

# Home Health

## BUSINESS REPORT

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

MONDAY, MAY 10, 1999

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## Five trade groups continue work on unified proposal

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – The five national home care associations held a strategy session via conference call last week to advance the unified industry proposal for legislative relief in the home care industry. One association executive who participated in that call said the coalition remains optimistic that at least some of the five principles included in the joint proposal earlier this year will be enacted in this Congress.

The executive suggested that a bill that combines elimination of the mandatory 15% across-the-board reduction combined with an outlier policy that restores access for medically complex patients probably stands the best chance.

The five groups supporting the proposal – the **National Association for Home Care** (NAHC; Washington), the **American Federation of Home**

**Care Providers** (AFHP; Washington), **Home Care Association of America** (HCAA, Jacksonville, FL), **Home Health Staffing and Services Association** (HHSSA; Washington), and **Visiting Nurses Association of America** (VNAA; Boston) – have yet to find a congressional sponsor, but are now speaking with several congressional offices.

The coalition is counting on the fact that there is a growing recognition in Congress that the actual cuts imposed by the Balanced Budget Act of 1997 on the home care industry far exceeded what was anticipated. Medicare Payment Advisory Commission (MedPAC; Washington) Chairwoman Gail Wilensky recently acknowledged as much in an interview with *The New York Times*, and the home care industry is hoping those views are reflected in MedPAC's report on the impact of the interim payment system due out next month. ■

## Trial of four Columbia/HCA executives gets under way

By MEREDITH BONNER

HHBR Editor

The government's Medicare fraud case against four mid-level **Columbia/HCA Healthcare** (Nashville, TN) executives began last week, and attorneys for the defendants are questioning the motives of some of the trial's first witnesses.

According to an *Associated Press* report, defense attorneys said Tuesday that government witnesses most likely will lie during the trial, adding that they are questioning the motives of those witnesses during opening statements.

Witnesses appearing for the prosecution include alleged co-conspirators testifying in exchange for immunity and former Columbia employees who stand to gain from whistleblower lawsuits. Under federal law, a whistleblower is entitled to as much as 25% of any money the gov-

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## Home health M&As rise while rest of industry dips

By KAREN PIHL-CAREY

HHBR Staff Writer

While the number of mergers and acquisitions involving home health agencies rose during IQ99, the number of transactions involving the industry as a whole has steadily declined since 1995.

**Irving Levin Associates** (New Canaan, CT) released last week its preliminary results of the IQ99 report on the merger and acquisition market in the healthcare services industry. According to the report, there were 193 transactions publicly announced during IQ99 ended March 31, a decrease of 11% from the previous quarter's 216 deals. And compared to IQ98, the number of transactions declined by 39%. The report found that there were 15 transactions in the home health arena, which had the highest increase in numbers of transactions among all sectors.

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*OIG targets other industries***OIG book: Reduce payments to DME companies and save**By **MATTHEW HAY****HHBR Washington Correspondent**

WASHINGTON – The **Department Health and Human Services (HHS; Washington) Office of Inspector General (OIG)** continues to view the durable medical equipment (DME) industry as an area ripe for Medicare payment reduction. The *OIG's Red Book*, which outlines various measures that have not been fully implemented, cites several DME items that it says require attention.

The *OIG* proposed that the **Health Care Financing Administration (HCFA; Baltimore)** should take immediate steps to reduce Medicare payments for hospital beds used in the home environment, including the elimination of the higher reimbursement rate currently paid during the first three months of rental. According to the *OIG*, Medicare payments for hospital beds used in the home are “substantially higher” than rates paid by other payers. In addition, Medicare is the only payer that pays a higher reimbursement rate for the initial rental period.

The *OIG* estimates that DME suppliers can recover the wholesale cost of a bed within the first four months and as many as 7.5 times over the useful life of the bed. The *OIG* projected a \$40 million savings over each of the next five years from an inherent reasonableness reduction and another \$15 million savings over each of the next five years through elimination of the higher initial rate. The *OIG* said HCFA concurs with this recommendation and is considering options to determine “the best approach to achieve a fair price” for hospital beds.

