Home Health

BUSINESS REPORT

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

HHAs can expect rollback next year of self-referral laws

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

WASHINGTON – Home health agencies and other providers struggling to comply with Medicare's self-referral laws will be relieved to know that **Health Care Financing Administration** (HCFA; Baltimore) Deputy Director Kathleen Buto promised the House Ways and Means Health Subcommittee last week that the agency would publish regulations for the troublesome 6-year-old legislation sometime next year. But if Republicans on the subcommittee have their way, the self-referral laws will be pared way back and perhaps even eliminated.

"The only question now," said one aide to the subcommittee, "is whether it will be modified, reduced, or eliminated." Another aide to the subcommittee's minority staff was even less sanguine. "I don't see how it can survive in its current form," said the staffer.

In 1989 and then in 1993, Congress passed what became known as "Stark I" and "Stark II" after the law's main sponsor, Rep. Pete Stark (D-CA). The laws sought to block physicians from inappropriately referring patients to facilities where they had a financial interest. In 1993, the law was extended to include home health agencies, durable medical equipment companies, and numerous other providers. But in the years since, HCFA has failed to issue a final rule, and Health Subcommittee Chairman Bill Thomas (R-CA) and his colleagues say that fact alone proves the law itself is far too complex.

"We are well aware is has been too long," Buto conceded. But that did not temper the assault by Republicans.

"I am appalled that we could pass a law and not tell people what it means for six years," exclaimed Rep. Nancy Johnson (R-CT).

Thomas also wasted no time letting Buto and Chief Counsel to the Inspector General, D. McCarty (Mac) Thornton, know what he thinks of the self-referral laws at the May 13 hearing. He blasted HCFA not only for taking six years to develop regulations for the law, but, more funda-

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Columbia trial off to slow start as a former executive testifies

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

The trial for four mid-level executives of **Columbia/HCA Healthcare Corp**. (Nashville, TN), being held in Tampa, FL, crept along so slowly last week that the judge excused one juror for complaining about it and warned the attorneys to pick up the pace.

A friend of the juror testified before U.S. District Judge Susan Bucklew that the juror had complained outside court that the case was dragging on. The juror had said that her boss was upset that the case might take two months and that the proceedings were so boring she wanted to get up and yell at the attorneys that they were wasting her time, reported the *St. Petersburg Times*. Bucklew excused the juror, who was told repeatedly not to discuss the case outside of court, then suggested the lawyers on both sides heed the juror's complaint.

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Industry groups plan to meet this week but agenda is unclear

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

LAS VEGAS – Incoming Chairman of the **National Association for Medical Equipment Services**' (NAMES; Alexandria, VA) Board of Directors Mario Lacute announced last week that NAMES will meet this week with representatives from as many as nine other home care groups to discuss "joining forces" in some organized fashion. But members of several of those groups cite a somewhat different agenda – namely to squash NAMES President William Coughlan's efforts to develop another home care coalition.

Earlier this year, Coughlan announced the development of a home care coalition called **Coalition for Health at Home**. But several of the other groups said the membership of that coalition would simply duplicate the membership of the **Home Care Coalition**, which has been in existence for many years.

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INSIDE:

Trial

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Perhaps the most interesting testimony reported so far involves that of William Steve Dudley, the former director of reimbursement for hospitals now belonging to Columbia. He left the company in 1992. In exchange for immunity, Dudley testified last week that his former supervisors, Jay Jarrell and Carl Lynn Dick, encouraged him to submit false cost reports to Medicare. Jarrell, Dick, Michael Neeb, and Robert Whiteside are the four men accused of cheating government programs out of almost $3 million in reimbursements.

Dudley testified that his research on a $14 million loan showed that only part of the money was borrowed to finance capital projects, meaning that only part of the money – about 39% – was reimbursable. Jarrell thought that 100% of the interest on the loan should be classified as a capital expense and reimbursable, Dudley testified. Jarrell's attorney, Peter George, argued that it was only a difference of opinion over complex billing rules, reported the *Fort Worth Star-Telegram*.

But Dudley said he knew, and Dick and Jarrell knew, they were submitting false cost reports to Medicare, reported the *Times*.

"You knew you had lied to Medicare auditors?" George asked Dudley.

"Yes, sir. With the knowledge of my bosses, we had," Dudley answered.

Dudley said he didn't stand up to his supervisors because he worried about losing his job.

