Home Health

BUSINESS REPORT

TUESDAY, OCT. 12, 1999 VOL. 6, NO. 41 PAGE 1 OF 7

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

HCFA sets timetable for next competitive bidding demos

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

BALTIMORE – The **Health Care Financing Administration** (HCFA; Baltimore) drew a wide audience of home care trade groups, manufacturer representatives, consumer groups, and others to its open public meeting Oct. 5 to discuss the agency's future competitive bidding demonstration projects for durable medical equipment orthotics prosthetics and supplies (DMEPOS).

HCFA announced there will be several more demonstrations over the next two years, with the next one taking place in Region C durable medical equipment regional carrier (DMERC) Palmetto GBA. The first demonstration in Polk County, FL, which officially got underway Oct. 1 after DME supplier groups failed to stop it in the courts, is also in Region C.

The timing and location of the next demonstration came as no great surprise to industry observers. The

See Competitive bidding, Page 7

NAHC's 18th annual conference and expo gets under way in CA

By LEE LANDENBERGER
***HHBR* Managing Editor**

SAN DIEGO – The struggle of home care, whether on Capitol Hill or against illness, took center stage this weekend in southern California as the largest of the nation's five home care associations convened its 18th annual meeting.

More than 4,000 members of the **National Association for Home Care** (NAHC; Washington) came from across the nation to learn more about their craft through 130 niche educational programs with names such as *Integrating the Guidelines for the Cardiac Patient into Practice* and *Pressure Ulcers in the Home: Current Practices and Innovations*. Attendance was slightly higher this year than it was at last year's NAHC annual meeting in Atlanta, though much lower than 1997's meeting in Boston, which sported about 5,700 members.

But in addition to the seminars, members also wanted to

See NAHC, Page 5

OIG puts providers on notice over exclusion from federal programs

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

The **Department of Health and Human Services**' (HHS; Washington) **Office of Inspector General** (OIG) released a special advisory bulletin Sept. 28 that puts home health agencies and other healthcare providers on notice about the effects of exclusion from federal healthcare programs and encourages them to take action to make sure they are in compliance with recently published regulations.

According to OIG spokeswoman Alwyn Cassil, the special advisory is primarily designed to answer a stream of questions posed to the OIG since it published the final rule. "We just published the regulations implementing that provision in July," she said, "and we have gotten a lot of questions about the effects of exclusion and what that means." She noted that both the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Balanced Budget Act of 1997 (BBA)

See OIG, Page 6

Hospice industry blasts OIG's final compliance program

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

BALTIMORE – Hospice representatives say the **Department of Health and Human Services**' (Washington) **Office of Inspector General**'s (OIG) final compliance program for hospice incorporates few of the changes they were hoping for when they submitted comments on the draft plan released July 21. The OIG's compliance program for hospice is similar to other guidance already issued by the OIG for clinical laboratories, hospitals, home health agencies, third-party medical billing companies, and durable medical equipment suppliers. While all OIG compli-

See Hospice, Page 6

Holiday schedule

Because *HHBR*'s offices were closed Monday for Columbus Day, fax subscribers are receiving this week's issue today, Tuesday, Oct. 12.

Financial report says outlook for home care is not good

By MEREDITH BONNER
***HHBR* Editor**

A recent **HealthCare Markets Group** (Hilton Head, SC) report on the financial performance of public healthcare companies shows what many players in the home health field have known for a while: the home care industry is in financial trouble.

John Cumming, a managing director at HealthCare Markets Group, told *HHBR* that there have been many consolidations in the industry over the past several years that have not been effectively managed.

"That could be, in many instances, that the companies paid too much for acquisitions and ended up not getting the economies of scale they thought and, consequently, have suffered," he said. "And overlay on top of that the fact that the BBA has cut back on revenues, which cut back on earnings. The industry is in considerable trouble."

The report compares the 2Q99 revenues and earnings of public healthcare companies, including home health companies, to 2Q98 revenues and earnings. The report includes comparisons of each of the past four quarters with the respective quarters of the previous year.