According to the *OIG*, HCFA should also require “periodic review and renewal of the conditions of medical necessity for beneficiary use of Group 2 support surface equipment used for the care of decubitus ulcers or pressure sores. In 1996, new durable medical equipment regional carrier (DMERC) guidelines were devel-

*See DME, Page 5***OIG book focuses on home infusion for cost savings**By **MATTHEW HAY****HHBR Washington Correspondent**

WASHINGTON – High on the list of items included in the **Department of Health and Human Services (HHS; Washington) Office of Inspector General's (OIG) Red Book**, released last week, are cuts in Medicare reimbursement for enteral and parenteral nutrition. *Red Book* outlines a range of cost-saving recommendations that have not been fully implemented and often trigger legislative, regulatory, or administrative action.

According to the *OIG*, Medicare pays an average of 45% more than Medicaid agencies and 78% more than Medicare-risk HMOs for four parenteral nutrition codes. The *OIG* estimated savings of \$65 million each year over the next five years if the **Health Care Financing Administration (HCFA; Baltimore)** develops “more cost-effective reimbursement” for parenteral nutrition solutions. The *OIG* proposed three alternative payment methods: 1) inherent reasonableness (IR); 2) acquisition cost; and 3) competitive bidding.

The *OIG* reported that HCFA has convened a workgroup to focus on ways to reduce costs for parenteral nutrition and noted that the Balanced Budget Act of 1997 (BBA) includes several provisions that would address its recommendations, including authorization for the agency to make IR adjustments up to 15% for all part B services other than physician services and authorization for up to five competitive bidding demonstrations.

Last year, enteral nutrition was targeted for a 15% reduction in reimbursement, but that cut is now on hold pending a **General Accounting Office (Washington)** examination of HCFA's use of this authority requested by House Ways and Means Health Subcommittee Chairman Bill Thomas (R-CA).

The *OIG* also reported that while 80% of the beneficiaries met Medicare criteria for enteral nutrition therapy in

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## INTERNET

<http://www.ahcpub.com>

## COMPANIES IN THE NEWS

### AHOM reports 1Q99 earnings a month late

**American HomePatient** (Brentwood, TN), in a quarterly filing that was delayed a month, reported a net loss in 1Q99 ended March 31 of \$5.6 million, 37 cents per share, compared to a net income in 1Q98 of \$3 million, 20 cents per share. The company's revenues reached \$91.2 million, a drop from 1Q98 revenues of \$102.8 million. The company also postponed its annual meeting from April 29 to May 27, giving its shareholders another month to decide whether to approve a 1-for-4 reverse stock split, which is intended to keep the company's stock price high enough so that it can keep its listing on Nasdaq.

### Continuicare late on interest payment

**Continuicare Corp.** (Miami) said last week it will not make its 1999 semi-annual payment of interest on its 8% convertible subordinated debentures due 2002. If the company does not make the payment for 30 days after the due date, the failure would constitute an event of default under the indenture dated as of Oct. 30, 1997, between Continuicare and **American Stock Transfer & Trust Company**, as trustee.

### Coram sees increased revs in 1Q99

**Coram** (Denver) recorded net revenues in 1Q99 ended March 31 of \$161 million, up from 1Q98 revenues of \$107.7 million. The company saw a 1Q99 net loss of \$400,000, 1 cent per share, compared to a net loss in 1Q98 of \$15.1 million, 31 cents per share.

Subsequent to the end of 1Q99, the company and its debtholders agreed to increase the annual interest rate applicable to its series A notes from 9.9% to 11.5% until maturity. As of the end of 1Q99, the principal amount outstanding under the series A notes totaled \$153.8 million. The change, the company said, removes the uncertainty of the amount of potential dilution from the series B notes.

### HCR to buy \$200M in stock

**HCR Manor Care's** (Toledo, OH) board has authorized the company to buy up to \$200 million of common stock on the open market or in private transactions. HCR president/CEO Paul Ormond said the indicated share purchases may be used for internal stock option and 401K match programs and other uses, such as future acquisitions.

### Healthsouth to acquire Mariner's outpatient assets

**Healthsouth Corp.** (Birmingham, AL) has entered into a definitive agreement to acquire all of **Mariner Post-Acute Network's** (Atlanta) outpatient assets of its **American Rehabilitation Services** division. Terms of the

cash transaction were not disclosed. Rehability's hospital rehabilitation management contracts will be sold to **National Rehab Partners** (Brentwood, TN). The transaction is subject to regulatory approvals, as well as certain third-party consents, and is expected to close in 2Q99.