Despite the trial, Columbia is seeing new life with stock up 60% and the spin-offs of two hospital groups. The spin-off of the 61 hospitals to **Lifepoint Hospitals** (Nashville, TN) and **Triad Hospitals** (Dallas) completes the company's restructuring effort that has reduced its number of hospitals from 340 to about 225.

But the company still faces the uncertainty of costs associated with settling government allegations and dealing with more than 50 lawsuits filed by shareholders and whistleblowers. ■

CORPORATE LADDER

• **Rehabilicare** (New Brighton, MN) has appointed Wayne Chrystal vice president of operations. Chrystal will oversee all manufacturing operations, shipping and receiving, materials management, and inventory control, and will report to President/CEO David Kaysen. The former vice president of manufacturing operations, Gary Moore, will become the vice president of engineering. Chrystal most recently worked with **Deluxe Corp**., where he held several management positions for 25 years.

• **Staff Builders** (Lake Success, NY) has appointed a new CFO and CIO to its home health division, **Tender Loving Care Home Health Care Services** (TLC). Will Derr will be chief financial officer and Paul Oettinger will be chief information officer. The promotions are part of a reorganization effort as the company prepares to spin off TLC. Derr has worked as assistant controller of finance, corporate controller, vice president and controller, and senior vice president and controller since joining the company in 1988. Oettinger joined the company in 1998.

• Nancy Culos has been promoted to vice president of clinical operations for **VNA Health Care** in Connecticut. Culos has worked for VNA Health Care since 1981.

• **Visiting Nurse Services of Connecticut** (Bridgeport, CT) has named John Bimonte director of human resources. In his new position, Bimonte will be responsible for overseeing the human resource activities for nearly 600 employees. Bimonte was previously vice president of human resources at **St. Joseph's Medical Center** (Stamford, CT).

• **Total Renal Care Holdings** (Torrance, CA) has appointed George DeHuff III to the newly created position of president/COO. Victor Chaltiel will continue as chairman/CEO. In addition, Barry Cosgrove, senior vice president/general counsel/secretary; John King, senior vice president/CFO; and Stan Lindenfeld, senior vice president/chief medical officer, will be joining DeHuff to constitute a newly organized Office of the Chairman to work directly with Chaltiel to facilitate long-term growth and success of the company. ■

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COMPANIES IN THE NEWS

Addus buys Arcadia from IHS

Addus HealthCare (Palatine, IL) bought **Arcadia Services** (Detroit), a home nursing provider, from **Integrated Health Services** (Owings Mills, MD). Terms of the April transaction were not disclosed. Arcadia posted revenue in FY98 of about $60 million. The acquisition positions Addus to go public when market conditions turn more favorable for home healthcare, Addus CEO Andrew Wright told *Crain's Detroit Business*.

Allied signs agreement with Premier

Allied Healthcare Products (St. Louis) has signed a dual source agreement to offer medical gas construction products to members of **Premier Inc**. (Charlotte, NC). This equipment includes vacuum pumps, medical air compressors, wall outlets, alarms, and gas manifolds. The agreement makes Allied one of two exclusive providers of medical gas construction products for the roughly 1,700 hospitals and healthcare systems that are part of Premier. Allied's agreement with Premier becomes effective June 1 and will be in effect until May 31, 2002. The company estimates the agreement could generate $12 million to $15 million in revenues for Allied over the three-year period.

Aurora, Humana team up

Aurora Health Care (Milwaukee), a healthcare system that includes home health agencies, and **Humana** (Louisville, KY) have signed a new five-year contract. Under the agreement, Aurora will provide a full range of healthcare services to members of Humana's insurance and managed care plans in eastern Wisconsin, reported the *Milwaukee Business Journal*. The contract begins July 1 and runs through December 2003. This is the first five-year contract Humana has signed with its Wisconsin plans.

Biomerica's shares reach a high

Biomerica's (New York) shares rose 83% last week to a new 52-week high, reported *Dow Jones Business News*. Company spokesman Mark Fisher didn't know why shares increased, but said Biomerica's home healthcare products Web site is due out soon. The site will be a sort of "home drugstore," Fisher said.

Burger signs contract with UC Davis

Burger Rehabilitation Systems (Folsom, CA), a company that contracts with home health agencies, has signed a one-year contract to provide physical rehabilitation services to 45,000 patients of **UC Davis Medical Group** (Sacramento, CA). In the past, UC Davis contracted with **HealthSouth Corp**. (Birmingham, AL), as well as Burger, but the university requested proposals last year for one exclusive contract for all patients.

