Home Health

BUSINESS REPORT

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

NAMES restructures, relieving president and one-third of staff

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

LAS VEGAS – The **National Association for Medical Equipment Services**' (NAMES; Alexandria, VA) executive committee unleashed a sweeping restructuring initiative last week that included the removal of NAMES President William Coughlan and up to a third of the association's 24-member staff.

The changes were signaled at NAMES' 11th annual FutureShow in Las Vegas a week earlier, but no announcements were made until last week. NAMES announced "a restructuring of its headquarters to more effectively serve the (home medical equipment) industry."

"Just as many of NAMES' members are in the process of repositioning their own companies to meet the needs of today and tomorrow," said newly appointed NAMES Chairman Mario LaCute, "NAMES, too, finds itself preparing

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Home care leaders stress need for more industry unification

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

ALEXANDRIA – Newly appointed **National Association for Medical Equipment Services** (NAMES; Alexandria, VA) Chairman Mario Lacute met with representatives from several home care groups May 19 to discuss the establishment of a new organization to represent the home care industry.

The meeting was hosted at the **Health Industry Distributors Association** (HIDA; Alexandria, VA), which administers the **Home Care Coalition**. Many of the groups belonging to that coalition had prepared a letter addressed to former NAMES President Bill Coughlan formally asking him to discontinue the **Coalition for Health Care at Home**, which he had announced earlier in the year. However, Coughlan was removed as NAMES president earlier in the week and did not attend the meeting. Several

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Long-awaited HCFA homebound study packs little punch

Report recommends no major changes in the current homebound definition

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

BALTIMORE – Late last month, the **Health Care Financing Administration** (HCFA; Baltimore) sent Congress its long overdue report on the homebound eligibility criteria for Medicare home healthcare services. As expected, the report recommends no major changes in the current definition, which industry executives say makes the report a dead issue.

"The analysis carried out for this study did not yield new options that are superior to current law," HCFA concluded. But the agency added that "future developments in home health may hold some promise for improvements for making homebound determinations."

The report was required by the Balanced Budget Act of 1997 and asked HCFA to submit recommendations to Congress by October 1998 to clarify the eligibility criteria concerning the definition of homebound. The home care industry, in fact, requested the report as an alternative to subsequent administration proposals to establish specific criteria for determining homebound status.

HCFA reported that it examined a wide range of options, including the establishment of a bright-line test based on the number and duration of absences from the home and a standard based on an individual's functional capacity. But the agency determined that there is a threshold matter that constrained policy options.

"If Medicare intermediaries are responsible for admin-

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Holiday schedule

Because *HHBR*'s offices will be closed next Monday, May 31, in observance of the Memorial Day holiday, next week's issue will be delivered to fax subscribers Tuesday, June 1.

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SBA proposes raising revenue threshold by $5M for HHAs

By MEREDITH BONNER
***HHBR* Editor**

More than 200 additional home health agencies will be considered small businesses if a proposal by the **Small Business Administration** (SBA; Washington) takes effect, said SBA spokesman D.J. Caulfield.

The proposal, which was published in the *Federal Register* in early May, would raise the size standard for qualification as a small business for home health agencies to $10 million or less in revenues from $5 million or less. Based on the 1992 economic census, which Caulfied told *HHBR* is the most recent government statistics available, 260 additional home care firms would be able to qualify as small businesses.

The proposal includes other sectors of the healthcare services industry as well. Currently, there is only one size standard that applies to the entire industry, Caulfied said. A business qualifies as small if its annual revenues are $5 million or less. The SBA proposal would preserve this standard for eight subdivisions within the industry and increase the dollar figure for 11 others, including home care.

Caulfied said the proposal would make it easier for small agencies to secure loans, which he said is one of the most frequently cited reasons for looking for an increase in size standards.

"A lot of times, a $7 million agency can't get a loan guarantee," he said. "Lenders view $7 million as too small to cut the paperwork and cut the loan, but with SBA backing or guarantee, they will do it."