### IHHI's 2Q99 revenues drop

**In Home Health's** (IHHI; Minnetonka, MN) 2Q99 ended March 31 net income available to common shareholders increased to \$732,000, 13 cents per share, compared to a net income available to common shareholders in 2Q98 of \$120,000, 2 cents per share. Net income available to common shareholders, IHHI said, includes the deduction of a preferred stock dividend payable to **HCR Manor Care** (Toledo, OH). IHHI's revenues for 1Q99 totaled \$21.1 million, down from \$26.4 million in 1Q98.

IHHI said the revenue decrease in 1Q99 and 2Q99 was due to a reduction in revenue derived from the cost-based Medicare program, which was partially offset by a \$2.2 million increase in revenue relating to final reimbursement settlements with IHHI's fiscal intermediary.

IHHI Chairman/CEO Wolfgang von Maack said IHHI has significantly reduced its reliance on the cost-based Medicare program. Cost-based Medicare revenue accounted for less than 50% of IHHI's total revenues in the first six months of FY99, he said. In the same period in FY98, it represented 59% of total revenues.

### IHS reports 1Q99 loss

**Integrated Health Services** (Owings Mills, MD) reported last week a loss in 1Q99 of \$6.6 million, compared to a net income in 1Q98 of \$37.6 million. Revenues dropped 18.6% to \$620.4 million from \$762 million in 1Q98.

### Invacare Chairman Mixon receives award

The **Cleveland World Trade Association** named **Invacare Corp.** (Elyria, OH) Chairman/CEO A. Malachi Mixon III the 1999 International Executive of the Year at its 54th annual conference. Mixon is the only recipient who has received the award twice. He last received it in 1992. Criteria for selection of the honor include time spent in international business, as well as integrity, achievements, financial results, volunteerism, and ethics.

### Nursefinders moves corporate office

**Nursefinders** has relocated its headquarters to a larger facility in Arlington, TX. All 105 corporate employees moved from the building where they had worked since 1987. The new facility at The Offices of Brookhollow will accommodate the growing company, which recently completed its third acquisition in five months.

### Olsten takes \$102M charge

**Olsten Corp.** (Melville, NY) took a charge of \$102 million (\$70 million, net of income tax benefit), 86 cents per

share, in 1Q99 to cover a \$61 million settlement and restructuring costs. In March, the company tentatively agreed on a settlement of a federal fraud investigation into its Medicare practices linked with **Columbia/HCA Healthcare Corp.** (Nashville, TN). Under the agreement, the company would pay the \$61 million, including about \$10 million in fines and penalties, and plead guilty to violations of certain federal criminal statutes. Terms of the agreement have not yet been fully disclosed.

As a result of the charge, the company posted a net loss for 1Q99 ended April 4 of \$62.3 million, 77 cents per share, compared to a net income in 1Q98 of \$12.8 million, 16 cents per share. Revenues were \$1.2 billion, a 14% increase over 1Q98 revenues of \$1.05 billion.

In a conference call with analysts, Olsten CEO Edward Blechschmidt said the company had "substantially" resolved government inquiries and is anticipating a "positive future," reported the *Wall Street Journal*. An Olsten spokesman told *Newsday* that he did not know whether anticipated office closings would lead to job cuts. *Newsday* reported that the company intends to close 45 healthcare and staffing offices in the United States and Canada. Analyst Matthew Roswell of **Legg Mason Wood Walker** told the *Journal* that changes in Medicare reimbursement and the fraud investigation had affected Olsten, but that the company seemed to be turning around.

#### Option Care reports 1Q99 profit

**Option Care** (Bannockburn, IL) has returned to profitability in 1Q99 ended March 31. The company reported revenues of \$28.9 million, a 9% increase over \$26.6 million in 1Q98. Net income was \$763,000, 7 cents per share, compared to \$865,000, 8 cents per share, in 1Q98. The company's debt had been reduced by almost 50% to \$14.3 million from \$26.8 million in 1Q98, company officials said.

