Home Health

BUSINESS REPORT

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

White House drops co-pay plan, proposes $7.5B to Medicare

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

WASHINGTON – President Clinton unveiled his Medicare reform proposal last week, and it was mostly good news for the home care industry. At week's end, healthcare advocates were still groping for details of the president's package, but it was clear that the White House had scrapped its plans for a home health co-pay and planned to restore some of the cuts made by the Balanced Budget Act of 1997 (BBA).

Aggressive efforts by **Home Health Services & Staffing Association** (Washington) counsel Jim Pyles and others convinced the administration to scrap its plans for a co-pay for home health to help pay for its $118 billion prescription drug benefit. Industry representatives received final assurance from Vice President Al Gore's office days before the administration's package was released that the co-pay proposal was removed.

But the home care industry may yet see a proposal for a co-pay introduced by House Ways and Means Health Subcommittee Chairman Bill Thomas (R-CA). A similar proposal was included in the National Bipartisan Commission on the Future of Medicare, jointly chaired by Thomas and Sen. John Breaux (D-LA), and Thomas is expected to introduce a package of healthcare reforms later this year.

The administration's package would also restore $7.5 billion in Medicare funding over 10 years to offset cuts made by the BBA. The administration told a group of congressional aides last week that exactly where that money will go has yet to be decided, but home health and skilled nursing facilities are widely viewed as the first in line.

Home care advocates are hoping the White House will boost that number, and there is reason to believe that might happen. The number floating around Congress is $10 billion. At a recent Senate Finance Committee hearing, Sens. Bob Kerry (D-NE) and Breaux referred almost casually to $10 billion of BBA cuts likely to be restored. Like the administration's pro-

See Proposal, Page 7

Sens. Bond, Collins introduce sweeping home care reform bill

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

WASHINGTON – Two influential senators, Kit Bond (R-MO) and Susan Collins (R-ME), last week introduced the most sweeping home health reform bill Congress has seen yet. The Home Health Equity Act of 1999 includes eight major provisions designed to roll back significant pieces of the Balanced Budget Act of 1997 (BBA), including elimination of the automatic 15% reduction in Medicare home health payments scheduled for Oct. 1, 2000. Under the BBA, that reduction will take place whether a home health prospective payment system (PPS) is implemented according to schedule.

The Bond-Collins bill, which includes many of the provisions in a bill introduced a week earlier in the House by Rep. Bill Coyne (D-PA), immediately became the front-runner in the Senate. Bond is chairman of the Senate Small

See Bond/Collins, Page 8

Two former Columbia execs found guilty of Medicare fraud

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

Two of the four **Columbia/HCA** (Nashville, TN) executives on trial in Tampa, FL, for defrauding the government were found guilty Friday. They face up to five years in prison and a $250,000 fine on each of six counts.

Jay Jarrell, CEO of the company's Southwest Florida division, buried his head in his hands as he listened to the verdict. He and Robert Whiteside, director of reimbursement, received guilty verdicts on six counts of defrauding Medicare and other government programs of nearly $3 million. They were

See Columbia, Page 6

Holiday schedule

Because *HHBR*'s offices were closed Monday, July 5, in observance of the July 4 holiday, this week's issue is being delivered to fax subscribers today, Tuesday, July 6.

INSIDE:

Mallinckrodt finally sees benefits of Nellcor Puritan acquisition

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

After a string of disappointing earnings and major investor sellouts, **Mallinckrodt** (St. Louis) may finally see the light at the end of the tunnel.

Not that the company has completely overcome all obstacles, but it has exceeded analysts' forecasts for the last three quarters, and its stock has risen following a sharp drop last fall.

"We've put in place a lot of what is necessary for Mallinckrodt to succeed," Chairman/CEO C. Ray Holman told the *Wall Street Journal*.

What the company has put in place, aside from its $1.9 billion major acquisition of **Nellcor Puritan Bennett**, is this: It has chosen to focus its product lines, as well as increase its presence in higher-margin segments, while keeping a tight reign on costs. Now, Holman said, the company is poised for solid growth following a "difficult, challenging transformation."

