

Home Health

BUSINESS REPORT

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

MONDAY, APRIL 24, 2000

VOL. 7, No. 15

PAGE 1 OF 5

HCFA outlines upcoming changes in OASIS

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – The **Health Care Financing Administration** (HCFA; Baltimore) already has more than four million Outcome and Assessment Information Set (OASIS) records in its national repository, which account for about 1.8 million Medicare and Medicaid home health patients. In addition, roughly 95% of agencies required to report OASIS data are doing so. But a senior HCFA official recently reported that some changes in OASIS are in the works.

Next week, the official said, HCFA plans to tweak the state agency systems. "We intend to enforce the data specifications as they are written," the official reported. For home health agencies that are using the HAVEN software, the change will not be very noticeable. Agencies that are using vendor software to enter their OASIS may or may not be affected, depending on whether the data meets the HAVEN data specifications.

What that means, she said, is that on or about May 1, home health agencies that had been receiving warning messages may now have records rejected if their software is not meeting the data specifications.

For example, she noted, unlike HAVEN, some software allows agencies not to answer certain data items. "We have been letting those records come into the repository so we did not frustrate people right off the bat," she said. "That will stop because that does not meet the data specifications, which say that every data item must be answered."

According to the official, the other change that is coming down the pike is how the agency treats data for non-Medicare and non-Medicaid patients. She said HCFA's systems to accept data for these patients are now ready to go. When OASIS was implemented last summer, it was not applied to non-Medicare and non-Medicaid patients receiving skilled services until a system could

See OASIS, Page 5

Plight of home care industry gets national attention

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – Home care representatives were buoyed by the front-page attention the drastic cuts to Medicare home health spending received in the *New York Times* April 21. But they were quick to say that so far, none of this publicity has translated into a proposal from the Clinton Administration or Congress to restore any portion of the 45% reduction Medicare home health outlays have experienced over the last two years. So far, the most far-reaching proposal offered by Congress would eliminate the additional 15% cut in reimbursement, representatives say.

"I am pleased this made the front page of the *New York Times*," said Scott Lara, director of government relations for the **Home Care Association of America** (Jacksonville,

See Attention, Page 3

OIG gives qualified approval to free hospice program

By MATTHEW HAY

HHBR Washington Correspondent

The **Department of Health and Human Services'** (Washington) **Office of Inspector General** (OIG) gave its qualified approval for a program proposed by the **Hospice Foundation** of Martin & St. Lucie that would offer certain services free of charge to hospice patients. But the OIG tempered that approval by noting several safeguards included in the proposed program.

In this case, the hospice asked the OIG whether offering certain services free of charge to patients with terminal illnesses, who have a prognosis of one year or less to live, would constitute grounds for sanctions under the anti-kickback statute. The statute prohibits inducements to beneficiaries in order to influence their selection of a provider for Medicare or Medicaid covered services.

See OIG, Page 2

INSIDE: PATIENT CARE SEES MODEST REVENUE GROWTH IN 1Q00.....	3
IHHI 2Q00 PROFITS DOWN	3

OIG*Continued from Page 1*

The OIG concluded that the program would potentially generate prohibited remuneration under the anti-kickback statute if it was designed to induce referrals, but that based on all the facts presented by the hospice, it would not subject the hospice to sanctions.

The advisory opinion holds important clues for hospice programs that wish to offer services to patients at no cost. In 1998, the OIG issued a special fraud alert detailing problematic arrangements between nursing homes and hospices and highlighted several practices as potentially suspect.

Those practices included instances where a hospice offered free care to nursing home patients for whom the nursing home is receiving Medicare payment under the skilled nursing facility benefit, with the expectation that after the patient exhausts the skilled nursing facility benefit, the patient will receive hospice services from that hospice.

According to the OIG, the proposed program raises three principal issues. The first is whether the hospice knows or should know that its provision of free services to potential hospice patients will likely influence the patients' choice of hospice provider. The second is whether one purpose of the program is to induce patients to use the hospice. The third is whether the provision of services to the patients who live in nursing homes may be remuneration to the nursing homes for permitting the hospice access to their patients.

While the OIG said that at least some of the services being provided may have value and constitute remuneration, it would not subject the program to sanctions under the anti-kickback statute for several reasons. First, the services are provided by unpaid volunteers. Second, the benefits of the program are primarily intangible and psychic in that they are designed to help the patients adjust to their illnesses by helping them cope with the day-to-day burdens of life, the OIG said.

Third, the OIG said, the program provides a substantial

benefit to a vulnerable patient group. Finally, it said there are "substantial barriers" to a beneficiary's election of hospice care, including the requirement that they renounce coverage for curative medical treatment for the terminal condition.

The OIG noted that it has additional concerns with the provision of these services to patients in nursing homes. "In particular, we are concerned that the services provided by the hospice could substitute for services the nursing home would otherwise have to provide, thereby resulting in the hospice providing free services to the nursing home," said the OIG.

The OIG also added that it continues to have "serious concerns" regarding the provision of free or below-market value goods to actual or potential referral sources.

"I still think the industry is not yet comfortable with when they can wave copayments and deductibles and provide free services, and when they can't," warned Thomas Bartrum, a healthcare attorney with **Baker Donelson** in Nashville.