#### Sunrise shuffles management

**Sunrise Medical** (Carlsbad, CA) has realigned a number of management positions in an effort to streamline the U.S. home healthcare group and reduce its expense base. Dan Easley, former president of the respiratory products division, has been named president of the mobility products division. Rich Kocinski, formerly vice president of product management for the respiratory products division, has been appointed president of that division, replacing Easley. The company has also appointed three new vice presidents, including Eric Vielbig as vice president of process improvement, Jay Summer as vice president of national accounts, and Robb Herring as vice president of distributor sales, replacing Summer, who held the position previously.

#### U.S. HomeCare seeks reverse stock split

**U.S. HomeCare Corp.** (Hartford, CT) intends to seek shareholders' approval to effect a 1-for-1,500 reverse stock

split of the company's common stock, reducing the number of shareholders of record to below 300. The purpose of the split is to eliminate the costs associated with being a public company. Management expects to save about \$250,000 per year and perhaps even more through indirect cost savings. If approved by the shareholders, any shareholders of record as of May 19, 1999, who would receive a fractional share in the reverse stock split will be paid for it in cash at a value of .014 cents per share. ■

## CORPORATE LADDER

- **Infu-Tech** (Englewood Cliffs, NJ) named Pritpal Virdee president/COO. Virdee has been executive vice president of Infu-Tech since 1993 and has also served as president of its **Intrx Medical** subsidiary, a wholesaler of medical and surgical products. Jack Rosen, who is relinquishing the title of president, will remain the chairman/CEO of Infu-Tech.

- **Total Renal Care Holdings** (TRC; Torrance, CA) has appointed Jonathan Wolin, attorney and certified public accountant, to the newly created position of vice president of audit and compliance. ■

## New JCAHO compliance guidebook is available

Leaping the Joint Commission's hurdles to accreditation for your home care agency can be made easier with the newest edition of *Strategies for Successful JCAHO Homecare Accreditation 1999-2000* from American Health Consultants.

This newest edition is a step-by-step guide to compliance with the Joint Commission on the Accreditation of Healthcare Organizations' 1999-2000 standards. Its 573 pages provide strategies and documentation tools to help you prepare for accreditation and includes dozens of forms, checklists, staff education documentation, and management tools.

*Strategies for Successful JCAHO Homecare Accreditation 1999-2000* also features more than 150 pages of case studies with tips, suggestions, and advice from your peers who have survived the survey, plus a list of vendors approved by the Joint Commission to measure outcomes for your agency.

With your purchase of the new accreditation guide, you can receive 25 nursing continuing education credits for free. You also have the opportunity to purchase unlimited additional CE programs for just \$40 each.

If you have a home care survey coming, don't wait to order this guide. Call (800) 688-2421 for more information, or send an e-mail to American Health Consultants at [customerservice@ahcpub.com](mailto:customerservice@ahcpub.com). ■

## REGIONAL DIGEST

• Dr. Forrest Calico, CEO of **Appalachian Regional Healthcare** (Lexington, KY), resigned following a disagreement with the company's board of directors. The dispute centered on how to improve the non-profit chain of hospitals, clinics, and home health services' financial viability, a company spokeswoman said. Vice president/COO Willis Bultje will temporarily replace Calico until a national search finds a permanent replacement. Some physicians associated with the company worry that Calico's departure might mean the board plans to reduce services in order to save money, reported *The Courier-Journal* in Louisville. Calico became the company's CEO in 1993.

• Lobbyists are pushing hard to convince the Texas Legislature to lift the cap on the number of Medicaid patients served by home healthcare, reported the *Austin Business Journal*. "From our standpoint, they need to take that lid off entirely," said Sara Speights of the **Texas Association of Home Care**. Enrollment for the Community Based Alternatives program, which provides home healthcare services, had to close in August because all funded slots had been filled. That left on the waiting list about 8,000 people, who were forced into nursing homes. Sen. Mike Moncrief (D-Fort Worth) has drafted four bills to get more state funding for home healthcare.

• **Straub Clinic and Hospital's** (Honolulu, HI) home healthcare agency ceased operations on May 8. It is the fifth Hawaiian company that has closed in the past year, reported the *Pacific Business News*. The decision to close Straub was made from decreased reimbursements and the implementation of the Outcome Assessment Information Set (OASIS), said Katie Shigemitsu, director of the home healthcare program. Other home healthcare agencies shut down this year in Hawaii include **Kahuku Hospital Home Health Agency, Kapiolani Home Health Services, Waianae Coast Comprehensive Home Health Care Service, and Maluhia Home Health Care**.