According to the report, adjusted earnings, adjusted for various one-time events, for the home health sector were not calculable, on a 5.8% increase in revenues. Provisions in the Balanced Budget Act of 1997 (BBA), affected the home health segment's quarterly revenues and earnings, the report said. By way of additional comparison, 1Q99 adjusted earnings declined 51.7%, on an 8.9% increase in revenues. 4Q98 adjusted earnings were not calculable, on a 5% drop in revenues, and 3Q98 adjusted earnings were not calculable, on an 8.5% decrease in revenues. In addition, 2Q98 adjusted earnings were not calculable, on a .6% decrease in revenues, and 1Q98 adjusted earnings were not calculable, on a .8% decline in revenues.

Cumming said home health companies have had two primary problems that have caused the losses and drop in revenues, including companies not being able to realize the economic synergies from acquisitions, and problems caused by the BBA.

"Companies like **American HomePatient** (Brentwood, TN), **Housecall Medical Resources** (Atlanta), and **Home Health Corp. of America** (King of Prussia, PA) all had problems because they had accelerated growth and were not effectively able to manage it," said Cumming. "When companies are not getting any economies, and are seeing reduced reimbursement, nothing good can happen – and it hasn't."

Housecall and HHCA are no longer publicly trading, and HHCA filed for Chapter 11 bankruptcy in February. The decline in Medicare reimbursement has negatively effected AHOM's quarterly earnings in FY99. The company was delisted from the Nasdaq National Market in July and has been trading on the Over-the-Counter Market.

But even worse is the news that Cumming said he doesn't see the sector's difficult time getting any better. Cumming told *HHBR* he is not sure the companies are going to be able to turn around from the financial debacles.

"That is real negative, but I'm not sure they can," he said. "I think the government is going to kill the golden goose. It is going to have to roll back some of these reimbursement reductions. There is some pressure now, and I'm hoping for that."

But it is not all up to the federal government.

"Companies are going to have to take some better approaches to running themselves," Cumming said. "They are going to have to do business a lot leaner. And this could affect quality patient care – we don't know yet. But in the end, they will be the ones to suffer."

Among publicly traded companies in the entire healthcare industry, 2Q99 adjusted earnings increased 11.7%, on a 12.7% growth in revenues. By comparison, 1Q99 healthcare industry adjusted earnings increased 15.3%, on a 14% jump in revenues, 4Q98 adjusted earnings increased 21%, on a 16.3% jump in revenues, 3Q98 adjusted earnings increased 14%, on a 14.3% hike in revenues, and 2Q98 adjusted earnings increased 11.5%, on a 14.3% growth in revenues. ■

Home Health Business Report® (ISSN 1073-9572) is published every Monday by American Health Consultants®, 3525 Piedmont Road, Building Six, Suite 400, Atlanta, GA 30305. Opinions expressed are not necessarily those of this publication. Mention of products or services does not constitute endorsement. Home Health Business Report® is a trademark of American Health Consultants®, a Medical Economics Company.

SUBSCRIBER INFORMATION
Please call **(800) 688-2421** to subscribe or if you have fax transmission problems. Outside U.S. and Canada, call **(404) 262-5476**. Our customer service hours are 8:30 a.m. to 6:00 p.m. EST.

EDITORIAL
Meredith Bonner **(404) 262-5478**
Karen Pihl-Carey **(404) 262-5514**

VICE PRESIDENT/GROUP PUBLISHER
Donald R. Johnston **(404) 262-5439**

INTERNET
http://www.ahcpub.com

COMPANIES IN THE NEWS

Graham-Field loses $50 million refinancing

Graham-Field Health Products Inc. (Bayshore, NY) said **BankBoston NA** will not proceed with a $50 million refinancing that was announced in August. The money was going to refinance the company's current indebtedness under its credit facility with **IBJ Whitehall Business Credit Corp.**, as well as provide ongoing working capital needs. Graham-Field did not explain why the refinancing was cancelled. The company intends to pursue alternative sources and the sale of certain non-core assets. It is also considering a restructuring or reorganization.

The company was delisted from the New York Stock Exchange July 12 for failing to meet listing requirements. It reported a net loss of about $49 million, $1.61 a share, for FY98 ended Dec. 31.