The company is finally seeing the benefits of the Nellcor acquisition, said company spokeswoman Barbara Abbett.

"When we combined that business with the old Mallinckrodt critical care division ... we actually created one of the world's largest respiratory care products companies," she told *HHBR*. "It is a market that is growing well so we are seeing growth along with that. We have also benefited from sound strategic cost management, which has enabled us to leverage the growth in the markets we're in."

But critics say Mallinckrodt, in some ways, disappointed its investors by missing its earning targets during the hard times last fall. Mallinckrodt also took the brunt of a disagreement with the **Securities and Exchange Commission** (Washington) over accounting questions. The company agreed in January to spread a $90 million charge for the Nellcor deal over 30 years, cutting earnings by 4 cents per share during that time.

See Mallinckrodt, Page 5

House puts several home health issues in the spotlight

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

It was a busy week for home healthcare on Capitol Hill last week. As Congress broke for Fourth of July recess, two more home care bills were introduced in the House, and a coalition of members announced the formation of a working group to press for changes in the Balanced Budget Act of 1997 (BBA).

On June 30, nearly 60 members of the House announced the formation of the **Home Health Working Group** as part of the **Rural Health Care Coalition** to raise the visibility of the problems in home care brought about by the BBA and the **Health Care Financing Administration**'s (HCFA; Baltimore) implementation of those provisions. Reps. John Peterson (R-PA) and Earl Hilliard (D-AL), who co-chair the group, were among roughly a dozen House members who gathered to announce the formation of the working group at a press conference at the U.S. Capitol. "Basically the focus of this working group is to look at everything and see if we can't be in the mix when these problems are addressed later this year," said an aide to Peterson.

Home care representatives were encouraged by the cross-section of House members included in the coalition and present at the press conference. They ranged from Independent Bernie Sanders from Vermont, to conservative J.C. Watts from Oklahoma, who heads up the Republican caucus.

Also last week, Reps. Pete Stark (D-CA) and Karen Thurman (D-FL) introduced legislation that would make sweeping changes to the surety bond requirements for home health agencies and durable medical equipment (DME) suppliers. Stark, the ranking Democrat on the House Ways and Means Committee Health Subcommittee, was instrumental in drafting the original surety bond provision included in the BBA, but objected to HCFA's implementation of that provision.

HCFA officials revealed last week that it will not issue

See House, Page 8

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COMPANIES IN THE NEWS

Auxi Health receives $34 million in financing

Auxi Health (Franklin, TN) has received $34 million in financing, most recently $22 million from **Fleet Capital** (Chicago.) The company also received $12.1 million from the sale of subordinated debt to **American Capital Strategies** (Bethesda, MD). Auxi plans to use the money to complete acquisitions of its eight founding companies. It is also using part of the funds to expand its presence in Texas, reported the *Nashville Business Journal*.

Caretenders posts FY98 loss

Caretenders (Louisville, KY) reported FY98 ended March 31 revenues of $97.1 million, compared to FY97 revenues of $95.2 million. The company saw a net loss in FY98 of $6.2 million, $2 per share, compared to a net income in FY97 of $1.4 million, 45 cents per share.

In 4Q98, the company saw revenues of $24.1 million, down 11.8% from 4Q97 revenues of $27.4 million. The company recorded a net loss in 4Q98 of $1.4 million, 44 cents per share, compared to a net income in 4Q97 of $294,175, 9 cents per share.

Caretenders said the lower results were due to the impact of Medicare reimbursement changes, including the interim payment system.

In addition, Caretenders said last week in a not timely filing with the **Securities and Exchange Commission** (Washington) that it is in the process of renegotiating its primary credit agreement and completing its audited financial statements. This information is needed in order to make accurate disclosures throughout the company's 10-K filing, Caretenders said.

Continental signs for revolving credit line

Continental Home Healthcare (Vancouver, British Columbia) has signed a letter of intent with **DVI Business Credit** for a revolving line of credit with a total commitment of $3 million. The revolving line of credit contemplated will be advanced to the company based on eligible accounts receivable as defined in the proposed lending agreement. Final approval of the agreement is subject to DVI's due diligence and credit committee approval.