• A 15-year owner of **Reavis HomeCare** in Round Rock, TX, had to call it quits because of problems with Medicare's reimbursement procedure, reported the *Austin Business Journal*. Nancy Reavis closed her home health business recently and is now embroiled in a lawsuit with **Palmetto Blue Cross and Blue Shield**, based in South Carolina, and the **Health Care Financing Administration** (HCFA; Baltimore). Palmetto told Reavis that her business owed the company more than \$1 million because the previous intermediary miscalculated her reimbursements. Reavis, who still oversees a rehabilitation center and **Reavis Health Management System**, said HCFA has been known for changing the rules. "And to make matters worse," she told the *Journal*, "they make those changes retroactive. Home health did cost too much, changes were

needed, and people in the industry have been saying that for years. But the changes we've seen are flawed."

• A little marketing luck has helped **Golden Technologies** (Old Forge, PA) receive attention about its home healthcare products. The company builds power seat lift chairs, power scooters, and adjustable beds. First, the Tampa Bay Devil Rays ordered two scooters for special transportation needs, and now their mascot is using the scooter. So is the mascot of the Philadelphia Phillies. And actress Faye Dunaway, who bought a lift chair for a relative, agreed to endorse the product, reported *The Times Leader* in Wilkes-Barre, PA.

• **Memorial Home Health and Hospice** of Salem County, NJ, has upgraded its **TeleHealth System** (Greenwood, IN) product to Version 4.0 operating on Windows NT. The technology is used in the company's congestive heart failure program to monitor home-based patients. TeleHealth Suite is a cost-effective and timely mechanism of contacting patients, and a new QuestionSetCreator allows customers to design question algorithms to address specific patient needs. ■

### DME

*Continued from Page 2*

oped to control medically unnecessary payment for these items. "While the 1996 guidelines appear to be having a positive impact on controlling Medicare costs for support surfaces, inappropriate payments are still noted" said the OIG. "In 1996, 29% of beneficiaries sampled used support surfaces that were medically unnecessary, compared with 47% in 1995."

The OIG projected savings of \$12 million a year over each of the next five years, but added that HCFA did not agree with this recommendation and expressed concern about the timeliness and costs associated with using a CMN for Group 2 equipment.

The OIG also projected roughly \$8 million each year over the next five years if HCFA, in concert with the DMERCs, develops guidelines that better define orthotic devices and distinguish between custom-made and off-the-shelf devices. The OIG reported that 19% of Medicare payment for these devices are for medically unnecessary devices. In addition, 68% of the orthotic billings for patients in nursing facilities were "questionable" and the DMERCs have "no policy for the majority of the orthotic billing codes."

The OIG also recommended the development of policies for orthotic codes and screens for billing many orthotic devices. In addition, the OIG proposed that HCFA work with the **American Orthotic and Prosthetic Association** (AOPA; Alexandria, VA) to develop a table of devices that should not be used together and consider stricter standards for the AOPA, which is allowed to bill for orthotics such as professional credentials.

The OIG said HCFA concurred with its recommendations and has revised its national codes to distinguish among categories of devices. ■

## BRIEFLY NOTED

- The biggest challenge facing home health agencies today is finding the right employees, said Stephen Tweed, a healthcare strategist with **Tweed Jeffries** (Louisville, KY). "The growing demand for self-pay home care and government-funded supportive services will explode over the next several years," Tweed said. "The agencies that will be able to meet this huge demand will be those that can attract the best people." Tweed and nationally-known recruiting expert Catherine Fyock have co-authored a book called, *Strategic Recruiting: Finding the Employees You Need in Home Care*. The five-section, 138-page manual provides techniques for knowing when employees are unhappy, and how to apply marketing principles to recruiting. For more information, call the authors at (800) 254-5777, or contact them through email at [SCTweed@aol.com](mailto:SCTweed@aol.com).

- Since the government reported that Medicare spending was \$2.6 billion less than the same period in the previous year, healthcare professionals are lobbying Congress to rewrite or repeal parts of the Balanced Budget Act of 1997. Medicare spending for home healthcare dropped about 15% last year, to \$14.9 billion, reported *The New York Times*. The **Congressional Budget Office** (CBO) has said that home health agencies will get a total of \$79 billion from 1998 to 2002 - \$48 billion less than predicted in January 1997. But the CBO predicts that annual outlays will more than double in the next decade and will exceed \$400 billion by 2008, the *Times* reported.