National Association for Home Care (Washington) attorney Bill Dombi said the most significant factor of the proposal is that it will help preserve the likelihood that the Regulatory Flexibility Act (RFA) will remain a tool in any regulation affecting home care.

"With a $5 million standard, the vast majority of home health agencies already qualify as small businesses," he said. But he added that if the change goes through, more agencies will qualify for certain variances like loans or counseling support.

Dombi said the most valuable aspect of the proposal lies within protection under the RFA.

"With so many agencies closing, it is likely that many other agencies will grow in size through things like acquisitions," he said, adding that those companies would find themselves out of protection of the RFA, increasing the number of companies not under protection.

Dombi said that if a majority of home health agencies are small businesses, any Medicare or Medicaid rule would have to go through the RFA analysis, which would secure that the path that has the least affect on the small agencies be taken.

"The RFA was used as a basis for Congress convincing (the **Health Care Financing Administration**; Washington) to withdraw the surety bond regulation," Dombi said. "That shows the importance of it."

Caulfield said the proposed rule is subject to public comment until July 6. The SBA estimates that nearly 5,000 firms in the entire healthcare industry would benefit from the change. ■

WASHINGTON UPDATE

• In an about-face from previous debates on Medicare spending, key congressional Republicans are asking to pump billions of dollars into Medicare, while the Clinton administration says the money may not be needed. The Republicans may be responding to vehement protests from close business officials that run for-profit nursing home chains, hospitals, and health maintenance organizations, reported the *Wall Street Journal*. Rep. William Thomas (R-CA) has said he wants Medicare spending increased by $10 billion or so over the next several years. And Rep. John Kasich (R-OH) believes that home healthcare spending should be increased. But administration officials have said they don't see any evidence that patients are at risk. **Health and Human Services** (Washington) Secretary Donna Shalala reminded Congress that changes to Medicare "would require offsetting cuts elsewhere or new revenues," the *Journal* reported. ■

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COMPANIES IN THE NEWS

Amedisys 1Q99 revenues up

Amedisys (Baton Rouge, LA) reported 1Q99 ended March 31 revenues of $29 million, up 256% from 1Q98 total revenues of $8.1 million. Amedisys restated its financial earnings for 1Q98. The increase, Amedisys said, is directly attributed to the acquisition of certain **Columbia/HCA Healthcare** (Nashville, TN) home health agencies in late 1998.

Amedisys recorded a net loss in 1Q99 of $2.49 million, 81 cents per share, compared to a net loss in 1Q98 of $2.52 million, 83 cents per share. The company said it reduced its operating loss for the quarter as a result of the restructuring plan implemented in 1998 to reduce direct and indirect operating costs and to improve operating efficiencies, but the reduction is not apparent in the net loss figure due to the income tax benefit recorded in FY98.

Amedisys said it intends to focus on repayment or restructuring of its short-term debts, including a $14 million payment, which is due in December as a result of its acquisition of the Columbia agencies.

Apria signs three-year contract with Sharps

Apria Healthcare Group (Costa Mesa, CA) has entered into an agreement with **Sharps Compliance Corp**. (Houston) under which Sharps will become Apria's exclusive provider of mail sharps disposal systems for home health patients. The contract is for three years. Sharps officials said the disposal-by-mail system is a cost-efficient alternative to expensive trips to patients' homes to retrieve sharps containers and infusion therapy equipment.

Biomerica to open home care Web site

Biomerica (Newport Beach, CA) agreed to buy **TheBigRx.com** Internet domain name and enter an alliance with **TheBigHub Group**, a network of affiliated Web sites. The agreement brings the company one step closer to opening a home healthcare products Web site. As part of the transaction, TheBigHub group will make an investment in Biomerica, but financial terms were not disclosed.

Coram to take Rx services on line

Coram (Denver) said last week it will take its **Coram Prescription Services** division on line in 3Q99. Coram has chosen **Mediconsult.com** to provide content and promotion for the new site. Under the agreement, Coram will be the exclusive prescription and over-the-counter (OTC) product provider to Mediconsult.com Web sites, providing visitors with a seamless interface to purchase their prescriptions and OTC products, including vitamins.