On Friday, **Standard & Poor** (New York) lowered its corporate credit and bank loan ratings on Graham-Field to triple-C-minus from triple-C. It lowered its rating on the company's subordinated debt to single-C from double-C. The outlook is negative. S&P took the actions because of Graham-Field's announcement that it will not proceed with the $50 million secured credit facility. Even though the company made its most recent bond interest payment, its liquidity problem has not been solved, S&P said.

HealthSphere to liquidate home health operations

HealthSphere of America Inc. (Memphis, TN) is liquidating its Medicare-funded home healthcare operations in Chattanooga, Memphis and Springfield, MO. This year, about 80 home healthcare agencies in Tennessee have left the business and five major agencies have filed for bankruptcy, reported the *Chattanooga Times/Free Press.* HealthSphere, a 22-year-old company, filed for bankruptcy in June. Last week, it converted three of its eight companies from Chapter 11 to Chapter 7 bankruptcy, meaning it will liquidate the companies rather than reorganize them. HealthSphere once made more than 250,000 home health visits a year, but it will make fewer than 70,000 this year, the paper reported.

Infu-Tech to distribute Access Med's products

Infu-Tech Inc. (Carlstadt, NJ) said health insurer **Access Med Plus** has selected Infu-Tech as the distributor for specialty pharmaceuticals, including Synagis, a drug for the treatment of respiratory syncytial virus, which affects people under 2-year-old. Patients will be able to purchase the products from home on-line and receive healthcare and disease management support from medical professionals, the company said.

Invacare expects to meet analyst estimates in 3Q

Invacare Corp. (Elyria, OH) said it expects to meet analyst earnings expectations for 3Q99 despite a slow domestic sales growth. As long as sales continue to grow in Europe, Asia and Australia and the company aggressively contains costs, it should meet an earnings per share estimate of 46 cents. Invacare also said it was comfortable with earnings expectations of $1.64 per share for the year before charges for the acquisition of **Scandinavian Mobility International AS**. The acquisition will take one time charges in the fourth quarter of between $10 million and $12 million before tax, or 20 cents to 24 cents per share after tax, for the closing and consolidation of European facilities. The acquisition should generate between an earnings per share accretion of 15 cents to 20 cents in 2000, and an additional 10 cents in 2001, the company said.

In other news, the company's associates voted to remain union-free, following a filed petition by the United Steel Workers of America to represent the 1,000 hourly production associates at manufacturing locations in Elyria and North Ridgeville, OH. The margin of the vote was 712 to 214 .

Government subpoenas Lexington employees

Lexington Healthcare Group Inc. (Farmington, CT) said certain employees of the company were served with a subpoena by the U.S. Attorney's office. They are told to testify before a grand jury in the U.S. District Court, District of Connecticut. The company has been requested to provide certain documents. A company official said "we are cooperating fully with the inquiry and are confident that the company has not committed any wrongdoings."

MiniMed introduces approved Model 508 pump

MiniMed Inc. (Sylmar, CA) introduced its new insulin infusion pump, which received approval from the Food and Drug Administration in June. The company can now begin marketing its Model 508 programmable pump in the U.S. and Europe. MiniMed also introduced its Sof-set Micro OR disposable infusion set to use with its external infusion delivery systems, reported *Dow Jones News Service*. The product received FDA approval in September. The company's shares dipped 16% on Oct. 1, just a day after hitting a 52-week high, but analysts agreed the drop had to do with investors' concentration on whether the company will meet Wall Street's 3Q99 expectations. On Sept. 30, MiniMed's shares set a 52-week high of $108.25, but they closed at $98.25.

Olsten restates FY98 and 1Q99 results

Olsten Corp. (Melville, NY) restated its results for FY98 ended Jan. 3 and 1Q99 ended April 4 in order to

shift the periods in which the company accounted for a $56 million charge related to the settlement of two federal healthcare investigations and $2 million in other non-recurring charges. For FY98, the company restated losses as $35.5 million, 44 cents per share, compared with a previously recorded net income of $4.4 million, 5 cents per share. For 1Q99, Olsten restated its loss as $22.4 million, 28 cents per share, compared with its previous statement of a $62.3 million, 77-cent per share, loss.

