

# Home Health

## BUSINESS REPORT

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

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## Congress grills Medicare contractors about oversights

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – Congress is stepping up its scrutiny of Medicare contractors. At a Sept. 9 hearing, the House Commerce Subcommittee on Oversight and Investigations grilled several Medicare contractors about what steps the **Health Care Financing Administration** (HCFA; Baltimore) is taking to rein in fraudulent claims processing practices.

George Grob, deputy inspector general at the **Health and Human Services' Office of Inspector General** (OIG), told the subcommittee that while examples of contractor fraud are often dramatic, contractor financial mismanagement that fails to catch provider fraud is a much greater problem because it is far more pervasive. That observation leads many observers to believe that the OIG's focus is likely to remain firmly fixed on providers, including home health agencies.

Medicare contractors were paid \$1.6 billion in 1998 and process over \$700 million in Medicare claims every business day on behalf of HCFA. But the **General Accounting Office's** (GAO; Washington) Leslie Aronovitz told the subcommittee that HCFA's efforts to oversee the activities of Medicare fee-for-service claims administration contractors are still largely inadequate.

"Findings of inappropriate Medicare payments to providers totaling billions of dollars each year have heightened concerns about the program's management," Aronovitz said. "Cases in which contractors themselves have engaged in improper activities and even defrauded Medicare dramatically compound these concerns."

The subcommittee had planned to question the carriers earlier this summer, but postponed the hearing in July when the **Justice Department** (Washington) announced that three additional contractors had

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## Invacare's offer for Scandinavian Mobility 98% complete

By MEREDITH BONNER

HHBR Editor

Invacare's (Elyria, OH) \$16.52-per-share cash tender offer for **Scandinavian Mobility International** (SMI), representing a 109% premium over SMI's FY98 close, is 98% complete, Invacare said last week. And a redemption offer period has begun to acquire the remaining 1.9% of the shares, Invacare announced late last month.

The acquisition of SMI for \$146 million in cash, Invacare said, gives it the "number-one market share in Europe." SMI offers a range of home care products, including beds, mobility aids, and wheelchairs. The company generates annual sales of \$130 million.

While Invacare offers many home care products within the same categories as SMI, including home care beds, patient aids, and wheelchairs, and there is some overlap with SMI, Invacare maintains that the SMI offerings are highly complementary, given the differences in SMI's geographic market strengths. In Europe, Invacare's strength is

primarily in France, Germany, and the United Kingdom, while SMI is stronger in the Scandinavian countries, Invacare said.

The company plans to merge the two entities' marketing organizations, consisting of both direct representatives and distributors.

Invacare made its first bid for SMI in June, when it offered \$14.58 per share for the company. The total value of the acquisition at that time was \$131.3 million. The offer was open until Aug. 11 to shareholders of SMI. Invacare raised its offer from \$14.58 per share to \$15.09 per share, then, in early August, to \$16.52 per share, bringing the total value of the acquisition to \$146 million.

Invacare called its 2Q99 sales of \$202.2 million "basically flat" and said it was due in part to sluggish domestic sales and Medicare cutbacks. The company's earnings rose 8% to \$11.9 million.

SMI saw sales of \$50.4 million for the first six months of FY99 and operating earnings of \$4.6 million. ■

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## Congress

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pleaded guilty to criminal felony counts related to their Medicare business.

At least eight Medicare contractors have been convicted of criminal offenses, been fined, or entered into civil settlements since 1993. More than \$235 million in civil and criminal fines have been assessed against six of them.

Improprieties have included improperly screening, processing, and paying Medicare claims, as well as destroying claims and failing to properly collect money owed to Medicare by providers. Some contractors also falsified their performance results and circumvented HCFA performance review.

"Because HCFA gave contractors too much advance notice of its oversight visits and the records that would be reviewed, it often failed to detect improper contractor activities," Aronovitz told the subcommittee. Worse yet, many of those weaknesses persist today, she added.

According to Aronovitz, employees at all levels – from directors of operations to staff-level employees – have engaged in fraudulent activities over extended periods. "These employees failed to properly conduct claims processing and safeguard activities and then covered up their poor performance by doctoring records that HCFA staff reviewed," she told the subcommittee. "The employees did so because they feared losing their Medicare contracts and their jobs if they did not meet HCFA's expectations."

Aronovitz told the subcommittee that investigators and former contractor employees have reported that manipulating samples, covering up errors, and "fixing" HCFA-selected records prior to the agency's review had become a way of life for the three contractors recently targeted. "According to three former contractor employees and investigators in two of the cases, such activities spread as employees at various levels and units taught each other how to commit improprieties," she added.

