." ■

REGIONAL DIGEST

- Activists gathered in Dayton, OH, recently to lobby lawmakers to give the disabled a choice to live in homelike settings rather than state hospitals, reported the *Dayton Daily News*. Mike Ellerby, who was paralyzed from the chest down in an accident, has insurance to pay for a live-in home health aide. But most people aren't that lucky. One man with cerebral palsy was forced into a nursing home after his mother passed away, the paper reported.

- Working conditions, pay, and staff empowerment are three issues that the union representing 600 striking nurses wants **Providence Alaska Medical Center** in Anchorage to address. The strike is affecting hospital services, including home health care. Providence wants to require mandatory overtime in case of an emergency in the next contract, but the union worries the hospital will abuse the requirement. The hospital at one point offered the nurses less pay than what they currently make, reported the *Anchorage Daily News*. The nurses earn an average of about \$24 an hour.

- A business that helps elderly people deal with the tasks of everyday life is growing increasingly attractive to middle-aged children who struggle to take care of their parents themselves. **Age Connections** in Salt Lake City, started six years ago. For \$60 an hour, the company will find places for the elderly to live, as well as caregivers and people to do yardwork. The rate is in addition to fees for home health providers, but the work helps take the load off the children, reported *The Salt Lake Tribune*.

- **Interim Home Health** of Roanoke Valley, VA, filed for Chapter 11 bankruptcy, following the company's attempt to cut costs by downsizing its staff by 50%. Two other Virginia home health companies – **Deerfield Home Health Care** in Mouth of Wilson and **Tri-County Home Health** in Hillsville – are already bankrupt, reported the *Roanoke Times & World News*. That is why the **Virginia Association for Home Care** made survival its theme for its annual conference held last week. The conference focused on the financial effect of Medicare changes, ways to be more efficient, and ideas of how to retain staff.

- **Elkhart Community Hospice** (Elkhart, IN) will merge with **Elkhart General Hospital Healthcare System** (Elkhart, IN). The merger is effective June 1, and no hospice staff will be cut. Elkhart Community Hospice will become a service line of the home care department of the Elkhart healthcare system. The hospital has said that its home healthcare division has grown dramatically and that adding hospice fills a hole, reported the *South Bend Tribune*.

- News that the **Health Care Financing Administration** (HCFA; Baltimore) will eliminate sequential billing on July 1 has given relief to New Mexico's home

health agencies, reported the *Albuquerque Journal*. "Suspending the regulation may not cure all the problems experienced by the home care agencies," said Sen. Jeff Bingaman (D-NM), who sponsored the resolution, which passed in the Senate last month. "But, hopefully, it will alleviate the serious cash flow problems that have paralyzed so many of them." The effects of new Medicare reimbursement caps have already devastated the industry. The **New Mexico Association for Home Care** said that the state has lost 55 home health agencies under the new payment system, leaving 95 in the state.

- **United Home Care** (Cincinnati) is facing a severe budget crunch, forcing it to solicit donations, reported *The Cincinnati Post*. Nationwide, more than 1,400 of the 8,000 home health providers have shut down because of federal cost cutting. Rep. Nick Joe Rahall (D-WV) is leading a congressional attack on the Medicare changes, saying they have caused "massive harm - both to home health agencies and to the Medicare-enrolled, Medicare-eligible senior citizens who are vulnerable, frail, and seriously disabled."

- A large sum of money was taken from a home health office in Dublin, Ireland, last week. Armed raiders entered the **Atlantic Home Care** offices in a shopping center and escaped with "a substantial sum" of money, reported the *Irish Times*.

- A rally held recently in Rhode Island protested federal cutbacks in Medicare reimbursements that threaten home healthcare. Several elected officials, all Democrats, attended, including Rep. Patrick Kennedy. Kennedy described the Balanced Budget Act of 1997 as "penny-wise and pound-foolish" for forcing many senior citizens into hospitals or nursing homes that cost the state a lot more than home care. The state's governor has earmarked \$350,000 in the state budget for home healthcare and has promised to add \$165 million more if estimates of state revenue are correct, reported the *Providence Journal*.

- The fourth annual fundraising auction for **Clinch River Home Health** (Clinton, TN) raised \$4,900 to go toward in-home personal care, light housekeeping, and meal preparation for low income residents. Clinch River is a nonprofit agency.