- The **General Accounting Office** comptroller, General David Wallace, has appointed Carol Raphael president/CEO of the **Visiting Nurse Service of New York**, to serve three years on the Medicare Payment Advisory Committee (MedPAC). The **Visiting Nurse Associations of America** (VNAA) nominated Raphael for the position because of her expertise in post-acute healthcare and public policy. She is the first home care provider to serve on MedPAC.

- Rep. Pete Stark (D-CA) has introduced the Medicare Rehabilitation Benefit Equity Act to address the cap placed on outpatient rehabilitation services under the Balanced Budget Act of 1997. The \$1,500-per-person cap has made it difficult for stroke and hip fracture patients to receive services, which almost always exceed the cap. "These individuals are sometimes rationing their own care for fear that they will need it more later in the year," said Stark. His act would allow for exceptions from the cap. It would also give direction to develop a payment system for rehabilitation services that classifies patients by diagnostic category and seriousness of illness by Jan. 1, 2002. ■

## Home infusion

*Continued from Page 2*

1995, vulnerabilities were identified with the use of special enteral formulas and the pump delivery method. The OIG estimated savings of \$28 million over each of the next five years if the DMERCs target special formulas, pump equipment, and pump supply kits for focused medical reviews.

The OIG said HCFA agreed with this recommendation and noted that the BBA included several reforms related to reimbursement for beneficiaries in nursing homes, including a mandatory prospective payment system for Part A covered stays and consolidated billing for beneficiaries not in Part A covered stays.

The OIG also projected a \$15 million savings each year over the next five years if HCFA reduces payment for patients receiving enteral nutrition at home using competitive acquisition strategies. "Payments for enteral nutrition therapy are excessive because reimbursement rates are high, and competitive acquisition strategies are not fully used," said the OIG. In its review of other payers of enteral nutrition, the OIG said it found payers who negotiated prices by taking advantage of discounts and other competitive acquisition strategies reimbursed from 17%-48% less than Medicare."

The OIG said HCFA concurs that Medicare is paying too much for enteral nutrients and supports the recommendation to reduce payments for enteral therapy administered at home under Part B. The OIG noted that the BBA included a provision to freeze Medicare payments for parenteral and enteral nutrition, equipment, and supplies for 1998 through 2002, and the DMERCs have proposed additional payment reductions through use of their inherent reasonableness authority. ■

## Trial

*Continued from Page 1*

ernment recovers.

The four defendants, who have all pleaded not guilty, include Carl Dick, who was CFO of Columbia's central Florida division; Jay Jarrell, who most recently served as CEO of Columbia's southwest Florida division; Michael Neeb, former CFO of Columbia's northern Florida division; and Robert Whiteside, who served as director of Columbia's single-markets division.

During the trial, plaintiffs will decide whether the defendants tried to bilk the government of \$2.8 million by filing false Medicare cost reports. The trial will be held in U.S. District Court in Tampa, FL.

Federal investigators in 1997 began a widespread probe into the company's Medicare billing practices at some of its home health agencies and hospitals. The investigation has led to the divestiture of Columbia's home care division, the closing of numerous hospitals across the country, and the indictment of several employees. ■

**M&As**

*Continued from Page 1*

“This quarter witnessed the lowest level of healthcare merger and acquisition activity since the end of 1995 when 163 deals were announced,” said Stephen Monroe, a partner at Irving Levin. “However, the landscape of the healthcare services industry has changed markedly. While for-profit healthcare companies once dominated the M&A market, nonprofit organizations have since risen to prominence.”

*The Health Care Merger & Acquisition Report* showed the number of transactions for each sector and the percentage change over the previous quarter: physician medical groups, 38, down 12%; hospitals, 23, down 12%; long term care, 23, down 36%; HMOs, 18, level; home health, 15, up 25%; psychiatric, 13, down 19%; laboratories/MRI/dialysis, 12, down 25%; rehabilitation, 11, down 8%; and other sectors, 40, up 11%.