Centennial says revenues are up in 1Q99

Centennial HealthCare Corp. (Atlanta) reported that revenues were up 13% in 1Q99 ended March 31. The company posted revenues of $98 million, compared to $87.1 million in 1Q98. Net income was about $612,000, 5 cents per share, compared to $3.8 million, 32 cents per share, in 1Q98. During 1Q99, the company recorded nonrecurring charges of $600,000 for costs accrued for the company's terminated proposed merger. The quarter represents the first one under the new prospective payment system for Medicare reimbursement.

Extendicare posts net loss in 1Q99

Extendicare's (Markham, Ontario) home health operations in Canada brought in $34.6 million of total revenues of $471 million in 1Q99 ended March 31. The total revenues compared to revenues of $518.8 million in 1Q98. The company recorded a net loss of $7.3 million, 10 cents per share, in 1Q99, compared to a net income in 1Q98 of $8.8 million, 11 cents per share.

"In Canada, greater competitiveness in the home care business produced some erosion in the margins of our **ParaMed Home Health Care** operations," said Extendicare President/CEO Joy Calkin. "In Ontario, which represents 80% of ParaMed's volume, the government is committed to substantially increasing home care funding, and we are confident that our margins will improve."

Hydrogiene ships order to Sears

Hydrogiene Corp. (San Diego) has shipped its initial order to **Sears Roebuck & Co**. It will serve as stock inventory before the Sears Home Health Care catalogs are mailed the first week in June. Hydrogiene CTX Systems offer cleanliness and reduced discomfort from ailments, such as hemorrhoids and postoperative surgery.

IHS Home Care changes name

IHS Home Care (Memphis, TN) has changed its name to **Soleus Healthcare Services**, effective May 15. The change follows the acquisition of IHS by **Medshares/IHS Acquisition**. Soleus Chairman/CEO Steve Winters said the name change enables the home care agencies to keep their identities as separately owned companies. Winters said changes in the Medicare reimbursement regulations are forcing the industry to consolidate. Soleus has 178 home care locations in 21 states.

IHS reports drop in 1Q99 revenues

Integrated Health Services (IHS; Owings Mills, MD) saw net revenues of $620.4 million in 1Q99 ended March 31, a 19% drop from 1Q98 revenues of $762 million. The company recorded a net loss in 1Q99 of $6.6 million, 13 cents

per share, compared to a net income in 1Q98 of $37.6 million, 73 cents per share.

The decline in revenues and earnings, the company said, is primarily the result of the implementation of the prospective payment system (PPS). In response to PPS, the company has experienced a reduction in demand for therapy services in its contract rehabilitation division. IHS also has implemented additional cost reductions.

Because of IHS' recent shortfalls in earnings, Chairman/CEO Robert Elkins did not receive a multimillion-dollar bonus last year, like he did in 1997, when he received a $3.3 million gift from the company, according to a company proxy statement.

Omnicare buys pharmacy company from Kuala

Kuala Healthcare (Englewood Cliffs, NJ) sold its **Bach's Pharmacy Services** (Hackettstown, NJ) to **Omnicare** (Covington, KY). Omnicare President Joel Gemunder said the acquisition would help the company expand its clinical programs, such as infusion therapy. Kuala President/CEO Jack Rosen said the sale is part of Kuala's plan to divest non-core businesses in order to focus on managing and developing assisted living facilities. Bach's revenues are running at the annualized rate of $3.1 million.

Matria sells stake in Internet company

Matria Healthcare (Marietta, GA) sold **Microsoft** (Redmond, WA) 26% of its stake in WebMD for $4 million. Matria's initial investment in the Web service that offers medical news and patient data was $2 million. When it made the deal, Matria agreed to market WebMD to its physician customer base, reported the *Wall Street Journal*.

Olsten closes Tennessee office

Olsten Health Services (Melville, NY) closed its Memphis, TN, home health office last week as part of the company's restructuring efforts and Medicare cutbacks, reported the *Commercial Appeal* in Memphis. Olsten closed about 60 offices last year and plans to close about 15 this year. The Memphis office had about 70 employees and almost 300 patients, reported the *Appeal*.