See OIG, Page 4

C O R P O R A T E L A D D E R

• **Staff Builders** (Lake Success, NY) named Alan Levy vice president and chief financial officer of Staff Builders and its **ATC Healthcare Services** subsidiary. Levy replaces Joseph Murphy, who left the company to pursue other opportunities, said Staff Builders. Prior to joining Staff Builders, Levy was treasurer and chief accounting officer of **Globix Corp.**

• Hans Stover was named vice president and general manager of alternate care for **Mallinckrodt's** (St. Louis) Respiratory Group. In his new role, Stover is responsible for overall strategic and operational management of the Mallinckrodt business units that serve segments of the alternate-care market. ■

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. Copyright © 2000 American Health Consultants®. All Rights Reserved. No part of this publication may be reproduced without the written consent of American Health Consultants®.

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

BUSINESS OFFICE: Vice President/Group Publisher: **Donald R. Johnston**. Marketing Manager: **Patty Hopper**. 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

Chemed's Patient Care sees modest revenue growth

Chemed (Cincinnati) saw a 15% jump in 1Q00 ended March 31 revenues, to \$121.5 million from \$105.7 million in 1Q99. The company posted a 1Q00 net income of \$4.9 million, 48 cents per share, compared to a 1Q99 net income of \$5.4 million, 51 cents per share.

Chemed said its Patient Care home care division's results were below the prior year's, despite modest revenue growth.

Gentiva supports hemophilia patients

Gentiva Health Services (Melville, NY) last week joined the **World Federation of Hemophilia** and other leading healthcare providers and advocates in recognizing International Hemophilia Day, which was April 17. The day is designed to be an opportunity to recognize the needs and challenges of people with hemophilia and to urge policy makers, healthcare professionals, and others to rededicate their efforts to addressing the healthcare and socio-economic needs of these people, Gentiva said.

Gentiva supports hemophilia patients with its inception of the Ricky Ray Hemophilia Relief Fund, a source of federal funding for hemophilia and AIDS patients and with its sponsorship of the Chronicare program, which offers therapeutic services, the company said.

Griswold introduces home care to Korean patients

Representatives from **Griswold Special Care** (Erdenheim, PA) will meet this week in a formal ceremony with a delegation from Korean hospital staffing company **Zeniel** in Seoul, Korea, to sign an agreement between the companies. The agreement allows Griswold to introduce professional home care services to South Korea, the company said.

Infu-Tech teams with Korean company

Infu-Tech (Carlstadt, NJ), through its newly developed **Smartmeds.com** subsidiary, signed a tentative agreement with **Korean Information & Communications Co.**, a telecommunications service provider in South Korea. The agreement calls for Infu-Tech to establish an e-health marketplace and trading portal that would include Internet and wireless platforms.

Under the terms of the agreement, Korean Information would provide its Internet platform in support of a Korean version of Infu-Tech's Smartmeds.com Web site.

In Home Health's profits drop in 2Q00

In Home Health (IHHI; Minnetonka, MN) saw a drop in profits in 2Q00 ended March 31 to \$912,000, 5 cents per share from \$1.4 million, 13 cents per share, in 2Q99. The company said its total revenues for 2Q00 were \$24.2 mil-

lion, compared to 21.1 million in 2Q99, an increase of 15%. IHHI saw a net income available to common shareholders in 2Q00, including the deduction of a preferred stock dividend paid to Manor Care, of \$262,000.

National Mentor buys Home Care Options

National Mentor (Boston), a subsidiary of **Magellan Health Services**, purchased **Home Care Options** (Santa Fe, NM), a non-medical home care provider for people with developmental disabilities. The two companies, with combined revenues of \$2.6 million, represent Mentor's ongoing efforts to expand its national human services network.

Star Multi Care initiates buyback program

Star Multi Care Services' (Huntington Station, NY) board of directors approved last week a stock buyback program whereby the company may purchase up to 10% of the outstanding common stock shares of the company over the next six months. Star said it presently has roughly 1.7 million shares outstanding.

Sunrise's 3Q00 revenues down

Sunrise Medical (Carlsbad, CA) reported a 3Q00 ended March 31 net income of \$269,000, 1 cent per share, compared to a net income in 3Q99 of \$1.8 million, 8 cents per share. Sunrise's 3Q00 revenues totaled \$166 million, down from 3Q99 revenues of \$170 million.

The 3Q00 results reflect pre-tax charges related to a \$2.1 million increase in bad debt expense and \$1.4 million in employee separation costs, Sunrise said. During the quarter, the company sold and leased back two manufacturing facilities, generating about \$14 million in cash. The proceeds, together with cash flow from operations, were used to pay down \$17 million of bank borrowings this quarter, said Sunrise. ■

Attention

Continued from Page 1

FL). "But I am disappointed that the Clinton Administration has not taken this information and acted on it.

"There has been no effort to restore any of these funds or even target them toward sicker, more medically complex patients," Lara added. He also criticized Congress for not developing a proposal to restore funds. "If this is not evidence that a restoration is required, I don't know what is," he said.

The *Times* report cited recent data from the **Congressional Budget Office** (CBO; Washington) that Medicare spending on home health plunged 45% in the last two years – from \$17.5 billion in 1997 to \$14.9 billion in 1998 to \$9.7 billion last year. It also notes that CBO's original estimate that Medicare would spend \$127 billion on home health between 1998 and 2002 has been slashed \$69 billion to \$58 billion. ■

MANAGED CARE REPORT

- **Aetna U.S. Healthcare** (Blue Bell, PA) has launched its HMO in Indiana. