Home Health

BUSINESS REPORT

MONDAY, NOV. 22, 1999 VOL. 6, NO. 47 PAGE 1 OF 4

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

Congress completes BBA relief bill; 15% reduction delayed

President Clinton expected to vote on relief bill as early as tomorrow

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

WASHINGTON – The Senate completed action on a spending package Friday that includes a delay in the 15% reduction in home health Medicare reimbursement scheduled for Oct. 1, 2000, until one year after the prospective payment system is implemented. That was the primary goal of the five national home care organizations when they developed a coalition earlier this year. The five groups now have another year to pursue cutting the additional reimbursement eliminated entirely.

The Senate voted 74-24 to approve the measure, which also includes relief for hospitals and nursing homes. Earlier in the week, the House approved the bill by a margin of 296-135. The final price tag of the package was $12.4 billion over five years. President Clinton is expected to sign the legislation tomorrow.

The agreement also includes a host of regulatory relief measures the industry was attempting to secure. In addition to eliminating the consolidated billing provision for durable medical equipment, the bill will suspend the **Health Care Financing Administration**'s (Baltimore) ability to reduce reimbursement under its inherent reasonableness authority until the **Department of Health and Human Services**' (Washington) **General Accounting Office** completes an assessment of that process.

In addition, the bill includes a $10-per-beneficiary payment to offset the costs associated with OASIS and a reduction in surety bond values to $50,000, or 10% of Medicare program revenues, whichever is less.

Hospice providers will receive a market basket update of –.75% instead of –1%. However, the final agreement does not rescind the 15-minute incremental billing requirement. ■

Major hurdles remain for PPS before Oct. 1 implementation

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

Oct. 1, 2000, is going to be the home health industry's Y2K. That is the view of Jim Pyles, counsel for the **Home Health Services and Staffing Association** (HHSSA; Washington) after reviewing the **Health Care Financing Administration**'s (HCFA; Baltimore) proposed regulation for a home health prospective payment system (PPS).

"That is where the planes are going to fall out of the sky," asserted Pyles. "We are going to go cold turkey from one system to the other for every patient in the country on a system that nobody knows if it works."

However, the actual Y2K dilemma might yet stand in the way of the new system. In fact, some HCFA officials are reportedly still concerned that Y2K problems may delay implementation of the final rule for a home health PPS, which is scheduled to be published in July.

The home care industry received a much-needed boost last week when Congress voted to delay the 15% across-the-board reduction in home health reimbursement scheduled for Oct. 15, 2000. But that does not mean the industry is out of the woods by a long shot, according to Pyles.

"Under the best of circumstances, I think there is a real danger of a serious disruption in cash flow and services to patients," he asserted.

The most significant problem, according to Pyles, is that agencies will only have roughly 60 days to implement the new system once the final rule is published. "The start-up costs on this are going to be enormous," warned Pyles. "There are going to be a tremendous number of systems changes that are going to have to take place."

Pyles also predicted that there will not be major changes from the proposed PPS to the final rule. "I don't think there is going to be much time for any significant change in design," said Pyles. But one change Pyles does expect to see is the current requirement for physician cer-

See PPS , Page 2

INSIDE:

PPS

Continued from Page 1

tification. The physician certification requirement included in the proposed rule mandates that once a home health agency categorizes a patient in one of the 80 case mix categories, the physician prescribing the care must then certify that that category is accurate.

"If they go forward with that, you won't have to worry about how much agencies are going to get paid because no physician will prescribe home care," argued Pyles. "Physicians are simply not going to learn the intricacies of an 80-category home health classification system and put their practice on the line certifying its accuracy because if they are wrong, they would be subject to a $5,000 civil monetary penalty."

Regardless of any possible changes, industry experts are urging agencies to begin planning immediately. "We think the proposed regulation has all the information agencies need to assess whether they will fare positively or negatively under the PPS at least as a proposed system," said the **National Association for Home Care**'s (NAHC; Washington) Bill Dombi. One of the steps NAHC is recommending is for agencies to take the OASIS data they now have, categorize patients, and assess what the cost of care is for those patients for an episode of care consistent with the proposed episode definition.

The key is that agencies have to have good clean data from their OASIS assessments preferably dating back to May or June of this year in order to get one or two episode periods, according to Dombi.

"Agencies can also do the same going forward, and we are suggesting they take a sample of cases within their organization to get a sense of how they would be impacted if this PPS were in place today," added Dombi.

"The key is whether the rate is adequate enough to maintain care to the patient," said Dombi. "The first strategy we are recommending to agencies right now is to apply this system on a random sample basis within their own organization." ■

BRIEFLY NOTED

• The Board of Commissioners of the **Joint Commission on Accreditation of Healthcare Organizations** (JCAHO; Oakbrook Terrace, IL) recently acted to eliminate Accreditation with Commendation as an official decision category, effective Jan. 1. The award was introduced in 1991 to recognize exemplary performance in accredited organizations at a time when performance reports were not available, JCAHO said. But those performance reports now provide up-to-date, understandable information about the performance of all healthcare organizations accredited by JCAHO, the organization said. In addition, recent experience had suggested that the award was leading organizations to place undue pressure on their senior management staff to achieve Accreditation with Commendation. JCAHO said the **Department of Health and Human Services'** (Washington) **Office of Inspector General** suggested earlier in the year that the decision category be made more meaningful or be done away with. ■

MANAGED CARE REPORT

• **Humana** (Louisville, KY) has reached a definitive agreement with **Memorial Hermann Healthcare System** (MHHS) and **Christus Health** under which Humana will purchase the **Memorial Sisters of Charity Health Network** (Houston), a 131,000-member health plan, which includes about 2,500 Choice 65 Medicare+Choice plan members in the Corpus Christi area. MHHS and Christus are non-profit parent organizations of Memorial Sisters of Charity.

• **Mid Atlantic Medical Services** (MAMSI; Rockville, MD) reported a 3Q99 ended Sept. 30 net income of $7.1 million, 17 cents per share, compared to a 3Q98 net income of $4 million, 9 cents per share. Total revenues in 3Q99 were $335.3 million, compared to 3Q98 revenues of $299.5 million. ■

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.

ATLANTA NEWSROOM: Executive Editor: **Jim Stommen**. Managing Editor: **Lee Landenberger**. Editor: **Meredith Bonner**. Washington Correspondent: **Matthew Hay**.

BUSINESS OFFICE: Vice President/Group Publisher: **Donald R. Johnston**. Marketing Manager: **Amber Godfrey**. Operations Coordinator: **Amy Wesolowski**. Account Representative: **Bob Sobel**. Reprints: (800) 688-2421.

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**

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

INTERNET
http://www.ahcpub.com

COMPANIES IN THE NEWS

Amedisys sees increase in 3Q99 revenues

Amedisys (Baton Rouge, LA) reported 3Q99 ended Sept. 30 revenues of $24.2 million, a 959% jump from 3Q98 revenues of $2.3 million. The company recorded a net income in 3Q99 of $6.2 million, $1.98 per share, compared to a net loss in 3Q98 of $4 million, $1.32 per share. Home care visits in 3Q99 increased 339% from 72,411 in 3Q98 to 318,129 in 3Q99.

The decrease in general and administrative expenses in attributed to the cost reduction efforts implemented throughout the company, as well as improvements in operating efficiencies, Amedisys said.

The operating loss was the result of restructuring efforts during 1998 and 1999, coupled with economies of scale achieved with the acquisition of certain **Columbia/HCA** (Nashville, TN) home care agencies. Amedisys said it is proceeding with pans to secure buyers for its remaining ambulatory surgery centers and its alternate-site infusion therapy divisions. The sale of these remaining divisions will not only allow management to focus on its core business, but will provide the company with additional operating capital.