Coram sues Aetna

Coram Healthcare (Denver) said last week it has sued **Aetna U.S. Healthcare** (Blue Bell, PA) in the United District Court for the Eastern District of Pennsylvania. The complaint includes claims against Aetna for fraud, misrepresentation, breach of contract, and rescission relating to the master agreement between the two companies, effective May 1, 1998, for ancilliary network management services through Coram's Resource Network division. Coram provided its notice of termination of the agreement effective late last week.

Coram stated in its complaint that Aetna wrongfully induced Coram to enter into the agreement by, among other things, misrepresenting and understating the utilization of home care services by its own enrollees. As further stated by Coram, utilization has been substantially higher than Aetna represented at the commencement of the agreement.

In the lawsuit, Coram seeks compensatory and punitive damages in excess of $50 million. Based on recent communications with Aetna, Coram said, the company expects that Aetna will deny Coram's claims and might pursue its own alleged claims of $30 million or more.

Prior to filing the complaint, Coram had been negotiating with Aetna over the disputes, Coram said. During the discussions, Coram said, and without any disclosure to Coram, Aetna filed its own complaint against Coram in the Court of Common Pleas in Montgomery County, PA, setting forth claims that for specific performance, injunctive relief, and declaratory relief.

Under the agreement between the companies, which was anticipated to be five years, Coram managed and provided home healthcare services for more than 2 million Aetna enrollees in eight states for a fixed monthly fee per enrollee. Although Coram has provided notice of termination of the agreement, the company said it intends to continue to arrange for the provision of the home care services through the network of home care providers through July.

HealthCor sells TX operation

HealthCor Holdings (Dallas) sold its Medicare and home healthcare operation in Beaumont, TX, to **Unique Dawning**, a subsidiary of **ComTech Consolidation Group**, in exchange for cash. This nursing operation generated about $2 million in revenues in FY98.

IHS' home care unit changes name

Integrated Health Services' (IHS; Owings Mills, MD) IHS Home Care division now operates under the name **Soleus Healthcare Services of North Florida**. The change came after IHS sold its 69 home care offices in 22 states to **Medshares/IHS Acquisition Inc**., reported the *St. Petersburg Times*. Soleus is a subsidiary of Medshares. **TBN of Tennessee** is managing the Soleus home care offices, according to Robert Leech, senior vice president of TBN.

Invacare celebrates first day on NYSE

Invacare's (Elyria, OH) Chairman/CEO A. Malachi Mixon told *CNBC* that the company, which began trading on the New York Stock Exchange in late June,

derives 50% of its revenue from wheelchairs. The rest comes from nonacute care products like respiratory devices and home care beds, reported *Dow Jones News Service*. "Wheelchairs of course are our flagship product," Mixon said in the interview. "But many people don't realize that we are the world leader in the manufacturing and distribution of medical products outside the hospital."

To celebrate the company's first day of trading on the NYSE, the Dallas Wheelchair Mavericks of the **National Wheelchair Basketball Association** gave a wheelchair basketball demonstration sponsored by Invacare outside the NYSE.

In addition, Invacare has made a cash tender offer to acquire **Scandinavian Mobility International A/S** for $14.58 per share. The total value of the transaction at this price is $131.3 million. The offer was made to qualified shareholders of Scandinavian Mobility and is open until Aug. 11.

Kelly plans for dividend reimbursement

Kelly Services (Troy, MI) has initiated a new plan to benefit current and potential Kelly shareholders. The plan is a dividend reinvestment and direct stock purchase plan. The plan was announced recently at the company's annual shareholders meeting and has been approved by the **Securities and Exchange Commission** (Washington).

Mallinckrodt receives accreditation

Mallinckrodt (St. Louis) has received accreditation from the **American Nurses Credentialing Center**'s (ANCC) Commission on Accreditation through February 2005. This accreditation enables the company to run continuing education programs for nurses and respiratory therapists. Mallinckrodt first received accreditation from ANCC in 1993.