The GAO made several recommendations to improve HCFA's oversight of contractors, including a contractor management policy that requires verification that all contractors have effective internal controls as well as systematic validation of contractor-reported data.

The GAO said that annual contractor assessments could also be improved by a comprehensive set of clearly defined and measurable performance standards. It recommended assessing all contractors regularly on core performance standards and reviewing individual contractors on other activities identified by risk assessments.

Finally, the GAO suggested development of annual reports for each contractor that include performance on core standards and other HCFA-assessed standards.

The GAO urged HCFA to designate a unit responsible for evaluating the effectiveness of contractor oversight policy. ■

## C A L E N D A R

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

- The **Health Industry Distributors Association's** (Alexandria, VA) annual meeting and trade show, HIDA 99, will be Oct. 8-11 in Chicago.

- Medtrade '99 will be Nov. 3-6 in New Orleans. Attendees will get the first glimpses of significant technological advancements and innovations. Medtrade Europe, the trade event in Europe that focuses exclusively on the home care market, has been postponed to 2001. The conference was scheduled for April 12-14, 2000. For more information on either Medtrade trade show, call (800) 241-9034. ■

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## COMPANIES IN THE NEWS

### Byram acquires medical supply provider

**Byram Healthcare Centers** (Greenwich, CT) acquired **Medical Home Supply** (MHS; Denver), a privately held medical supply provider. MHS, with \$2.5 million in annual revenues, provides disposable medical supplies to home care patients in Colorado.

"This transaction provides Byram with an initial foothold in the West," said Raymond Noeker, CEO. "The strength of the MHS organization will allow us to rapidly expand our presence in the West and move Byram closer to our objective of having an efficient national distribution capability."

### Continental sees increase in 2Q99 sales

**Continental Home Healthcare** (Vancouver, British Columbia) saw gross sales in 2Q99 ended June 30 of \$4.9 million, compared to sales of \$4.5 million in 2Q98. The company recorded a net profit of \$106,789, up 79% from the previous quarter's net income of \$59,563.

Continental management said it is encouraged with the financial results from 2Q99 and the first six months of FY99, as the second half of the year is historically the stronger of the two periods.

The company recently completed the acquisition of **Queen of Angels, Hollywood Presbyterian Medical Center's** home medical equipment business. Continental officials said the acquisition will contribute to further growth of revenues and profits in the coming periods. In addition, the company is nearing the completion of securing a \$3 million operating line of credit, which will enable management to continue its acquisition strategy in the southwestern United States.

### Invacare acquires two companies

**Invacare** (Elyria, OH) has acquired two small, private companies: **Adaptive Switch Laboratories** (Spicewood, TX) and **Dynamic Systems** (Atlanta). Both companies, Invacare said, design and manufacture adaptive devices that allow people with disabilities to achieve independent mobility, environmental control, communication, and computer access. Dynamic Systems markets its products under the brand name **Peachtree**.

Dynamic Systems' operations will be merged, within the next 30-60 days, with Adaptive Switch, which will maintain its operations at its Texas location. Adaptive Switch will continue to operate as it has in the past, designing and manufacturing products to interface with all power chair manufacturers. Adaptive Switch has supplied Invacare with its devices for the past four years, the company said.

### Rehabicare FY99 revenues up 24%

**Rehabicare** (New Brighton, MN) last week announced its consolidated financial results for 4Q99 and FY99 ended June 30. Both revenue and net income for the year-end set records for the company, Rehabicare said.

For FY99, the company reported revenues of \$41.8 million, a 24% increase from FY98 revenues of \$33.8 million. The company recorded a net income in FY99 of \$2.9 million, 27 cents per share, compared to a net loss in FY98 of \$1 million, 10 cents per share. The FY99 results, Rehabicare said, include the home care business of **Henley Healthcare**, which was acquired by Rehabicare in August, and five months of operations of Rehabicare's majority-owned, U.K. subsidiary **Rehabicare Ltd.**

In 4Q99, the company saw revenues of \$10.9 million, compared to 4Q98 revenues of \$8.6 million, an increase of 27%. Rehabicare posted a net income in 4Q99 of \$760,000, 7 cents per share, compared to a 4Q98 net income of \$86,000, 1 cent per share. ■