Consolidations among nonprofit HMOs command a

larger share of the market, said Sanford Steever, editor of the report.

“The kind of deals companies pursue has also changed,” Steever said. “Where buyers once sought to buy up a company lock, stock, and barrel, the emerging pattern of acquisition now favors looser forms of affiliation.”

Even with financial challenges, such as the changes in Medicare reimbursements, Monroe expects there to be as many as 850 deals in 1999.

“Although these changes have already impacted the finances of the healthcare industry, providers and payors will continue to pursue mergers and acquisitions as a means of improving operations and further developing regional delivery systems,” he said.

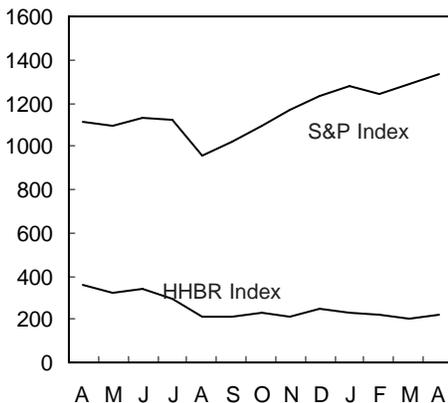
*The Health Care Merger & Acquisition Report* consists of 12 monthly newsletters and four quarterly supplements costing \$1,495 a year. To subscribe, call Laura Piselli at (800) 248-1668. ■

**MONTHLY STOCK INDEX COMPARISON**

	<i>Close</i> <u>3/31/99</u>	<i>Close</i> <u>4/30/99</u>	<i>Net</i> <u>Change</u>	<i>Percent</i> <u>Change</u>
Home Health Industry Stock Index	201.69	223.58	21.89	10.85
Dow Jones Industrial Average	9786.16	10789.04	1002.88	10.25
N.Y.S.E. Composite	603.59	634.3	30.71	5.09
S&P 500 Composite	1286.42	1335.18	48.76	3.79
Nasdaq OTC Composite	2461.4	2542.85	81.45	3.31
Dow Jones Health Care Index	581.09	664.81	83.72	14.41

**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 APRIL 1999**

**TOP FIVE PERCENTAGE GAINERS**

Matria Healthcare	69.77
Community Care Services	50.00
Pediatric Services of America	45.00
Mallinckrodt	31.69
Apria Healthcare Group Inc. ▽	31.58

**TOP FIVE DOLLAR GAINERS**

Mallinckrodt	8.44
Columbia HCA Healthcare	5.75
Chemed Corp.	4.06
Apria Healthcare Group Inc. ▽	3.75
Matria Healthcare	1.88

**TOP FIVE PERCENTAGE LOSERS**

Amedisys Inc.	-35.00
Infu-Tech Inc.	-33.33
Healthcor Holdings Inc.	-21.88
American HomePatient Inc. ▽	-21.43
National Home Health Care Corp.	-17.14

**TOP FIVE DOLLAR LOSERS**

Kelly Services Inc.	-2.44
Fresenius Medical Care	-2.19
ServiceMaster L.P.	-1.31
Invacare Corp.	-1.19
Mid Atlantic Medical Services	-0.94

<b>Market Diary:</b>	<b>Advances</b> This Month.....15	<b>Declines</b> This Month.....17	<b>Unchanged</b> This Month.....5	<b>New Highs</b> This Month.....2	<b>New Lows</b> This Month....10
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# Public Company Financial Statistics (April 30, 1999, close)