Nursefinders sells 10 franchises

Nursefinders (Arlington, TX) has sold 10 new franchise locations in the past six months. New franchise sales, the company said, include Richmond, Norfolk, and Roanoke, VA; Milwaukee; Knoxville, TN; Waterloo, IA; western Iowa; and three locations in the greater Boston area. The recent sales will increase the Nursefinders system to 61 franchise units and 126 total units in the United States.

PSAI sells adult staffing agencies

Pediatric Services of America (PSAI; Norcross, GA) said last week it has sold its mainly adult staffing agencies in Philadelphia, Springfield, VA, Cherry Hill, NJ, and Baltimore to **Medical Staffing Network** (Coral Springs, FL). Joseph Sansone, PSAI chairman/president, said the sale of the services "are a part of our strategic initiative to focus on our core competencies in the pediatric home healthcare market."

Shands closes Homosassa, FL, office

Shands HealthCare (Gainesville, FL) closed its Homosassa, FL, office last month as part of its restructuring, following the transfer of 10 of its offices to **Flagship Healthcare** (Miami Lakes, FL). The company is still offering home health services in the Gainesville area.

Sunrise launches new Web site

Sunrise Medical (Carlsbad, CA) has launched a new e-business Web site for its U.S. home medical equipment dealers. The new site, *www.sunlinkweb.com*, is the first in the industry, Sunrise said, to offer detailed order tracking, inventory availability, serial number history, pricing, and invoicing information over the Web. ■

BRIEFLY NOTED

• The **Hospital & Healthcare Compensation Service** (Oakland, NJ) is releasing its ninth annual *Home Care Salary and Benefits Report*, which is now being conducted. Questionnaires have been mailed to agencies throughout the United States, the company said. The report will cover salary, hourly, and per-visit data on 69 jobs. Data are reported by state, geographical region, auspice type, and gross annual revenue size. The company urges agencies' participation in the survey.

• *JAMA*, the *Journal of the* ***American Medical Association***, recently conducted a study that examined whether hospital readmissions varied among the frail elderly in managed care versus fee-for-service (FFS) systems. The study found that in the group of frail elderly Medicare beneficiaries, those enrolled in an HMO were more likely to have a preventable hospital readmission that those receiving care under FFS. These results, reported *JAMA*, suggest that policies promoting stringent approaches to utilization control – early hospital discharge, reduced levels of post acute care, and restricted use of home health services – may be problematic for the frail elderly.

• Home health tests can detect everything from cholesterol levels, urinary tract infections, colon/rectal cancer, HIV, and substance abuse, reported the *Commercial Appeal* in Memphis, TN. It can also offer warning signs of diabetes. Due to the popularity of such tests, more are expected to hit the market within the next two years, including some that will identify hepatitis C, as well as the gender of an expected baby. ■

REGIONAL DIGEST

• A former home health nurse pleaded guilty to fraudulently selling a 94-year-old woman's home by forging legal documents. The woman told an Albany, NY, judge that she did it without the elderly woman's knowledge, then pocketed part of the proceeds. Authorities say the nurse drained nearly $700,000 from the estate, reported the *Times Union* in Albany. She faces six to 20 years in prison and will probably lose her license.

• The **Iowa Department of Human Services' Division of Medical Services** has decided to not put limits on the number of hours it will pay for home health services for disabled children, reported the *Des Moines Register*. In early June, the department sent notices to 400 Iowa families that it was reducing the number of hours it would pay for the services. About 80 of those families protested and were featured on the front page of the newspaper a few weeks ago.

• **Chicken Soup Plus**, a home care provider in Sacramento, CA, is turning clients away because it does not have enough skilled and unskilled nurses to meet the demand. And the problem will only get worse, reported the *Sacramento Bee*. In 20 years, there will be about 2.6 million more retirees in California than there are today.