Star settles with New York for $1.2M

Star Multi Care Services (Huntington Station, NY) has entered into a $1.2 million settlement agreement with the state of New York, ending a criminal investigation of the company by the attorney general's Medicaid Fraud Control Unit. Under the agreement, the state will release the company, its officers, directors, and employees from any further liability concerning Medicaid payments for home healthcare services from between 1992 and 1996. In return, the company agreed to pay the $1.2 million over four years, with an initial payment of $200,000. Star does not have to admit to any criminal or civil liability, guilt or wrongdoing.

TRL announces 1Q99 results

Revenues for **Total Renal Care Holdings** (TRL; Torrance, CA) rose 36% in 1Q99 to $352.2 million, compared to $258.7 million in 1Q98. Net income was $27.9 million, 34 cents per share, compared to $22 million, 27 cents per share, in 1Q98. So far this year, TRL has added 39 centers through acquisitions and management agreements.

In other news, TRL has been chosen to provide dialysis and end stage renal disease management services for **Kaiser Permanente** in northern California. The five-year agreement gives TRL the opportunity to develop an alliance with a managed care organization. It will deliver services through 29 owned clinics and 11 clinics that are part of strategic affiliations. ■

Self-referral

Continued from Page 1

mentally, for hanging on to a regulation that has proven to be misguided and inoperable. "Our goal is the same," he said, "but your role is the defense of the indefensible. If not, give us the regulations."

Rep. Johnson was equally direct. "Not all self-referral is bad," she said. "You are asking a small VNA that wants to merge with another VNA how to do it, and it has taken you six years to figure out how to do that. It is discouraging to hear you are so tied up with doing something that is so misguided."

"These laws were meant to produce a 'bright line,' but we are farther from that than in any other area of healthcare," Thomas said. "Doctors and hospitals are overwhelmed with overlapping state and federal laws and red tape, including the perplexing self-referral law, that drive up the cost of healthcare at the very time we are trying to make it more affordable."

The fundamental problem with the law, say its critics, is that it is too complex and that HCFA continually tries to clarify it by creating more exceptions. "At what point do all these exceptions swallow the idea?" Thomas asked Buto. Instead, he said the law itself may simply be irretrievable. "Is it possible that the 'bright line' we are looking for is compensation and not ownership?" he asked.

Moreover, Thomas and other subcommittee members argued that the law flies in the face of the federal government attempts to encourage a healthcare system with a more coordinated, integrated approach between physicians, hospitals, home health agencies, and other providers.

Stark, the ranking Democrat on the committee who wrote the original legislation, attempted to defend the law that unofficially bears his name. He said the law itself has prevented billions of dollars in fraudulent arrangements, but conceded it might be appropriate to revisit certain aspects of the law.

But one attorney present at the hearing pointed out that even Stark's own testimony included four suggestions for additional exceptions to the law. Equally ominous was the row of empty seats on Stark's side of the aisle as Republicans took turns blasting the law that bears his name. ■

REGIONAL DIGEST

• Canada's Progressive Conservative Party Leader Mike Harris has caused nothing but trouble for home health patients, said Ontario NDP Leader Howard Hampton in a statement. Hampton cites the example of Bernard Lorenzi of Sault Ste. Marie, ON, who has had his home care cut from seven days a week to three because Harris took money out of healthcare "to pay for his tax cut to the wealthy." Hampton said his party will invest $250 million more in home nursing, homemaking, and personal support services. Lorenzi has a diabetic ulcer and began receiving home nursing care from the Algoma **Victorian Order of Nurses** in October 1997. But Harris had contracts awarded to the lowest bidder, giving **Olsten Health Services** (Melville, NY) half the government contracts and **St. Mary's Home Health Care** the other half, Hampton said. That is when Lorenzi's services were cut. "If you're one of the wealthiest 6% getting Mike Harris's $4.1 million-a-day tax cut, that's not a problem," Hampton said. "But that leaves 94% of us at the mercy of a home care system where profits, not care, is the bottom line."

• The executive director of the **Visiting Nurses of Aroostook** (VNA; Bangor, ME) riled other home healthcare agency officials when she told the Madawaska Board of Selectmen that VNA was the only Medicare-approved agency in the county to provide acute care, reported the *Bangor Daily News*. Saundra Scott-Adams made the statement while asking for a grant to help the agency through a fiscal crunch. Administrators at **Madigan Home Health** (Houlton, ME) and **Valley Home Health** (Madawaska, ME) disagreed with Scott-Adams' statement. "We are all approved by Medicare," said one administrator. VNA wants to raise $500,000 to cover its 1998 operating losses by receiving grants from five Aroostook County communities and two statewide agencies, the *News* reported.