Amedisys also said that, effective Sept. 30, it renegotiated a $14 million note payable to Columbia for the purchase of home care agencies in November 1998. The agreement modifies the terms of repayment of this note, and as a result the company will make quarterly principal and interest payments beginning in April 2001, with the balance of the note being due in July 2004.

Beverly president resigns

Beverly Enterprises (Fort Smith, AR) President/COO Boyd Hendrickson last week resigned from the company and from the board, becoming the second top Beverly executive to resign in a little more than a month. Earlier this month, Beverly reported a 63% drop in earnings for 3Q99, blaming lower Medicare reimbursements and rising labor costs, the *Associated Press* reported. And in August, the company announced it would pay $175 million to the federal government in a tentative settlement of a Medicare billing investigation.

But the company said Hendrickson's resignation had "nothing to do with the government investigation of the Medicare situation," the *AP* reported. "None of the agreements we had with the government involved any individual culpability," a company official said.

David Banks, chairman/CEO, will assume Henrickson's duties until a successor is named, Beverly said. Hendrickson's resignation follows that of Robert Pommerville, who was chief legal officer and executive vice president.

Caretenders realigns company focus

Caretenders (Louisville, KY) sold its product operations, which include its infusion therapy and respiratory and medical equipment business, to **Lincare Holdings** (Clearwater, FL) for $14.5 million. The sale is part of a plan to focus solely on its adult day care business, Caretenders said. The company is also pursuing strategic alternatives to complete the separation of its visiting nurse operations. The realignment will enable Caretenders to be almost debt-free, have borrowing capacity available to fund growth, and deliver higher earnings per share to its shareholders, the company said.

Coram receives delisting warning from NYSE

Coram (Denver) received a warning letter, dated Oct. 20, from the New York Stock Exchange informing Coram that it was below criteria on the minimum share price listing standard. The exchange said Coram could be delisted if its stock price doesn't rise above $1 over the next six months. The average share price of Coram's stock had traded below $1 over a 30-day trading period, Coram said in its recent quarterly report. Coram has six months from Oct. 20 to raise the stock price both in terms of absolute value and the 30-trading-day average.

But Coram also was early warned regarding the listing requirement that it maintain at least $50 million each in stockholder's equity and market capitalization, and Coram said it won't comply with this requirement and expects to receive another notice from the exchange. Upon receipt of this notice, Coram said, the company must respond within 45 business days with a plan that demonstrates compliance with these continued listing standards within 18 months. Coram said it has considered certain aspects of a plan, including the possible sale of its **Coram Prescription Services** division.

In other news, Coram's fraud, negligent misrepresentation, and mistake claims against **Aetna U.S. Healthcare** (Blue Bell, PA) have been dismissed in a U.S. District Court. The claims are related to Coram's agreement to provide home healthcare services to Aetna U.S. Healthcare. All claims have been dismissed except its breach of contract claim.

HAHI's FY99 revenues increase 20% from FY98

Help At Home (HAHI; Chicago) reported FY99 ended June 30 revenues of $27.9 million, a 20% increase from FY98 revenues of $23.1 million. The company posted a net loss in FY99 of $2.1 million, $1.12 per share, compared to a net loss in FY98 of $3.6 million, $1.93 per share. The loss was attributable to an increase in the company's reserve for bad debt direct write-off on uncollectable receivables, which increased to $3 million in FY99 from $800,000 in FY98. As a result of this increase, and in connection with the departure of previous management, the company has instituted changes in its finance department in order to refocus on billing and collection efforts.

Horizon buys Sundance Medical

Horizon Pharmacies (Denison, TX) has acquired **Sundance Medical** (Denison, TX), a home medical equipment company, for an undisclosed amount of cash, plus debt assumption. Horizon said Sundance, which has annual sales of $450,000, is expected to merge with the company's operation in Denison, TX.