In other news, the Supreme Court declined to review a lawsuit filed by shareholders who claimed Coram fraudulently inflated its stock price in 1995, reported *Dow Jones News Service*. The judges let stand a lower court ruling dismissing the case, which arose from the settlement of a class action securities suit filed against **T2 Medical** in 1992. T2 Medical merged with three other companies in 1994 to form Coram. Early in 1995, *Dow Jones* reported, Coram settled the T2 suit, paying shareholders $25 million in cash and issuing them 2.5 million warrants. Under the accord, the exercise price of the warrants would be set based on the market value of Coram's common stock between June 5 and June 19, 1995. The plaintiffs alleged that Coram misrepresented its financial condition to inflate the price of its stock, which in turn hurt the value of the warrants.

Coram also said last week it opened a pharmacy in Tustin, CA. From the new pharmacy, Coram offers home care services, including high-tech infusion therapy, and nursing.

Chemed elects new directors

Chemed (Cincinnati) elected a slate of 16 directors at its 1999 annual shareholders' meeting last week. Newly elected members to the board include Rick Arquilla, president/COO of the company's **Roto-Rooter** subsidiary, and Spencer Lee, chairman/CEO of Roto-Rooter.

Stockholders also approved and adopted Chemed's 1999 Stock Incentive Plan and ratified the continuation of **PricewaterhouseCoopers** as its independent accountants for FY99.

Following the meeting, Chemed's board declared a quarterly cash dividend of 53 cents per share on its capital stock, payable on June 16 to stockholders of record on June 2.

GF delays 1Q99 filing

Graham-Field Health Products (GF; Bay Shore, NY) said last week it has delayed filing its 1Q99 report with the **Securities and Exchange Commission** (Washington) until it files its form 10-K for FY98. The annual report, which is being reviewed by company auditors, will include restated results for FY96 and FY97. GF said it expects to file the report later this month and the quarterly report shortly thereafter.

GF expects to post FY98 revenues of about $380 million, a pre-tax operating loss of $12 million, and a pre-tax net loss of $33 million, reported *Dow Jones Business News*. The loss includes corrections to accounting errors from the first three quarters of FY98.

HealthCor considers merger or sale

HealthCor Holdings (Dallas) reported 1Q99 ended March 31 net revenues of $22.7 million, a $9.9 million decrease from 1Q98 revenues. The drop is primarily

attributable to a reduction in Medicare nursing revenues resulting from regulatory changes and office closures, officials said. The company's decision to withdraw from providing services to Medicare Part A beneficiaries was a direct result of changes in reimbursement as a result of the 1998 Medicare interim payment system. The decrease in Medicare nursing revenues is partially offset by growth in revenues in the respiratory therapy/medical equipment line of business.

HealthCor recorded a net loss in 1Q99 of $11.5 million, compared to a net loss in 1Q98 of $5.5 million. HealthCor said it continues to modify its operations internally while considering the possibility of a merger or sale of all or a portion of the operating assets.

HealthCor is now trading under the symbol HCOR.

Help at Home reports increase in 3Q99 earnings

Help at Home (Chicago) posted net revenues for 3Q99 ended March 31 of $6.9 million, a 20% increase over revenues of $5.7 million in 3Q98. The company recorded a net income in 3Q99 of $131,000, 7 cents per share, up from a 3Q98 net income of $95,000, 5 cents per share.

Infu-Tech 3Q99 revenues increase

Infu-Tech (Englewood Cliffs, NJ) reported revenues of $6.5 million in 3Q99 ended March 31, compared to revenues in 3Q98 of $6.3 million. The company recorded a net loss in 3Q99 of $43,000, 1 cent per share, compared to a net income of $155,000, 5 cents per share, in 3Q98. The growth in revenues reflected increased sales from specialty pharmaceuticals, the company said. The drop in net income is due to decreased margins in the core infusion business and loss of business in the contract services division due to the impact of a change in Medicare reimbursement policy.

Kuala sees net loss in 3Q99

Kuala Healthcare (Englewood Cliffs, NJ) posted total revenues of $15.4 million in 3Q99 ended March 31, compared to total revenues of $15.8 million in 3Q98. Kuala officials said the decline in revenues was primarily attributable to a decrease in revenues in the nursing home services division. The company recorded a net loss for the quarter of $942,000, 28 cents per share, compared to a 3Q98 net loss of $34,000, 1 cent per share.

Kuala President/CEO Jack Rosen said, "Changes in reimbursement and the increasing competition from assisted living facilities in the region have clearly impacted Kuala's skilled nursing and home healthcare businesses over the past 12 months. As the long term care and home healthcare industries continue to be impacted by these changes, Kuala is looking for avenues to create shareholder value by shifting its business mix toward specialty pharmaceuticals and assisted living projects. The company continues to review its operations to reduce costs while ensuring the level of services remains strong."

Lexington acquires Lexicore

Lexington Healthcare Group (Farmington, CT) reported last week 3Q99 ended March 31 revenues of $20.7 million, a 38% increase over 3Q98 revenues of $15.1 million. The company, which provides management, healthcare, and ancillary services to the home care industry, recorded a net income for the quarter of $47,000, 1 cent per share, compared to a net income of $28,000, 1 cent per share, in 3Q98.

Effective Jan. 1, the company acquired the remaining 50% membership interest in **Lexicore Rehab Services** and began accounting for Lexicore's operations as a wholly owned subsidiary in line with its strategy of consolidating ancillary operations.

Mallinckrodt expects jump in FY2000 earnings

Mallinckrodt (St. Louis) managers have said they are comfortable with a projection of $2.50 to $2.60 per share for FY2000 earnings. The company also expects sales growth of 7 to 8% in its respiratory division, driven by market growth and new products. Operating earnings are also expected to rise as the business continues to benefit from the synergies achieved from the **Nellcor Puritan Bennett** acquisition. "We believe our product lines for respiratory care, diagnostic imaging, and analgesic pharmaceuticals put us in the right market segment at the right time," CEO C. Ray Holman told investors, analysts, and bankers at a meeting. "In fact, the markets we serve are growing faster than the overall medical supplies market."

Mariner to close 20 offices by November

Mariner Post-Acute Network (Atlanta) recorded net revenues of $615 million in 2Q99 ended March 31, compared with revenues of $487 million in 2Q98. The company posted a net loss of $44 million, 60 cents per share, compared to a net income in 2Q98 of $4 million, 11 cents per share. The 2Q99 results include a charge of $30 million to increase reserves against other receivables in non-core businesses, related to the Mariner merger. Due to reductions in Medicare reimbursements, the company has decided to close its **Prism Rehab Systems**' operations. More than 7,000 employees have been laid off, and Mariner expects to close 20 offices around the country by November.

HBO&Co. charged with fraud

A Boston law firm is charging that **HBO & Co**. artificially inflated revenues and earnings and issued false financial statements prior to its acquisition by **McKesson**. After the merger, **McKesson HBOC** (San Francisco) also issued false financials, said the law firm of **Berman, DeValerio & Pease**. The firm has filed a class action lawsuit on behalf of shareholders who bought HBOC stock from April 14, 1998 to Jan. 12, or McKesson HBOC stock from Jan. 12 to April 27.

Medix records decrease in 1Q99 revenues

Medix Resources (Denver), which provides medical personnel for home care facilities, announced that revenues decreased by 38% in 1Q99. The company posted $3.1 million in revenues, compared to $5 million in 1Q98. It also reported a net loss of $595,000, 3 cents per share, compared to $610,000, 3 cents per share, in 1Q98. The revenue decrease is due to the sale of the company's Stat and Ellis offices in New York.

New NYC offices boost sales

New York Health Care (NYC; Brooklyn, NY) attributes a rise in revenues in 1Q99 to the purchase of home healthcare offices in New Jersey. Revenues increased 11.1% to $5 million, compared to $4.6 million in 1Q98. The company posted a net loss in 1Q99 of $114,218, 3 cents per share, compared to a net income in 1Q98 of $113,244, 3 cents per share. NYC bought the New Jersey offices in February and March 1998. Following the acquisition, the company stopped doing business with slow-paying customers and offset those revenues with a new contract to provide home attendant services to New York City Medicaid patients. Once fully utilized, that contract should generate about $11 million a year in revenues, company officials said.