• A three-judge panel in the 11th U.S. Circuit Court of Appeals said Jeanette Garrison, the founder of **Healthmaster**, must pay a $2.5 million fine for committing Medicare fraud. Garrison, who was convicted in 1995 after pleading guilty, used her home healthcare company to file false claims. She appealed the fine because she already paid $16.5 million in restitution. At its peak, reported *The Augusta* (GA) *Chronicle*, Healthmaster operated 125 offices in five states and cost Medicare about $100 million a year. It was sold in 1996 for $54.7 million to **Medical Center of Central Georgia** (Macon, GA).

• The **Department of Labor** received an emergency grant of up to $1 million to help laid-off workers of **Lifespan** hospital network and home healthcare agencies in Providence, RI. A total of $333,000 of the money is available immediately to the state and will pay for career counseling, job retraining, and other support services. The grant is part of a federal program that helps people who lose their jobs because of government actions, changes in technology, or foreign competition, reported *The Providence Journal*. More than 400 healthcare workers in Rhode Island have lost jobs within the last three months.

• Officials with the **Tennessee Bureau of Investigation** Medicaid Fraud Control Unit say patient abuse is one of the fastest growing areas of investigation, reported the *Knoxville News-Sentinel*. The abuse – rape, sexual assault, theft of patients' money, emotional abuse – accounts for more than a quarter of the unit's caseload. The unit handles cases involving victims of state-funded nursing homes or state-paid home healthcare services. Investigators want legislation that allows them to place patient abusers on a registry similar to one used to identify sex offenders.

• Illinois Sen. Christine Radogno has sponsored the Illinois Senate Resolution to urge the federal government to correct hardship created on home health providers by the Balanced Budget Act of 1997. The resolution, supported by the **Illinois Home Care Council** (IHCC) and approved by the Senate Public Health and Welfare Committee, will soon go before the full Senate for further consideration. IHCC Executive Director Michael Kulczycki said that 58 home healthcare agencies or branches have closed in the state in the past year.

• More than 50 mentally handicapped or developmentally disabled people, healthcare advocates, and others asked the Louisiana House Appropriations Committee to reduce long waiting lists for home care services. As many as 10,000 people are waiting for the services, reported the *New Orleans Times-Picayune*. Gov. Mike Foster's administration has proposed paying for 800 people on the waiting list under the Medicaid waiver program, raising the number of those receiving care to 3,500. It would cost the state $3.4 million and another $8 million in matching federal money. The added home care is being pushed by many advocates who charge that Louisiana relies too heavily on institutions, reported the *Times*.

• **Independent Living** (Madison, WI), which offers home healthcare for seniors, has bought **Attic Angel Association**'s Health Center and Tower in Madison for an undisclosed price. Independent Living Executive Director Rita Giovannoni said she expects more than 100 senior housing units will be available at Health Center. The current residents will move to a newer facility, owned by Attic Angel. Independent Living is now operating senior residential facilities, but its core business is providing services to older adults in Dane County, reported the *Wisconsin State Journal*.

• **Franciscan Health Partnership** (Latham, NY) is divesting all of its facilities, transferring its operations to **Bon Secours Health System** (Marriottsville, MD). Franciscan called off a merger deal with **Catholic Healthcare Partners** (Cincinnati) in January and transferred some hospitals and facilities to Catholic in April. All that remains goes to Bon Secours. ■

MANAGED CARE REPORT

• **Humana** (Louisville, KY) reported 1Q99 ended March 31 operating earnings of 20 cents per share, compared to 30 cents per share in 1Q98. 1Q98 earnings, Humana said, were impacted by increased medical cost trends. The operating results exclude a $12 million gain from the sale of a tangible asset and the previously announced $90 million additional medical claims expense recorded during 1Q98. Excluding the tangible asset gain and the additional medical claims expense, net income in 1Q99 was $33 million, compared to $50 million in 1Q98. Including these items results in a net loss in 1Q98 of $16 million, 10 cents per share. Total revenues in 1Q99 were $2.5 billion, a slight increase from 1Q98 revenues of $2.4 billion. Humana's total medical membership was 6.1 million members as of March 31.