- Investigators will interview 650 people treated by a home health nurse who was charged recently with stealing from a patient. They will try to determine if there are other victims. The 32-year-old Boynton Beach, FL, woman, who is charged with stealing a \$10,000 ring from an 85-year-old patient, had worked for **Red-Nurse Visiting**. Other patients say they had checks stolen and forged at about the same time the woman came to their homes.

- **Hospice of Dayton**, OH, received accreditation with commendation, the highest level awarded by the **Joint Commission on Accreditation of Healthcare Organizations**. The home care agency, a nonprofit, has been in business 20 years.

- Officials of Cayuga County, NY, are upset that the

local **Auburn Memorial Hospital** is expanding its home healthcare field with a partnership with **CGE CareSystems**, a subsidiary of Syracuse-based **Community-General Hospital**. County officials want to preserve their healthcare infrastructure and are perturbed that the hospital rejected a counteroffer. Hospital officials said they didn't consider the counteroffer because it was submitted too late. The county will likely form arrangements with local companies licensed to provide home healthcare.

- **Integrus Health Systems** is planning a \$30 million project in Yukon, OK, that will include a hospital with 40 beds and in-house specialties, such as cardiology, radiology, mental health services, and a home health unit. Integrus will begin taking bids for the project and could start building in September, reported *The Daily Oklahoman*.

- A respiratory therapist has launched a medical company from her east Manatee County, FL, home. Erin Farber bought **Pinellas Home Medical** (St. Petersburg, FL) in October and has formed the extension, **Pineview Home Medical**, which will supply oxygen and respiratory equipment to homes, hospitals, and assisted living facilities.

- The **Department of Human Services Division of Licensing and Certification** issued a statement of deficiency to **Community Health and Counseling Services** (CHCS; Bangor, ME) for failing to initiate an emergency contingency plan. With the plan, a home health worker might have found a fallen 67-year-old client before she died. The worker arrived at the woman's home, but failed to notify the woman's daughter when she was unable to make contact, reported the *Bangor Daily News*. The patient, who had Alzheimer's and Parkinson's diseases, was found by a neighbor the next day lying outside next to a bag full of trash that she had apparently attempted to take to her garage. CHCS was receiving \$1,400 a month to help the deceased woman daily for two hours. ■

WHAT THEY'RE SAYING

- Sen. Pete Domenici (R-NM) and Human Services Secretary Donna Shalala debated in Washington over why Medicare rates are putting many home health agencies out of business, reported the *Albuquerque Journal*. The Balanced Budget Act of 1997 forced Shalala's agency to make changes in the payment system based on 1995 data. "We did not have updated information," she said. "We were given a date to get the system in place. That means we had to use the data we had. We will have updated data. They will provide it by next year, and we will have a better system in place." But Domenici said: "If you wait until next year to update the cost reimbursement for nursing homes, we will lose a huge percentage of them to bankruptcy." ■

CMN

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the written order must clearly specify the start date of the order. If the written order is for supplies that will be provided on a periodic basis, the written order should include appropriate information on the quantity used, frequency of change, and duration of need.

- A new written order and a new CMN are required when there is a change in equipment. For items that are recurring in nature, a new order and a new CMN is required if the beneficiary changes suppliers.

- A supplier must have a faxed or original signed order and a faxed or original CMN (when applicable) in its records before it can submit a claim for payment to Medicare. The DMERCs have the authority to request to see the original order or a CMN at any time. If the original order or CMN is not available either at the supplier's or in the patient's medical record maintained by the ordering physician, or if the faxed CMN has been altered, the DMERCs should consider the service not reasonable and necessary and initiate a denial or an overpayment action.

- Suppliers are also required to obtain a signed order from a physician before delivery of certain types of durable medical equipment. Items that require a written order prior to delivery are decubitus care items, seat-lift mechanisms, transcutaneous electric nerve stimulators (TENS), and power operated vehicles.

- If there is any change made to the CMN after the physician has completed Section B and signed the CMN, the physician must line through the correction, sign the correction in full, and date the change or the supplier may choose to have the physician complete a new CMN.