The company doesn't expect the restatements to affect terms of its pending merger with **Adecco SA.** The federal healthcare investigations focused on the company's Medicare home office cost reports and transactions with **Columbia/HCA Healthcare Corp.** (Nashville, TN). Investigators charged that the company sold several Florida home health agencies to Columbia for an amount far below their worth, then charged Columbia inflated fees to manage the agencies. The fees were billed to Medicare.

In other news, the company formally filed a proxy statement with the **Securities and Exchange Commission** (SEC; Washington) detailing the terms of its proposed merger with Adecco SA. When the transaction is effective, each holder of Olsten stock will receive a combination of cash and/or Adecco American Depository Receipts, valued at about $8.75 per share. Shareholders also will receive .25 of a share of Olsten Health Services common stock in the split-off of the company's health services business. A final version of the proxy will be mailed to shareholders after the SEC completes its review.

PSAI receives go-ahead to sell testing unit

Pediatric Services of America Inc. (PSAI; Norcross, GA) received antitrust clearance, or early termination under the Hart-Scott-Rodino Act, allowing it to sell its paramedical testing unit to **Hooper Holmes Inc.** The company signed an agreement in August to sell the unit for $85 to $95 million and expects to complete the sale by the end of October.

Judge dismisses charges against Respironics

Respironics Inc. (Pittsburgh) said a judge in the U.S. District Court for the Western District of Pennsylvania dismissed **ResMed**'s (San Diego) charges that Respironics infringed a patent relating to a delay timer feature, or ramp, available on devices used for treatment of obstructive sleep apnea. It is the third patent in which the court has dismissed charges. One of the other charges involved Respironics' Continuous Positive Airway Pressure devices. ResMed has one patent infringement claim remaining. It also relates to a ramp patent infringement. The patent infringement cases began in 1995. ■

BRIEFLY NOTED

• At the 18th Annual Meeting of the **National Association of Home Care** (NAHC; Washington), being held in San Diego this week, Home Care University will honor four healthcare leaders by naming them Fellows of Hospice and Home Care. It recognizes people who have been actively involved in hospice and home care for at least 10 years, involved in activities of NAHC, and involved in making significant contributions to the field. The presentation will be made today honoring Emily Saylors Tripp, the group vice president of home care, hospice and purchasing at the VNA of Texas in Dallas; Karen Talbott, president and CEO of Visiting Nurse Service & Affiliates in Akron, OH; Elaine Stephens, president and CEO of Visiting Nurse Service of Greater Woonsocket in Lincoln, RI; and Paula Milone-Nuzzo, an associate professor and associate dean for academic affairs at Yale School of Nursing in New Haven, CT. Also at the NAHC meeting, **HealthMagic Inc.** (Columbia, SC) will introduce its web-based solutions for home care providers. CareCompass Connect! is a Web-based OASIS data entry system that also generates a Medicare 485 form. CareCompass is designed to prepare agencies for the prospective payment system and includes intake, integrated assessments, problem lists, care plans, visit notes, billing and payroll integration and reports. It will be available in the first quarter of 2000, the company said. ■

REGIONAL DIGEST

• West Virginia Home Health Services is buying Strategic Health Services, a division of **Camcare** (Charleston, WV). The deal includes in-home intravenous therapy, private duty nursing, aide services and the home care pharmacy service, reported the *Associated Press*. Strategic employs about 180 people and it lost $1.5 million last year, Camcare's CEO Phil Goodwin said.

• *The Record*, a newspaper in Hackensack, NJ, found through a nine-month investigation that more than 100 criminals – thieves, robbers, drug dealers – are working as home healthcare providers in the state. The state has lax laws regulating home healthcare, the newspaper reported. Home health experts said it is difficult to find good workers for only $7 an hour, saying working in a fast food restaurant offers better benefits. Through a computer analysis, the newspaper compared a list of certified aides against a list of criminal convictions since 1996. In March, New Jersey began requiring agencies to screen applicants for criminal backgrounds, but it does not require background checks after a license is granted. Gov. Christie Whitman called for background checks for all of the state's 24,000 home health aides, shortly after she learned of the newspaper's investigation.