• **PacifiCare Health Systems** (Santa Ana, CA) saw revenues of $2.5 billion in 1Q99 ended March 31, compared to 1Q98 revenues of $2.4 billion. The company recorded a net income available to common shareholders in 1Q99 of $74 million, $1.62 per share, compared to a net income available to common shareholders in 1Q98 of $38.7 million, 93 cents per share. The strength of the quarter, PacifiCare said, was driven by a favorable commercial premium pricing environment; reductions in the commercial medical care ratio, both on a sequential basis and compared to last year; lower marketing, general, and administrative expenses; and a lower effective tax rate.

• **RightChoice** (St. Louis) reported 1Q99 ended March 31 net income of $4.7 million, 25 cents per share, compared to 1Q98 net income of $968,000, 5 cents per share. Revenues totaled $200 million in 1Q99, compared to 1Q98 revenues of $191.9 million.

• The **Kentucky Association of Health Plans** (Frankfort, KY), which includes **Advantage Care**, **Anthem Blue Cross/Blue Shield**, **Bluegrass Family Health**, **CHA Health**, **Cigna/Healthsource**, **Humana**, and **PacifiCare**, has adopted a voluntary external review process for its more than 1 million health plan members. The review process will allow quick resolution to any disputes over covered treatments, procedures, and services, as well as non-excluded experimental or investigational treatments that meet the definition of medically necessary contained in the member's certificate of coverage.

• **SunStar Healthcare** (Heathrow, FL) announced its results for the five-month period ended Dec. 31, recording total revenues of $23.1 million, compared to 2.8 million in the same period in the previous year. The company recorded a net loss of $2.2 million, 74 cents per share, compared to a net loss of $2.1 million, 88 cents per share, in the same period a year ago.

• **Trigon Healthcare** (Richmond, VA) has decided to get out of the Medicare business, resulting in a cut of 145 jobs with the managed care company, reported the *Associated Press*. Trigon President/CEO Thomas Snead said the company decided to get out of the business because "it does not afford us the growth opportunities we are seeking."

• **Aetna** (Hartford, CT) has named Edward Shaw general counsel and a member of the management group of Aetna. Shaw will be responsible for corporate legal and regulatory matters.

• **Maxicare Health Plans**' (Los Angeles) 1Q99 ended March 31 revenues totaled $179.2 million, down from 1Q98 revenues of $182 million. The company recorded a net loss of $7.7 million, 43 cents per share, compared to a net loss in 1Q98 of $2.7 million, 15 cents per share. Last year, Maxicare implemented a strategic restructuring program to exit unprofitable markets by assets sales or plan closings and concentrate on its healthcare businesses in California, Indiana, and Louisiana. These three states have generated virtually all of Maxicare's membership growth in recent years.

• **MedicalControl** (Dallas) recorded 1Q99 ended March 31 results, which include the operations of **Business Health Companies** (BHC), acquired on Sept. 1, 1998. BHC is the manager of the **Houston Healthcare Purchasing Organization**, a preferred provider organization in Houston. Revenues in 1Q99 totaled $3.8 million, up 12% from $3.4 million in 1Q98. The company incurred a net loss in 1Q99 of $204,000, 5 cents per share, compared to a net loss in 1Q98 of $95,000, 2 cents per share.

• **Foundation Health Systems**' (Los Angeles) board has unanimously elected fellow board member Richard Hanselman as non-executive chairman, a post that had been vacant since March 1 when Malik Hasan retired. As chairman, Hanselman will also serve as a non-voting, ex-officio member of each committee of the board.

• **Aetna U.S. Healthcare** (Blue Bell, PA) has selected Garry Cutting as its first recipient of the Aetna U.S. Healthcare professorship in medical genetics at Johns Hopkins University School of Medicine. Aetna U.S. Healthcare pledged $1.5 million to endow the professorship at **Hopkins' Institute for Human Genetics**.