HCFA instructed the DMERCs to publish an article asking suppliers to remind physicians of their responsibility in completing and signing the CMN. "It is the physician's responsibility to determine both the medical need for, and the utilization of, all healthcare services," HCFA stated. "The physician should ensure that information relating to the beneficiary's condition is correct. The DMERCs should encourage suppliers to include language in their cover letters to remind physicians of their responsibilities."

The agency also addressed the DMERC's authority to assess an overpayment or civil monetary penalty (CMP) when invalid CMNs are identified. "Failure to have a valid CMN on file or to submit a valid CMN to the DMERC makes the underlying claim improper because Medicare does not have sufficient information to determine whether the claim is reasonable and necessary," HCFA stated. The agency added that in cases where a DMERC determines that a supplier that has a pattern of improperly completing CMNs could slap that supplier with a CMP of up to \$1,000. ■

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CORPORATE LADDER

- Stephen Mengert, CFO/secretary/treasurer of **Pediatric Services of America** (Norcross, GA) has resigned from his position to pursue other interests, the company said. In his place, the company named James McNeill to the positions. McNeill was chief accounting officer. He joined the company in March 1996 as corporate controller, reported *Dow Jones Business News*.

- **Olsten Corp.** (Melville, NY) has named Nancy Macenko, 52, to the position of senior vice president for corporate communications. Macenko will be responsible for the development and delivery of an integrated worldwide communications strategy for associates, clients, partners, the press, and the community. She will also manage the company's presence on the internet. She joins the company from **Unisys Corp.**, where she served most recently as vice president of marketing communications. ■

IPS

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will allow us to disseminate information almost instantly."

Howard said the organization will work on many of the same issues, but will emphasize providers' rights to receive "fair and decent treatment" by HCFA. "Some of these issues such as equitable reimbursement are issues we have worked on in the past," said Howard. "But we will have abundantly more resources to work on them now." AFHP expects to hold several meetings each year. ■

Bidding

Continued from Page 1

the legal maneuver did not slow its plans for implementing the demonstration. "It is not a major turnaround for us," said HCFA spokesman Craig Polaski. "We said all along that we plan to proceed with the demonstration and that is what we have been planning to do and doing."

The **Florida Association of Medical Equipment Dealers** (FAMED; Orlando, FL) and two Florida DME companies filed suit in Florida federal court in early February contending that HCFA had established and utilized an advisory committee, called the National Technical Expert Panel (NTEP). This was in violation of the Federal Advisory Committee Act (FACA), which requires that HCFA give all interested parties "proper notification" regarding advisory committee meetings.

On March 10, Scriven endorsed nearly every argument advanced by FAMED. But HCFA filed an objection March 18, arguing that she had erred in concluding that FAMED possessed the "standing" required to request that relief. Bucklew agreed. "Because this is a question of the court's power to grant the requested relief, it must be addressed prior to a consideration of the merits," ruled Bucklew.

Bucklew determined that NTEP does not represent "an ongoing FACA violation" and noted that all sides agree the NTEP ceased operating after its third and final meeting in September 1997. "What injunctive relief can the court fashion to redress a violation that has ceased and that does not threaten to reoccur in the imminent future?" stated Bucklew. "It goes without saying that the plaintiffs lack standing to request a more dramatic injunction that would enjoin the defendants from proceeding with the competitive demonstration project which is already under way," she added.

Polk County consists of roughly 92,000 Medicare beneficiaries in a total population of roughly 450,000. In 1997, Medicare paid \$9.6 million on behalf of about 4,500 Polk County beneficiaries for the types of equipment and supplies included in the demonstration. Nationwide, Medicare paid about \$6 billion for equipment and supplies. About half was for items included in the demonstration, such as oxygen, hospital beds, and enteral nutrition. The more immediate concern of many in the DME industry was that HCFA will now try to use the bids that were due March 29 as a baseline for reimbursement reductions.

HCFA recently reminded DME suppliers that beneficiaries may maintain an ongoing relationship with any oxygen supplier even if they are not selected under the demonstration. "Such suppliers will be paid at the price set by the bidding process," according to HCFA. "Beneficiaries with existing rental agreements for enteral pumps and hospital beds may continue to deal with their current suppliers, whether or not they are demonstration suppliers. In these cases, suppliers will be paid the prevailing rate rather than the bid price."

The prevailing rate is being accepted under this provision of the demonstration because startup of new rental agreements would be costly to the Medicare program. ■