• Nevada expects to see its senior population rise so that it ranks 15th in the nation for the highest percentage of seniors. The state now ranks 39th. Its senior population will climb about 10% between 1995 and 2025. That means 21% of its residents will be 65 or older. Aging officials say they need to prepare a healthcare system for the influx of seniors using Medicare. In 1997, Congress locked out some Nevada seniors from home healthcare in the Balanced Budget Act. That leaves them with more expensive emergency room or hospital care, reported the Associated Press.

• Washington's Department of Social and Health Services is considering making stricter changes to its tax-supported adult home care program after finding a disabled Everett woman was severely abused and neglected for 10 years, while the state continued to pay her husband state money to be her caregiver. The department proposes better criminal background checks of caregivers, the establishment of an adult abuse registry to keep track of caregivers notorious for the behavior, giving broader authority for the state to fire individual caregivers, better training for home care aides, lower caseloads for those who supervise the caregivers, the hiring of more Adult Protective Services workers, and boosting wages and benefits for home care workers.

• The **Health Alliance of Central New York** in Syracuse, NY, plans to form a partnership with **VNA Systems Inc.**, the city's biggest home healthcare provider. The two companies are operating under a confidentiality agreement and will not release further information until they finish evaluating the plan in several months, reported the *Post-Standard*.

• Six home healthcare agencies owned by **St. Joseph Health System** in northern California are merging their business and administrative operations to save money, reported the *Press Democrat* in Santa Rosa, CA. The merger has been in the works since May and most employees have been reassigned. A few have been laid off. St. Joseph said the merger occurred because of growing financial pressure from Medicare reimbursement reductions. The merger involves Home Care Partners, Petaluma Valley Home Health, North Coast Home Health and other agencies in Napa and Humboldt counties.■

NAHC

Continued from Page 1

hear NAHC's upper-level management talk about when the sun may pop out from behind the gray clouds created by the storm front known as the Balanced Budget Act of 1997 (BBA).

What they got were updates from the struggle that goes on inside the Beltway between NAHC and the federal government, and the expressed hope that the hardships created by the BBA would dissipate in a flurry of favorable legislation and court rulings. Mary Suther, chairwoman of NAHC's board of directors, acknowledged that the past 18 months have been difficult for her organization and its rank and file, but she added that NAHC has a 90% retention rate and more than 600 new members in the past year.

But some exhibitors said they felt that attendance at the meeting was low because of frustration with government regulations that have cut deeply into business. "Some people feel they've been unnecessarily penalized and have given up," one exhibitor said.

Theresa Forster, NAHC's vice president of policy, said that about 2,500 home care agencies closed up shop in 1999, and "that's a conservative number," she added. NAHC's goals remain, Forster said, the elimination of the 15% cut in Medicare reimbursement scheduled for October 2000, relief from overpayments, and an increase in per-visit limits. She pointed to the 14 bills introduced to Congress in 1999 to reform the effects of BBA.

"We are on the cusp of change," she said on Sunday, "more so than in the past couple of years."

Other concerns to be addressed in Washington by NAHC, according to Mary St. Pierre, the association's regulatory affairs director, include elimination of the 15-minute increment for reporting, refining OASIS, and regulating the implementation of surety bonds.

But the politics of Washington took a step back on the exposition floor as about 550 exhibitors plied their wares to the membership. According to NAHC, keeping abreast of new products and applications was the No. 1 reason for attending the meeting.

NAHC officials have a booth on the exhibition floor for those anticipating next year's annual meeting, which will be held in New Orleans. In the meantime, this year's meeting continues through today, Tuesday, and will conclude Wednesday afternoon. ■

Hospice

Continued from Page 1

ance programs are voluntary, they serve to put healthcare providers on notice about potential violations.

Once considered a domain largely free of fraud and abuse, the OIG has put hospice on notice about potential trouble spots. According to Karen Woods of the **Hospice Association of America** (HAA; Washington), many of those risk areas have never been substantiated.