NuMed appoints new auditors

NuMed Home Health Care's (Clearwater, FL) board has appointed **Deloitte & Touche** as the company's auditors. NuMed CEO Susan Carmichael said the firm will help the company maintain its compliance programs, as well as establish improved processes to maximize shareholder value.

Paracelsus names new director

Paracelsus Healthcare Corp. (Houston) announced that net revenue was $150.9 million for 1Q99 ended March 31, compared to $186.9 million for 1Q98. The company reported a net loss of $1.6 million, 3 cents per share, compared to a net income of $450,000, 1 cent per share, in 1Q98. The company has appointed Joan Fortune as a director of the company. Fortune is an independent consultant and a former partner with the **Frontenac Company**. She has more than 20 years experience in the healthcare industry.

PSAI filed 2Q99 earnings late

Pediatric Services of America (PSAI; Norcross, GA) reported, in a late filing with the **Securities and Exchange Commission** (SEC; Washington) 2Q99 ended March 31 revenues of $77 million, a decrease of 3.1% from 2Q98 revenues of $79.5 million. The company recorded a net loss for the quarter of $28.8 million, $4.33 per share, compared to a 2Q98 net income of $2.1 million, 30 cents per share.

The company's plan, said Chairman/President/CEO Joseph Sansone, is to refocus its resources on core competencies in pediatric nursing, pharmacy, and respiratory services. He added that PSAI will exit service lines and geographic markets where the market fundamentals do not match the company's strengths. He also said the company will reshape its management team to execute the plan.

Early last week, PSAI filed a notice with the SEC saying it would delay the filing of its report for 2Q99. The company said it needed the extra time because negotiations with lenders to obtain a waiver and amendment to its credit facility had taken time away from preparing the report. Nasdaq halted trading of the company on Monday, but Sansone told *The Atlanta Constitution* that he didn't understand the reason. "We filed the proper form," he said.

REM acquires Enid Group

REM (EDINA, MN) has acquired **Enid Group Homes** (Enid, OK), which will become part of **REM Oklahoma Community Services**. REM offers home healthcare, disability and senior services, rehabilitation therapy, and housing services. The transition occurred April 1.

Transworld's home care subsidiary sees growth

Transworld Healthcare (Clark, NJ) reported revenues of $39 million in 2Q99 ended March 31, an increase of 4.4% over 2Q98 revenues of $37.3 million. The increase is primarily due to continued growth of the company's home care subsidiary, **Transworld Healthcare Limited**, located in the United Kingdom. The company posted a net loss of $954,000, 5 cents per share, compared to a net loss in 2Q98 of $595,000, 3 cents per share. The increased net losses are due to softer revenues from a transition period for the **Specialty Mail-Order Pharmacy** division. ■

CALENDAR

• The **Maryland-National Capital Homecare Association** (MNCHA) will hold its annual fall conference Sept. 28-29 at Martin's Crosswinds in Greenbelt, MD. For information on exhibiting or attending, call (301) 408-4005.

• The **American Society of Health-System Pharmacists** (Bethesda, MD) is holding the first Home, Hospice, and Long Term Care '99 meeting, which is set for July 31 – Aug. 2 in Chicago. Practitioners in similar practice settings will share how they are handling reimbursement issues, managing patient information and relationships, and meeting **Joint Commission on the Accreditation of Healthcare Organization** standards.