EXCH	COMPANY	TICKER SYMBOL	CLOSING	% CHANGE		52 WEEK		EPS	PRICE/	MARKET
			PRICE 4/30/99	THIS MONTH	THIS YEAR	HIGH	LOW	LAST 12 MOS.	EARN RATIO	CAPITAL (1000S)-
			\$		\$			\$	\$	\$
NAS	Amedisys Inc.	(L) AMED	1.63	-35	-43.48	4.56	0.75	-2.42	-	4981
NAS	American HomePatient Inc. ▽	(L) AHOM	1.03	-21.43	-43.1	19.5	0.94	-2.6	-	15454
NYS	Apria Healthcare Group Inc. ▽	(H) AHG	15.63	31.58	74.83	16.88	2.56	-3.59	-	809047
NAS	Caretenders HealthCorp.	(L) CTND	1.94	-3.13	-29.55	7.75	1.5	-1.34	-	6064
NYS	Chemed Corp.	CHE	29.81	15.78	-11.01	40.19	25.13	1.85	16	316072
NYS	Columbia HCA Healthcare	COL	24.69	30.36	-0.25	34	17	0.78	32	15935929
NAS	Community Care Services	(L) CCSE	0.75	50	200	6	0.03	-0.81	-	5359
NYS	Coram Healthcare Corp. ▽	CRH	1.94	0	3.33	2.88	1.06	-0.44	-	95232
NYS	Fresenius Medical Care	FMS	18	-10.84	-23.4	25.63	12.5	0	-	1260000
NYS	Graham-Field Health Products Inc.	GFI	2.31	27.59	-31.48	7.44	1.19	-1.76	-	72407
NAS	Healthcor Holdings Inc.	HCOR	0.13	-21.88	33.33	2.75	0.06	-4.92	-	1262
NAS	Help at Home Inc.	HAHI	1.13	-5.26	-33.33	2.13	0.53	-1.58	-	2103
NAS	Home Health Corp.	HHCAC	0.44	0	40	4.44	0.19	-7.15	-	4320
NAS	In Home Health Inc. ▽ (s)	IHHI	1.31	0	-27.59	4.13	1.06	0.1	13	7193
NAS	Infu-Tech Inc.	(L) INFU	0.88	-33.33	-56.25	7.5	0.88	-0.03	-	2855
NYS	Integrated Health Services Inc.	(L) IHS	4.81	-12.5	-65.93	39.5	3.13	-1.94	-	253200
NAS	Interwest	IWHM	2.88	15	-14.81	5	2.44	0.38	8	11756
NAS	Invacare Corp.	IVCR	23.13	-4.88	-3.65	28.25	19.88	1.53	15	691784
NAS	Kelly Services Inc.	KELYA	25.31	-8.78	-20.28	37.5	23.75	2.26	11	907149
NAS	Lincare Holdings Inc. ▽ (s)	LNCR	29.63	5.33	-26.96	44.38	17.25	1.53	19	1724353
MKG	Mallinckrodt	MKG	35.06	31.69	13.79	36.38	19.75	1.78	20	2499430
NAS	Matria Healthcare	MATR	4.56	69.77	58.7	5.06	1.4	-2.6	-	166121
NYS	Mid Atlantic Medical Services	MME	9.13	-9.32	-7.01	14	4.44	0.2	46	466598
ASE	National HealthCare	(L) NHC	8.13	0	-47.58	38.5	7	-0.62	-	91951
NAS	National Home Health Care Corp.	(L) NHHC	3.63	-17.14	-23.68	5	2.25	0.18	20	18680
NAS	New York Health Care Inc.	(H) NYHC	1.38	0	37.5	5	0.63	0.09	15	5170
NAS	NuMed Home Health Care Inc.	NUMD	0.19	-15	-37.67	1.75	0.13	-0.43	-	929
NYS	Olsten Corp. (The) ▽	OLS	6.75	9.09	-8.47	14.25	4.5	0.05	135	548633
NAS	Option Care Inc. ▽	OPTN	1.75	-6.67	3.7	5.88	0.75	-0.06	-	19261
NAS	Pediatric Services of America	PSAI	1.81	45	-48.21	19.75	1.13	-1.21	-	12057
NAS	Respironics Inc.	RESP	14.13	7.11	-29.49	21.38	9.63	-0.15	-	448172
NYS	Sabratek	SBTK	16.31	8.75	-0.38	34.25	13	0.44	37	160091
NAS	ServiceMaster L.P.	SVM	19	-6.46	-13.88	25.5	16	0.66	29	5876985
NAS	Staff Builders Inc. ▽	SBLI	0.38	-1.32	-33.33	2.31	0.09	-2.99	-	8818
NYS	Star MultiCare Services Inc.	SMCS	1.25	-9.09	-13.04	2.81	1.13	-0.27	-	6559
NAS	Sunrise Medical Inc.	(L) SMD	7.25	16	-41.71	16.19	5.5	-0.31	-	160936
NAS	Transworld Home HealthCare Inc.	(L) TWH	3.13	6.38	-33.33	7.12	2.12	0.05	63	54847

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.

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