• **Mercy Health Services** (Farmington Hills, MI) is merging with **Holy Cross Health System** in Indiana to create one of the largest Catholic healthcare systems in the country, reported the *Detroit News*. When combined, the company will have $4 billion in revenue, operate 52 hospitals nationally, operate 30 home health offices, and employ more than 11,000 people in southeast Michigan. The system will focus on delivering quality and cost-effective services to communities with larger pockets of the poor and underserved. The two systems said they will choose a headquarters and a management team by January. ■

CALENDAR

• The **National Association for Home Care** (Washington) is holding its fifth annual Home Care Financial Management Conference July 7-9. The conference, *The Year of Transition: Emerging Issues in Financial Management for Home Care*, will be at the Westin Resort in Hilton Head Island, SC. For more information, call (202) 547-5050.

• The **National Association for Home Care**'s (Washington) 1999 Annual Meeting & Homecare Expo will be Oct. 9-13 in San Diego. The 1999 conference will feature more than 250 exhibiting companies, a PPS update, and more than 100 educational programs. For more information, call (202) 547-5050. ■

Mallinckrodt

Continued from Page 2

While the company has reduced its expenses and has divested its industrial chemicals businesses, and while it currently holds a solid market position in the home health industry, it is still experiencing slow growth, said one analyst.

"We've yet to see anything that suggests they've built a platform for sustainable, significant topline growth," **CIBC World Group** (Toronto) analyst Stephen Gerber told the *Journal*.

For instance, over the past four years, the price of the company's most popular product, Optiray, which enhances X-ray images, has dropped by 60%. Shipments of the product continue to rise, but its profit is slowly declining, reported the *Journal*. The company's imaging group has been hit hard by such price cuts, but sales in the company's respiratory group are on the rise because of the Nellcor acquisition.

In March, Holman sent Mallinckrodt employees an internal memo stating that the company had imposed a hiring freeze and restricted travel. Even though the company posted earnings of 92 cents per share for the first half of FY99, it wants to ensure it hits its earnings targets for the year of between $2.25 and $2.35 per share.

Analyst Elliot Wilbur of **CIBC Oppenheimer** (Los Angeles) said reaching those targets is achievable for Mallinckrodt because sales of the company's pharmaceutical products are typically concentrated in the second half of the year.

While the Nellcor acquisition may prove beneficial to the company in the long run, Mallinckrodt's top three investors – **Trimark Financial Corp.** (Toronto); **College Retirement Equities Fund** (New York); and **Southeastern Asset Management** (Memphis, TN) – were unhappy with the decision to purchase the respiratory device maker. Consequently, each company sold most, if not all, of its stock when the reduced earnings expectations came out.

"Back in around the end of September our stock was at a low of about $19, just under $20 a share," Abbett told *HHBR*. "And that was in large part a reflection of those investors that were dissatisfied." Stock last week was trading at about $36 a share. "So we are seeing some improvement," she said. "And yes, we do believe there is a lot of opportunity for us to regain credibility with the investment community."

The company has an aggressive goal to grow internationally, adding to its $2.4 billion a year sales and its 13,000 employees. It recently announced that it received more than 200 regulatory clearances for its products in the United States, Canada, Europe, Mexico, South America, Central America, and Pacific Rim countries. Holman said a key to sales growth is having new and improved products.

"Global sales growth is a top priority for Mallinckrodt," Holman said. "Today, our sales outside the U.S. account for 35% of our business, and we intend to increase that substantially over the next five years."

Holman said that the company is comfortable with an FY2000 earnings projection of $2.50 to $2.60 per share. ■

WASHINGTON UPDATE

• Former Sen. Bill Bradley said last week while campaigning for the presidential nomination that he plans to propose a healthcare plan this fall that addresses the needs of home healthcare aides. He added that home care workers should be better trained and paid more. Bradley said he regularly hears complaints from people about their inability to find qualified and trustworthy people to take care of their elderly relatives. To address the problem, Bradley said, the **New Hampshire Community Loan Fund** has helped create a new corporation, **Quality Care Partners**, that it hopes will be a profit-making enterprise. The group pays its workers above the prevailing wage for that occupation and pays them for the time they spend in cars traveling to patients' homes.