For example, the OIG wants hospices to develop standards of conduct for "all affected employees," including "affiliated providers operating under the hospice's control." But HHA argues that many of these providers are rarely, if ever, affiliated with hospices and under the hospice's control. "This is particularly true of attending physicians," HHA argued in response to the OIG's draft. "It is unrealistic to expect that a hospice program could assure that these providers adhere to the hospice's standards of conduct."

The industry also argued that the OIG is trying to apply a "one-size-fits-all" plan to an industry that is marked by considerable diversity. However, the OIG maintains that it understands "the variances and complexities" within the hospice industry and is sensitive to the differences among large national and regional multi-hospice organizations, small independent hospices, and others. Regardless of those distinctions, the OIG concluded in its final plan, every hospice "can and should" strive to accomplish the objectives and principles underlying all of the compliance policies and procedures recommended in the guidance.

When it comes to compliance, Woods said, there are no silver bullets for hospice providers. "You have to be cautious about kickbacks and review your admissions process and make sure you are following the conditions of participation," she said.

Providers should pay close attention to fundamentals, including contractual relationships and conditions of participation, as well as anything that might give the appearance of paying for referrals, said Woods. "It also means not providing care that is so far below market value that you are giving it away," she added. That can be a particular challenge for hospice because of the nature of the business, according to Woods. "A lot of it is free service and indigent care," she explained. "But you have to make sure that care is appropriate for that patient and the need is there." Providers can get tripped up if it appears the care is actually an enticement.

"It is almost impossible in some cases to document everything," warned Woods. But hospice providers should make sure there is appropriate documentation reviewed by a physician and that local medical policies are adhered to, she pointed out. With a disease other than cancer, there are certain clinical markers, she added. "Make sure that all those steps are taken and it is not just an offhand statement from the physician," she said.

The complete hospice compliance program guidance is available on the Internet at *www.hhs.gov/oig*. ■

WHAT THEY'RE SAYING

• In a letter to the editor published in the *St. Louis Post-Dispatch*, a man responded to Sen. Christopher Bond's view that Congress needs to restore provisions supporting care in the home. Medicare once paid for luxury expenses, such as private jets, under the previous system, Larry Simpson wrote. He said the system allowed an unlimited number of visits at an inflated reimbursement rate. "Although the recent Medicare reimbursement changes have resulted in reduced reimbursement for home healthcare providers and have been touted as causing hardship, this hardship is only in a reduction of corporate executive luxuries and unrealistic shareholder profits." The new method of reimbursement has eliminated those who abused the system. Simpson argued that home health agencies pay between $60 and $70 per visit to managed care organizations, but complain they cannot survive on $90 per visit, a figure he quoted from Bond, which they receive from Medicare. "I do agree with Bond that the system is definitely broke. Unlike him, I feel the way to fix the problem is to not return to overspending," Simpson wrote. "Instead, let the physician determine the number of home visits necessary, based on the patient's medical condition, and allow the home healthcare provider to realize a reasonable reimbursement rate for the services provided." ■

OIG

Continued from Page 1

expanded the OIG's exclusion authorities. The bottom line, she said, is that no federal healthcare program payments may be made for any items or services furnished, directly or indirectly, by an excluded individual or entity.

Gabe Imperato, a healthcare attorney with **Broad and Cassel** in Fort Lauderdale, FL, agrees that the special advisory does not contain anything new. "It just compiles everything in one place and explains the OIG's expanded authority under HIPAA and the BBA," he said. He added that providers should take note that the new rules expand the civil monetary penalty (CMP) and exclusion authority beyond programs just funded by HHS to all federal healthcare programs. He also noted a new CMP authorized by the statute that can be imposed against healthcare providers who employ or enter into contracts with excluded individuals.

Almost 17,000 individuals and entities have so far been excluded from participating in federal healthcare programs for misconduct ranging from fraud convictions to patient abuse to defaulting on health education loans, according to the OIG. The office expects to add another 3,000 individuals and entities to that list in FY99.

The special advisory is available on the Internet at *www.hhs.gov/oig*. Click on the "What's New" link. ■

Competitive bidding

Continued from Page 1

Balanced Budget Act of 1997 (BBA) authorized the agency to implement up to five sites by 2002, and Palmetto GBA is now the only carrier with any experience in this area.