• The 20th **Medtrade** exposition and conference will be Nov. 3-6 in New Orleans. For more information, call (877) 835-7273 or go to *www.medtrade.com*. ■

MANAGED CARE REPORT

• **Blue Cross and Blue Shield of Michigan** (BCBSMI; Lansing, MI) announced a new statewide program that will begin July 1 and help more than 180,000 Medicare-eligible individuals – mostly seniors citizens – save up to 25% on prescription drugs. The program covers members enrolled in BCBSMI's individually billed Medicare supplemental (Medigap) coverage. The Michigan attorney general's office, the **Michigan Insurance Bureau**, and the **Michigan Office of Services to the Aging** joined in announcing the program. Called Affinity Rx, the new program will help seniors in traditional Medicare who are also enrolled in individually billed Blues Medicare supplemental coverage to purchase prescription drugs at a savings at nearly all Michigan pharmacies. The Affinity Rx cost savings average 13%, but can be as high as 25%, depending on the drug purchased.

• **Highmark Blue Cross Blue Shield**'s (Pittsburgh) new plan, Community Blue, is becoming more and more popular with cost-conscious employers who are searching for affordable healthcare coverage. The plan has become so popular, the company said, that its coverage will be offered to employers in Mercer County in July. The plan is now available to employers in nine counties in Pennsylvania. In addition, another Allegheny County hospital, Mercy Providence, will be joining the Community Blue network in July. Since the plan became available in July 1998, its enrollment has grown to more than 29,000. Highmark says Community Blue, on average, costs about 10% less than BCBS's other plans

• **SunStar Healthcare** (Heathrow, FL) recorded 1Q99 ended March 31 revenues of $23.9 million, compared to revenues in 1Q98 of $1.6 million. The company saw a net loss in 1Q99 of $653,586, 24 cents per share, compared to a 1Q98 net loss of $1.1 million, 46 cents per share. The loss in 1Q99 is in line with the company's expectations and is consistent with the estimates made by the company regarding the development and operation of the company's line of HMO business.

• **First American Group of Companies** (FAGOC; Richton Park, IL) has entered into an agreement to acquire **Community Health Choice of Illinois** (Chicago), an HMO serving primarily the Medicaid population. The company said the acquisition is subject to regulatory approval. FACOG President Daniel Splain said the acquisition, when completed, will have no effect on Community Health's members or providers. FAGOC is the holding company for a number of managed care related ventures, including **American Health Care Providers** in Illinois. ■

Leaders

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executives present at the meeting say Coughlan's plans for another coalition is now a dead issue.

In addition to the five national home health associations and HIDA, the Home Care Coalition enjoys the support of the **National Home Infusion Association** (Alexandria, VA) and the **National Alliance for Infusion Therapy** (Washington), as well as several major manufacturing companies, such as **Invacare** (Elyria, OH) and **Sunrise Medical** (Carlsbad, CA). "Frankly, it looked to many of us that Coughlan was just grandstanding," said one industry executive. "I think that was partly responsible for his demise at NAMES."

Nevertheless, Lacute, president of **Seeley Medical** (Andover, OH), joins a chorus of home care leaders who are seeking new ways to bring the various components of home care into a cohesive group. Lacute told *HHBR* that he believes the current assortment of associations and coalitions leaves the home care industry ill-equipped to meet future challenges. He linked the various components of the home care industry to the various components of the hospital industry and said home care must be represented in a similar fashion.

Meanwhile, veteran industry analyst Schuyler Hoss circulated a letter to industry leaders last week calling for a leadership forum that he told *HHBR* is also aimed at generating industry unity.

Yet, a third voice calling for changes is Invacare President/CEO Malachi Mixon. At HIDA's Washington conference last month, Mixon said he is "a big believer that necessity is the mother of invention. . . . Perhaps we will have to be beaten about the head and shoulders a few more times before we finally decide that we need to have a united voice." ■

REGIONAL DIGEST

• Florida Sen. Alberto Gutman, who was charged last summer for allegedly filing $845,000 in false Medicare claims through two home healthcare agencies, is now being charged with witness tampering. He allegedly tampered with an unnamed witness who appeared before the grand jury, which was hearing evidence about his alleged role in a $15 million fraud scheme, reported the *Sun-Sentinel* in Fort Lauderdale, FL.