• **Mid Atlantic Medical Services** (MAMSI; Rockville, MD) reported 1Q99 ended March 31 revenues of $313.2 million, compared to 1Q98 revenues of $289.5 million, an increase of $23.7 million. The company recorded a net income of $5.9 million, 14 cents per share, compared to a net income in 1Q98 of $6.7 million, 14 cents per share. Medical and home health patient services expenses for 1Q99 were $266.4 million, compared to $245.2 million in 1Q98. ■

PPM/MSO NEWS

• **MedPartners** (Birmingham, AL) has closed the sale of assets of the physician practice management business that provides services to **Kelsey-Seybold Medical Group** (Houston). **St. Luke's Episcopal Health System** and **Methodist Health Care System** purchased the assets. MedPartners received $150 million in cash proceeds, before payment of transaction costs, working capital settlements, and facility completion costs, the company said. Through the joint venture, the two health systems acquired the MedPartners and Kelsey-Seybold management services agreement and related assets, valued at about $89 million, and a major new site for Kelsey-Seybold and other assets, valued at about $61 million. MedPartners has also announced that it has reached an interim agreement with the state of California to begin implementing the terms of the proposed settlement agreement regarding the company's California physician management operations. The interim agreement provides that the California business and assets shall be returned and managed by MedPartners, under supervision of the U.S. Bankruptcy Code, and that a special monitor will oversee operations. MedPartners will fund the working capital requirements of its subsidiaries.

• **PhyMatrix Corp**. (West Palm Beach, FL) is repositioning itself as a company that provides services supporting the pharmaceutical and managed care industries while it exits the physician practice management and ancillary medical service businesses. The company is having ongoing discussions with potential buyers and expects to realize net proceeds of about $100.8 million. Once the sales are final, the company will change its name to **Innovative Clinical Solutions**. The company has also made several management changes, appointing Michael Heffernan as co-CEO of PhyMatrix, alongside co-CEO Abraham Gosman. John Wardle is the new COO for the provider network management business, Bryan Dieter has become CIO, and Lisa McAlister will serve as interim CFO. PhyMatrix released its financial results, showing revenues of $291.3 million in FY98 ended Jan. 31, compared to $281.2 million in FY97. The company posted a net loss of $130.8 million, $3.91 per share, compared to a net income in FY97 of $10.3 million, 35 cents per share. During 4Q98, the company saw a net loss of $76.6 million, $2.29 per share, on revenues of $61.8 million, compared to a net income of $5.8 million, 19 cents per share, on revenues of $81.2 million in 4Q97.

• **Physicians' Specialty Corp**. (Atlanta) reported record revenues of $21.5 million for 1Q99 ended March 31, compared to revenues of $12 million for 1Q98. Net income was $1.7 million, 18 cents per share, compared to 1Q98 net income of $96,000, 14 cents per share. The company has also promoted Larry Kraska to COO, effective April 30.

• **Covalent Group** (Wayne, PA) has signed a $4.2 million contract with a pharmaceutical firm to conduct a clinical study over the next two years. The study is the third of its kind that will conduct a cardiovascular trial of pharmacological interventions to reduce coronary atherosclerosis, said Covalent President/Chief Medical Officer Dr. Kenneth Borow.

• **ProHealth Physicians MSO** (Farmington, CT) has contracted for **Per-Se Technologies**' (Atlanta) electronic commerce services. The services will provide ProHealth with online access to resource scheduling, accounts receivable management, patient billing and collection services, and the ability to connect with other healthcare partners. ProHealth plans to deploy the technology this year for its 150 physicians in 83 locations throughout Connecticut.

• **Tessa Complete Health Care** (Oakbrook Terrace, IL) said that it has relocated its San Bernadino, CA, clinic to Colton, CA, and has implemented a marketing plan that coincides with the relocation. The plan will focus on employer groups, worker's compensation, and personal injury attorneys, as well as the city's association groups. Tessa officials believe the groups are a large source for patient referrals. ■

TECH UPDATE

• **Memorial Home Health and Hospice** (Indianapolis) has completed an upgrade of its TeleHealth System to version 4.0 operating on Windows NT. The upgrade will help in the managing of patients. A new QuestionSetCreator allows customers to design and create new question algorithms to address patient needs.

• **HIE Inc**. (Marietta, GA), an enterprise application integration software and services provider, has signed a three-year contract with **Aurora Health Care of Wisconsin**. Under terms of the integration outsourcing contract, HIE will provide onsite integration experts to assist Aurora's staff.

• **Sabratek Corp**. (Skokie, IL) announced a 10% decrease in its net sales for 1Q99 ended March 31. The company posted sales at $13.6 million, compared to $15.2 million in 1Q98. Net income was $726,000, 7 cents per share, compared to $2 million, 17 cents per share, in 1Q98. The decline is due to the suspension of production and sale of the Rocap product line.