Instead, the purported aim of the open meeting was to give suppliers, consumers, and others a chance to weigh in on the items, services, and standards that should be included in the next demonstration. "I think it was good that it happened and very interesting to see the diverse group that showed up," said Steve Ackerman, president of **Spectrum Medical** (Silver Spring, MD). "But it will be interesting to see how much impact it has," he added.

Not everyone was that optimistic, however. "It was a contrived meeting to begin with," said one DME supplier, who noted that the agency's first competitive bidding demonstration in Polk County, FL, was challenged in court on the basis that the agency had failed to provide adequate public notice for meetings related to that demonstration.

NAIT seeks to exclude infusion

Many suppliers argued that HCFA should hold off on the next demonstration until it has a chance to measure the results in Polk County. "No beneficiaries in Polk County have been subjected to the new competitive bidding rules in the area," the **National Alliance for Infusion Therapy** (NAIT; Washington) asserted in comments submitted to HCFA Sept. 27. "Yet, HCFA already has announced that the Polk County project 'shows that competition can work for Medicare beneficiaries."

According to NAIT, the Polk County demonstration merely demonstrates that competitive bidding can attract bids lower than current Medicare payment rates. "Whether the quality of care is improved or even maintained is still an open question," NAIT argued. "In addition, any purported savings cited for the Polk County demonstration must be weighed against the administrative costs, unrelated to patient care, which are associated with the competitive bidding program."

Those arguments from NAIT and other supplier and consumer representatives are fueling arguments to delay additional demonstrations until HCFA can assess the effectiveness of the first.

But nobody seriously expects the agency to follow that advice. So instead, many industry representatives are focusing their efforts on the development of adequate standards and the exclusion of certain items and services.

For example, NAIT argues that while the private sector has generally recognized professional services, such as nursing and pharmacy, as integral parts of the service provided, the Medicare program's coverage policy for parenteral and enteral (PEN) "completely ignores the most important part of therapy – clinical services. Moreover, even though Medicare does not explicitly recognize the service component in the reimbursement of PEN, the fee schedule for PEN recognizes and accounts for those costs."

On the other hand, NAIT argues that the Polk County competitive bidding model for enteral nutrition, but not services, creates "a fiction that enteral nutrition is nothing but delivery of supplies." According to NAIT, this provides "a clear and distinct advantage to those providers who cut corners on providing the necessary care to beneficiaries."

In short, NAIT argued at the Oct. 5 meeting, PEN should be excluded from subsequent demonstrations. NAIT further argued that including PEN in a competitive bidding demonstration is complicated by the site in which the care is provided. "At the very least," NAIT argued, "HCFA should acknowledge that competitive bidding is not workable for patients who reside in skilled nursing facilities and should not target any elements of future demonstration projects to these patients."

Suppliers urge standards

Several supplier groups also zeroed in on the need for standards. In fact, the **Health Industry Distributors Association** (HIDA; Alexandria, VA) made this issue their top priority at the Oct. 5 meeting. According to HIDA, the Polk County demonstration's standards are a sham because they fail to provide beneficiaries with assurance of quality and service and fail to provide suppliers with adequate quality and service benchmarks.

If HCFA does not require suppliers to comply with 'real' standards, HIDA said the agency will set a dangerous precedent for future demonstration projects, business practices, and beneficiaries alike. Instead, HIDA emphasized that, in conjunction with the **National Association for Medical Equipment Services** (Alexandria, VA), it has developed a set of defined quality and service standards that "go beyond current Medicare Supplier Standards by guaranteeing a provider base made up of legitimate firms that are dedicated to meeting or exceeding benchmarks" in eight key areas. Those areas include product management, education, care, service human resource, compliance, ethics, and physical plant.

Unlike the standards for the Polk County demonstration, HIDA said these standards do not create barriers to new firms or additional regulatory burdens for existing firms. "Instead, they create an atmosphere in which only legitimate, dedicated, and qualified professionals can operate," HIDA concluded. ■