• **Sunbelt Home Health Care** of Sarasota, FL, is consolidating two of its offices. It closed its Beneva Road office and moved it to the Lockwood Ridge Road office on Saturday. The company spokesman said the lease on Beneva Road had expired and the landlord refused to make repairs. The move should not change any staff or services, the spokesman said. Sunbelt is part of **Adventist Health System**.

• Three investigators who check on complaints of nurse aides have a backlog of 800 cases in Arizona, reported the *Arizona Daily Star*. Part of the problem may be that until Jan. 1, home health agencies, nursing homes, and other businesses that use nurse aides were not required to systematically check for criminal records before hiring them. The health department's new fingerprinting requirement of new aides has been instituted, but it does not affect a company's veteran aides. Aides in home health and assisted living were required to be fingerprinted as of August 1998, the *Star* reported.

• The U.S. Attorney's office filed a civil lawsuit to recover Medicare money overpaid to a Chelmsford, MA, home healthcare agency. The office wants to recover $1 million received by **American Health Care Enterprises**, which was in operation from 1991 to 1997, when the agency was sold. The agency is now known as **Bridle Path Enterprises**. The lawsuit alleges that Bridle Path, its president, Dawn Luedecke, and its treasurer, Gregory Jones, owes about $65,000 on an overpayment and an additional $971,000 because it never filed a cost report justifying the Medicare payments received in 1997. The company has already repaid about $235,000, but stopped making the payments when it was sold.

• **Doctors Medical Center** is closing its **Tenet Home Care** agency, which had been in operation in Modesto, CA, since 1989. The agency employs 44 nurses and staff. **Interim Health Care** has agreed to take Tenet's patients and some of the staff, reported the *Modesto Bee*. The agency will close May 31 due to changes in federal regulations and reimbursements, a hospital spokeswoman told the *Bee*.

• California has no policies or programs helping families keep their loved ones at home, say home healthcare advocates. In response, the **Family Caregiver Alliance** in California released nine recommendations to the state **Department of Mental Health** that range from recognizing the role of family caregivers to offering financial incentives for caring for family members at home, reported the *Sacramento Bee*. The state could benefit from more home healthcare, said Rand Martin, chief of staff for Sen. John Vasconcellos (D-Santa Clara), who heads the Aging and Long Term Care Subcommittee. Without it, "the state and federal government will end up paying incredible amounts of money to care for these people in nursing facilities," he said. About 200 home healthcare agencies in California have gone out of business since the enactment of the 1997 Balanced Budget Act.

• Rep. Chris Smith (R-NJ) has introduced a bill that would authorize the **Department of Veterans Affairs** to sign contracts to provide home healthcare for veterans. The assistance is already available for veterans in nursing homes or hospitals, but not for spouses and adult children who care for veterans at home. The department spends about $1.7 billion a year on nursing home care, Smith said.

• Pennsylvania's rural healthcare leaders convened in Washington earlier this month to air their concerns to Rep. Bill Thomas (R-CA), chairman of the House subcommittee that oversees Medicare. Thomas and Rep. John Peterson (R-PA) are working to create a more fair Medicare payment system for rural hospitals. The inequities were caused by the Balanced Budget Act of 1997, which drastically reduced Medicare payments in an effort to stamp out fraud. This caused many rural hospitals to stop offering home healthcare. Thomas suggests that home healthcare should eventually be part of a person's long term health plan.

• **John Knox Village Home Health Agency** (Lee's Summit, MO) has acquired **Barr Home Health Agency**, boosting its annual revenue by two-thirds. "Barr was a great match for us because they covered geographically those areas of Kansas City that John Knox Village did not cover," John Knox Vice President Dan Rexroth told the *Kansas City Star*. Terms of the transaction were not disclosed.

• The amount of money spent on patients in a Wisconsin home care program varies widely from county to county, according to an audit released last week, reported the *Associated Press*. And Rep. Carol Kelso (R-Green Bay, WI) said that could mean some people are getting shortchanged in care. The audit shoes a big variance in cost per participant, she said. The report by the Legislative Audit Bureau said that a proposal by Wisconsin Gov. Tommy Thompson could eliminate inconsistencies among the counties, but problems such as shortage of service providers for overnight and personal care could continue. Statewide, counties spent an average of $7,701 per patient on the Community Options Program in 1997, the audit bureau said. The audit concluded that more than 11,000 people were on waiting lists to receive services as of June 1998. ■

Study

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istering the homebound criteria, they will need to do so within the context of the current claims process" said HCFA. "If new criteria defining homebound are to be implemented, a wide range of reviews and edits must be made to the current process.