• **NDC Health Information Services** (Atlanta) is offering a new service that enables pharmacies to submit durable medical equipment (DME) claims electronically for Medicare approval. This eliminates billing complexities and speeds up reimbursement for pharmacies, the company said.

• **Simione Central Holdings**' (Atlanta) revenues for 1Q99 ended March 31 were $8.9 million, compared with $13.4 million in 1Q98. Net income was $418,000, 5 cents per share, compared to $687,000, 7 cents per share, in 1Q98. Chairman/CEO Barrett O'Donnell said the company would have had a loss in 1Q99 if not for $2.25 million from the wind down of some **Columbia/HCA Healthcare** (Nashville, TN) agreements. ■

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*.

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 include 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 you agency.

With your purchase of the new guide, you can receive 25 nursing continuing education credits free. You may also buy unlimited additional CE programs for $40 each. Call (800) 688-2421 for more information, or e-mail American Health Consultants at customerservice@ahcpub.com. ■

WHAT THEY'RE SAYING

• The corporate healthcare industry faces tremendous and varied pressures that will likely continue to lead to weakening credit quality, **Standard & Poor**'s (S & P's; New York) says in its upcoming annual *Global Sector Review of the Health and High-Tech Industries*. S & P's says in the report that the Balanced Budget Act of 1997 has brought many changes to the industry and that, although almost all healthcare provider segments have been affected, the home health and skilled nursing segments have been hit especially hard. "The corporate healthcare provider industry has been under inordinate and unrelenting pressure the past year," the report says. "This year will be a seminal year, as companies either implement their strategies, metamorphose into another company, or fail."

• An editorial in *The Indianapolis Star* said encrypting information collected through the Outcome and Assessment Information Set (OASIS) is of little comfort "in an age when records can be moved from computer to computer in the blink of an eye and information of the most sensitive nature is for sale." Government has a right, the editorial stated, to collect some information when it is paying the bill. "But a 19-page questionnaire that solicits data of a highly personal nature is an exercise in bureaucratic zealotry." ■

Meeting

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Speaking at NAMES' FutureShow in Las Vegas, Lacute said the home care industry does have "a common message," but pointed to "a perception that we are speaking from different points of view." He added that one of the directives of the NAMES board is to "move forward to consolidate this industry and bring it under one association, and we are going to do that."

Lacute said outgoing NAMES Chairman David Wine has made numerous contacts with the elected leadership of other home care organizations to discuss the upcoming meeting and the issues that surround it.

In addition to the five national home health associations, the Home Care Coalition includes the **Health Industry Distributors Association** (HIDA; Alexandria, VA), the **National Home Infusion Association** (NHIA; Alexandria, VA), and the **National Association for Infusion Therapy** (NAIT; Washington). The coalition also enjoys the active support of several major manufacturing companies, such as **Invacare** (Elyria, OH) and **Sunrise Medical** (Carlsbad, CA).

"What is the point of another coalition?" asked one industry executive. That executive then speculated that NAMES' efforts might derive in part from the fact that the Home Care Coalition has been administrated by HIDA, which is sometimes viewed as NAMES' rival, even though HIDA has expressed a willingness to rotate that responsibility with other groups.

NAMES has been struggling financially in recent years, but that picture has worsened as of late. Two years ago, the association attempted to boost its revenue by increasing its dues a stiff 40%. It promoted that increase with the slogan, "forty percent or forty percent," on the basis that the industry was facing a 40% cut in oxygen reimbursement. Unfortunately, the industry was hit with a 35% cut in oxygen reimbursement under the Balanced Budget Act of 1997, along with the increase in dues.

In fairness to NAMES, industry experts point out that Congress had been targeting oxygen reimbursement for several years and timed the cut in oxygen reimbursement with similar cuts in home health and home infusion.

"There was probably no way to stop that train," remarked one NAMES member executive. "But it was still a gamble to tie those two things together." ■

CALENDAR

• The **National Chronic Care Consortium** (NCCC; Bloomington, MN) will hold its 1999 national conference, *Reinventing Healthcare*, May 23-26 at The Fairmont Hotel in San Francisco. Registrations are being accepted on a space-available basis. Call (612) 858-8999 for more information.

• The **HomeCare Association of Arkansas** (Little Rock) will hold its 1999 Annual Meeting & Trade Show June 10-11 in Eureka Springs, AR. For more information, call (501) 376-2273. ■