## 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](mailto:customerservice@ahcpub.com). ■

## REGIONAL DIGEST

- **Kapiolani Health** (Honolulu, Hawaii), ending a two-year civil investigation by state and federal authorities, agreed last week to pay \$3.4 million to settle charges that it overbilled Medicare and Medicaid for services provided by its now-defunct home care divisions. Under the settlement, the two-hospital system admitted no wrongdoing, reported *Modern Healthcare*. Hawaii's deputy attorney general told *Modern Healthcare* that the state will continue a separate investigation into possible criminal wrongdoing in connection with the home care overbilling. Roger Drue, Kapiolani's president/CEO, said in a written statement that two Kapiolani subsidiaries, **Kapiolani Home Health Services** and **Kapiolani Extended Care**, overbilled Medicare and Medicaid by more than \$700,000 in the mid-1990s because of its failure to effectively oversee its activities. Of the settlement amount, \$1.9 million will go to the federal government, \$700,000 will go to the state, \$630,000 will go to the whistleblower, and \$180,000 will go to the whistleblower's lawyer.

- California union officials from Los Angeles to Sacramento are pushing for pay raises for thousands of minimum-wage home care workers, reported the *San Francisco Chronicle*. Late last year, union officials won the right to represent about 3,800 in-home healthcare workers in Contra Costa County. And early this year, 74,000 home care workers in Los Angeles joined the union, representing the biggest labor organizing victory in California since the 1940s. But even though labor has pushed for changes since the late 1980s, the *Chronicle* reported, their progress has often been measured in wage increases of just a few cents per hour. And Contra Costa County passed its budget last month without increasing pay for newly unionized personal health assistants, reported the *Chronicle*. But union members want more.

- Sacramento County home care workers are closer to their goal of working under the protection of a nonprofit public authority, reported the *Business Journal of Sacramento*. Legislation signed by Gov. Gray Davis in July requires counties to establish an employer of record within three years for home care workers. Their paychecks are issued by the counties, but many home care workers are considered independent contractors, hired directly by clients. An ongoing movement is trying to establish a nonprofit, public authority in each county that would act as an employer for the state's 200,000 home care workers, the *Journal* reported.

- **Optimum Home Health Care**, part of **Frontier Group** (Boston), closed its doors last week, leaving nearly 400 eastern Massachusetts patients without home care. An undisclosed number of employees were let go, reported the *Boston Herald*. Most of Optimum's patients are being placed with other home care providers, the *Herald* reported. ■

## BRIEFLY NOTED

- Despite the fact that a number of Medicare managed care withdrew from the Medicare risk market last year and a number of plans are expected to withdraw from certain markets this year, the number of plans serving Medicare beneficiaries and enrollment in Medicare+Choice plans continued to grow in the first half of 1999. According to an analysis of **Health Care Financing Administration** (HCFA; Baltimore) data by the **Healthcare Intelligence Network** (HIN; Wall, NJ), the number of Medicare+Choice contracts increased from 383 in January to 402 in June. And the number of enrollees increased from 6.6 million in January to 6.9 million in June. Health plans that are withdrawing from certain markets are citing declining reimbursement as the reason, according to the research. But HIN said it offers a number of resources to assist health plans and providers in the Medicare+Choice market, including *Medical Management Under Medicare Risk*, which shows healthcare providers how to tackle their toughest senior care challenges, *Managed Medicare & Medicaid*, which provides a variety of benchmark data to help healthcare organizations predict their level of risk, and *The Executive Guide to Medicare Managed Care*, which provides healthcare providers with the latest solutions to Medicare managed care challenges. For more information on the Medicare resources, call (888) 446-3530. ■

## TECH UPDATE

- **Convergent Communications** (Portland, OR), an enterprise network carrier, has signed a \$600,000 service agreement with **SNALF.com** for the development of a portal Web site that will target the long term care industry. The site will serve as a platform for Internet access, information gathering, sharing, and communication between care providers, vendors, and professionals in the long term care industry.

- **Telemetrix** (Denver) has signed a letter of intent with **Tri-Corners Telecommunications** to form a joint venture partnership that will market and deploy the Telemetrix T3000 System. The T3000, formerly known as Datatrak, provides Wireless Local Loop telephone service, as well as time-of-day and day-of-week automatic utility meter reading. The new system offers a suite of services, including automation for the home health industry. The definitive agreement between Telemetrix and Tri-Corners is expected to be signed by late September.

- **Outcome Concept Systems** (OCS; Seattle) has opened the first Internet OASIS benchmark database. The database, gathered from hundreds of home health agencies in OCS' client base, includes six months of 1999 OASIS, outcomes, and utilization data. For more information, go to [www.ocsys.com](http://www.ocsys.com). ■