• Two home health advocates from Iowa told the Senate Select Committee on Aging that federal regulations are bogging nurses down in paperwork rather than patient care. "Our elderly patients need to know we are more concerned about providing quality services than data collection," said Cynthia Kail, public health director at the **Greene County Medical Center** in Jefferson, IA. Judith Conlin, director of the **Iowa Department of Elder Affairs**, said filling out a 19-page questionnaire with one patient takes two hours or more time from a nurse. Sen. Charles Grassley (R-IA), the committee chairman, said the forms are necessary because they are part of the prospective payment system scheduled to begin next year. He did, however, say he was shocked when he visited Kail at the medical center and saw the lengthy forms, reported the *Des Moines Register*.

• Legislation meant to protect a person's private medical information could actually open it up to a wider audience, reported the *New York Times*. The bill drafted by Sen. James Jeffords (R-VT) says that healthcare providers and insurance companies may not disclose information from medical records unless given permission by the individual. It also says that anyone who wants health insurance must authorize the use and disclosure of personal information. "The bill recognizes a right to confidentiality," said James Pyles, an expert on privacy rights who represents the **American Psychoanalytic Association** and many home health agencies, "but essentially eliminates it by compelling the consent as a condition of obtaining insurance or even treatment in some cases. That's not really consent; it's submission."

• **Health and Human Services** Secretary Donna Shalala told *Face the Nation* that President Clinton's plan to help buy prescription drugs for older Americans "will not be as generous as people think." Last week, Clinton announced his plan that would eventually give $2,500 a year in federal money to each Medicare beneficiary to help buy prescription drugs. Clinton has also said that he wants to build up Medicare with $794 billion of federal budget surpluses over the next 15 years. Medicare would receive 15% of the surpluses, keeping it solvent until at least 2025. In the prescription drug proposal, the Clinton administration decided that the premium for drug coverage would start at $24 a month and rise to $44 a month. The government would pay half the cost of prescription drugs, up to a certain level. The maximum federal payment would initially be $1,000 a year, but will eventually rise to $2,500 a year. Clinton also plans to propose modest relief for healthcare providers complaining about cuts in Medicare payments. The administration wants to establish a special fund with less than $10 billion over 10 years, then it will work with Congress to decide who should get the money, be it doctors, hospitals, nursing homes, or home healthcare agencies.

• Medicare patients could continue receiving home care under the Community Nursing Organization Demonstration Project Extension Act. The act would allow home care under Medicare until 2003. The project began in 1987 and involves more than 6,000 beneficiaries in Arizona, Illinois, Minnesota, and New York. It keeps spending to a minimum due to an emphasis on primary and preventative care. ■

Columbia

Continued from Page 1

acquitted on one count of obstructing a Medicare auditor.

The fraud took place at Fawcett Memorial Hospital in Port Charlotte, FL, prosecutors said. The defendants were accused of submitting requests for reimbursement on interest paid on loans. The interest was listed as capital expenses, which are reimbursed at a higher rate than interest costs. A whistleblower told authorities that the four men knew it was incorrect and even suggested offering a Medicare auditor a job to keep her from discovering it. Throughout the trial, defense attorneys maintained that the wrongdoing involved differences of opinion over complicated regulations.

Jarrell and Whiteside are free on bond. Their presentencing hearing is scheduled for Oct. 15. They will remain on the company payroll pending the outcome of an appeal, said a company spokesman.

The two other mid-level executives received better news on Friday. Michael Neeb, who is CFO of the company's Jacksonville division and was CFO of Fawcett from 1992 to 1994, was acquitted of all charges. The jury was unable to reach a verdict on Carl Lynn Dick, CFO of Columbia's Central Florida division. Dick was charged with one count of conspiracy. Prosecutors will decide this week whether to retry him.