Interwest to provide HME for United of Utah

Interwest Home Medical (Salt Lake City) has entered into a three-year, fixed-term preferred provider agreement with **United Healthcare of Utah**. The agreement replaces previous provider agreements that have been in place for more than 10 years between the companies, Interwest said, and includes a renewal clause. In addition, the agreement has been accepted by both Nevada and Colorado United Healthcare plans, more than doubling the lives covered by the Utah plan.

Interwest has been United Healthcare of Utah's primary provider of home medical equipment services for several years.

Invacare declares cash dividend

Invacare's (Elyria, OH) board has declared a cash dividend of .0125 cents per share on its common shares and .011364 per share on its class B common shares payable Jan. 17 to shareholders of record on Jan. 3.

Lexington reports lower earnings in 1Q00

Lexington Healthcare (Farmington, CT) reported 1Q00 ended Sept. 30 revenues of $21.3 million, a 36% increase from revenues in 1Q99 of $15.7 million. The company recorded a net income in 1Q00 of 32,000, 1 cent per share, compared to a 1Q99 net income of $104,000, 3 cents per share.

1Q00 revenues increased largely as a result of a management agreement covering four nursing homes effective Nov. 1, and the subsequent acquisition of two of the managed nursing homes as of Sept. 1.

NYC's HRA agreement spurs jump in 3Q99 revenues

New York Health Care (NYC; Brooklyn, NY) reported 3Q99 ended Sept. 30 revenues of $6.3 million, a rise of 23.9% over 3Q98 revenues of $5.1 million. The increase is due primarily to the company's agreement with the **City of New York Human Resources Administration** (HRA) to provide home care services to New York's Medicaid patients. The company posted a net income in 3Q99 of $27,509, 1 cent per share, compared to a net income in 3Q98 of $119,909, 3 cents per share. The 3Q99 profit, NYC said, follows a loss for the first half of FY99 as the company incurred expenses associated with the build-up of its infrastructure to deliver services under the HRA program without generating significant revenues from it.

Thus far in the year, NYC has repurchased 29,300 shares of its common stock under the share repurchase program authorized by its board.

NuMed signs agreement with Capital General

NuMed Home Health Care (Clearwater, FL) and **Capital General Corp**. have signed a letter of intent for Capital General to acquire 80.9% of NuMed by an issuance of 25 million shares of NuMed stock. In exchange, NuMed will own 45% of Capital General, will have for a two-year period all acquisitions targeted by Capital general in the healthcare field, and upon closing will have a $2.5 million loan for working capital. The proposed effective date for the transaction is Dec. 31. The transaction is subject to approval by the board of both NuMed and Capital General.

President of Olsten's health services to resign

Olsten Health Services' (Melville, NY) Robert Fusco will step down as president, the company said last week. Fusco plans to leave the post by the end of the year to pursue other interests. Olsten President/CEO Edward Blechschmidt will take on the additional duties of health services president when Fusco resigns, the company said.

U.S. HomeCare sees net loss in 3Q99

U.S. HomeCare (Hartford, CT) reported a net loss in 3Q99 of $332,000, 1 cent per share, compared to a 3Q98 net loss of $2.1 million, 17 cents per share, reported the *Hartford Courant*. The home care company said last week that it posted net revenues in 3Q99 of $11.5 million, a slight increase from 3Q98 revenues of $11.2 million. U.S. HomeCare said the increase in revenues was partly attributable to 1999 Medicare rate increases and a $611,000 charge in last year's quarter for a settlement with Medicare, the *Courant* reported. ■

CALENDAR

• The **National Association for Home Care** (Washington) is offering a one-day workshop on the prospective payment system (PPS) to provide attendees with analysis and detailed information about how to successfully implement PPS. The next worksop will be in Las Vegas on Dec. 8. More locations will be announced. For more information, call (202) 547-7424.

• The **American Federation of Home Care Providers** will be conducting several one-day workshops on *Understanding and Managing Under PPS*. The first workshop will be Feb. 1 in St. Petersburg, FL. Other programs are in planning. For more information, call (800) 525-5577. ■