"Although the current definition may not be specific enough for universally consistent determinations by the (regional home health intermediaries), it does express an overall expectation that the benefit offered under Medicare is one aimed at individuals who cannot ordinarily leave the home," HCFA continued.

"If this expectation continues to be the view of Congress, the current definition creates a clear separation between those individuals who can ordinarily leave the home and those who cannot.

"This option has the advantage of sending a clear signal," HCFA added. "Though the definition remains a challenge to enforce uniformly, leaving it unchanged avoids the potential unintended consequences that may occur by adopting specific criteria."

HCFA added that a change may be in order once agency starts collecting "extensive information about the medical condition of patients" through the Outcome Assessment Information Set (OASIS).

"Once OASIS data are being routinely submitted, HCFA may be able to link the data with medical necessity criterion and analyze them to determine if they provide the basis for developing stronger and more objective measures of homebound status," the agency stated. However, the OASIS regulation is currently on hold pending agency review.

The **National Association for Home Care** (NAHC; Washington) criticized HCFA's findings by failing to analyze the homebound issue "from an objective health policy position" instead of a "a budgetary and political" standpoint.

"With no modification in the homebound definition, individuals who, as a practical matter, cannot receive necessary healthcare services outside the home may still be excluded from coverage," said NAHC. "Without any bright-line test, home health agencies and their patients will remain confused as to the appropriate criteria."

NAHC currently has a lawsuit pending that challenges the current application of the homebound criteria as it relates to disabled individuals who cannot receive healthcare services outside the home until they receive home health services. That case, which NAHC argues "effectively creates an institutional care setting standard for home care," is pending cross motions for summary judgment in a federal district court. NAHC's Bill Dombi told *HHBR* a decision is expected this week. ■

NAMES

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for the next century and responding to these opportunities."

Coughlan was reportedly notified by NAMES' executive committee early in the week. On Wednesday, several members of NAMES' executive committee met with a group of association executives at the **Health Industry Distributors Association** (HIDA; Alexandria, VA) to address another set of issues and announced Coughlan's departure at that meeting (see related story, p. 1).

Concerning Coughlan's departure, a press release stated that "as we move forward in our reengineering process, NAMES' executive committee believes a new perspective is needed to lead the association."

Coughlan had assumed the mantle at NAMES in 1995 shortly after then-president Corrine Parver abruptly resigned in November 1994. He was initially credited with having brought a measure of stability to NAMES' finances, but was later criticized for failing to address long-term budgetary issues.

Two years ago, NAMES attempted to boost its revenue by increasing its dues by a hefty 40%, but that move reduced the number of member companies belonging to NAMES significantly and failed to boost revenues as anticipated.

Peter O'Neill, NAMES vice president for operations, would not comment on specifically which other staff members were removed last week, but a member of NAMES' board said Ken Adams, vice president for government affairs, and Brian Rasmussen, director of research, were among those departing.

NAMES announced that it would be outsourcing several functions in order to let the association "concentrate on serving its membership" and "take advantage of new opportunities."

O'Neill told *HHBR* that this outsourcing will include several major responsibilities that up until now have been handled internally by full-time staff. The responsibilities include certain MIS, finance, government relations, and communications functions.

According to O'Neill, meetings, education and products are being rolled into a Member Service Center that will be operating within the next two weeks but he said plans for that were well under way prior to last week's shakeup.

One member of NAMES' board suggested the association is likely to undertake "a protracted search" for a new president. In the interim, O'Neill will be charged with most of the association's day-to-day responsibilities. "Right now, everything except government affairs falls into my purview," said O'Neill. Asela Cuervo, NAMES vice president for regulatory affairs, will manage government affairs. ■