Wall Street expects that Columbia will pay about $1 billion in fines to the government. The guilty verdicts in Tampa and investigations in Miami, El Paso, TX, and Atlanta have increased the pressure on the company. ■

WHAT THEY'RE SAYING

• For-profit and non-profit home health programs are "having a terrible time with recruitment and retention of staff," stated a letter to the editor in the *Cincinnati Enquirer*. Often, home health aides skip work with little notice and the turnover is great. The letter offers the following reason: Aides are not paid enough and receive little respect for their work. Most earn between $7.50 and $8 per hour, about the same as a fast food worker, while a baseball player earns millions. "So, what are we going to do about this caregiver problem? How can we attract quality people? We "boomers" better figure it out pretty quick. Soon we will be the elderly," the letter stated.

• "All Quiet on the Senior Front," an article about seniors skeptical of home care providers' campaign to increase federal payments, ran in *Modern Healthcare* in May and received some responses from concerned providers. In one letter to the editor, Donald Wilver Jr., chief human resources officer of **Sun Home Health Services** (Northumberland, PA), said that growth in the industry has resulted from early hospital discharge and better technology, enabling people to be monitored from home. But the new payment system, Wilver said, has forced 25% of providers out of the Medicare business. Another letter to the editor was written by Carmen Spears, director of home healthcare at **Seiling Municipal Hospital** (Seiling, OK). Spears was offended by a statement made by a government aide, who suggested that the providers were having "trouble paying for a second Mercedes." She would never be able to afford such a car, she said. And as for a comment that said beneficiaries have not seen reduced access to home health services because of Medicare reform, she responded that many businesses were in it for the money and have closed their doors, while other agencies continue to cut salaries, benefits, and equipment in order to care for the people.

• Mary Suther, chairwoman of the **National Association for Home Care**'s (NAHC; Washington) board, testified at two Senate hearings recently about the damage caused to home health agencies by the Balanced Budget Act of 1997 and increased regulations. The hearings were held before the finance committee and the Government Affairs Committee Permanent Subcommittee on Investigations (PSI). During the PSI hearing, Suther talked about how the changes will ultimately affect patients. "NAHC has received reports from home care providers, beneficiaries, and from the media throughout the nation that have showcased individual cases where access to care has become a serious problem," Suther said. In addition, the **Health Care Financing Administration** (HCFA; Baltimore) is requiring that agencies report all home health visits in 15-minute increments, cooperate with the implementation of OASIS, increase medical claims reviews and sequential billing, and expand compliance surveys. These requirements are placing undue financial and operational burdens on agencies, Suther testified. ■

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 they 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 your agency.

With your purchase of the new accreditation guide, you can receive 25 nursing continuing education credits free. You also have the opportunity to buy 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.* ■

Proposal

Continued from Page 1

posal, they did not specify exactly where that money might be directed and whether there would be any offsets. It is widely believed that home healthcare will be in the front of the queue.

Further fueling that momentum is **Medicare Payment Advisory Commission** (MedPAC) Chair Gail Wilensky's recent assertions that the three areas of the Medicare program with structural problems are home health, skilled nursing facilities, and the $1,500 outpatient therapy cap. The administration's plan also includes hospitals.

Home medical equipment providers were not surprised to find that competitive bidding was a major provision included in the administration's package. However, the five-page summary focused primarily on Medicare managed care and did not specify the degree to which that authority would be proposed for Part B services. "We don't like the cryptic language in there about competitive bidding," said. Erin Bush, associate legislative director at the **Health Industry Distributors Association** (Alexandria, VA). "The 20% co-pay on laboratory services also concerns us, as does indexing the Part B to inflation."

A more detailed outline of the president's proposal is expected soon. ■

Bond/Collins

Continued from Page 1

Business Committee and has a demonstrated ability to marshal support for home care initiatives. Collins chairs the Senate Permanent Committee on Investigations and has used that podium to spotlight problems in the home care industry.

But just as important as what the Bond-Collins bill does is what it doesn't do, namely split the industry by targeting high-cost or low-cost agencies for relief. "It was very important not to open up that can of worms," said one industry representative.

Bond and Collins noted that when it was enacted, the Congressional Budget Office (CBO) reported that the BBA would reduce home health expenditures by $16.1 billion between FY98 and FY02. But the CBO's latest estimate says that number will approach $48 billion — three times the anticipated budgetary impact. "A further 15% cut to home health costs limits would be devastating to cost-efficient providers and would reduce seniors' access to care," the CBO said. "Moreover, it is unnecessary since the budget target for home health outlays will be achieved, if not exceeded, without it."

The Bond-Collins bill would also provide supplemental "outlier" payments to home health agencies on a patient-by-patient basis if the cost of care for an individual is considered by the Secretary of **Health and Human Services** (Washington) to be "significantly higher than average" due to the patient's particular health and functional condition. According to Bond and Collins, this would remove the existing financial disincentives under the IPS for agencies to care for these patients.

The bill would increase the per-beneficiary cost limit for agencies with limits below the national average by gradually raising low-cost agencies' per-beneficiary limits up to the national average over three years or until the home health PPS is implemented. It would also increase the per-visit cost limit from the current 106% of the median to 108% of the national median. According to Bond and Collins, the rapid growth of home health in the last decade was fueled by the high number of visits to patients rather than the cost per visit. "To decrease total costs in order to remain under the per-beneficiary limits, agencies have had to significantly reduce the number of visits to patients, which has in turn increased the cost of each visit," they said.

The Home Health Equity Act would also revise the surety bond requirement for home health agencies by making it strictly a fraud bond. According to Bond, who spearheaded last year's effort to postpone the original surety bond regulation issued by the **Health Care Financing Administration** (HCFA; Baltimore), the main problem with that requirement is that it went beyond congressional intent by attempting to use it as a tool to recover overpayments instead of only targeting fraudulent payments. HCFA now says the revised regulation will not be out until Oct. 1, 2000.

The bill would also extend the IPS overpayment recoupment period for three years without interest. More than a year after implementation of IPS, note the authors, HCFA's fiscal intermediaries (FI) had failed to notify many agencies of the visit and per-beneficiary limits they faced and instead continued to pay agencies under the previous year's limits. While HCFA has instructed FIs to extend the repayment period for these overpayments over 12 months, Bond maintains that is insufficient, especially for smaller agencies that lack large cash reserves.

Notably, the legislation would also eliminate the controversial 15-minute reporting requirement. The authors say HCFA's instructions implementing this BBA provision are "excessively labor-intensive" and would be addressed within the context of the home health PPS.

Finally, the legislation would extend the Periodic Interim Payment Program (PIP), which is currently scheduled to be eliminated Oct. 1, 2000, through the first year of implementation of PPS. That program permits HCFA to make payments to agencies based on historical payment levels prior to the final settlement of claims and cost reports.

Another major but less comprehensive home care bill is expected to be introduced by Senate Health, Education and Labor Chairman Jim Jeffords (R-VT) this summer. That bill would also eliminate the 15% cut and create an outlier policy for high-cost, medically complex patients. It now seems all but certain those two provisions will be included in whatever home care bill is passed by Congress this year. ■

House

Continued from Page 2

revised regulations for the surety bond requirement until Oct 1, 2000. The controversial requirement was put on hold last year pending a **General Accounting Office** (Washington) study that was completed earlier this year.

Stark's bill, the Medicare and Medicaid Surety Bond Reform Act of 1999, would cap the amount of the surety bond at $50,000 and limit the requirement to home health and DME providers in the first two years of participation in the Medicare and Medicaid programs. It would also allow one bond to satisfy both the Medicare and Medicaid surety bond provisions.

In addition, Rep. Bernard Sanders (I-VT) introduced the Medicare Home Health Restoration Act on June 24, which basically amounts to a wish-list for the home care industry. Sanders' bill would roll back the interim payment system (IPS) entirely. "It would basically repeal the IPS altogether and make retroactive payments to home health agencies," said an aide to Sanders. The bill would also repeal both the temporary 15% across-the-board cut scheduled for October 2000 as well as the permanent 15% across-the-board cut.

In addition, Sanders' bill would extend the Periodic Interim Payment Program (PIP), which is set to be eliminated for portions of cost reporting periods occurring on or after Oct. 1, 2000, and restore the per-visit cost limits to 112% of the mean rather than the 106% of the median in the BBA. ■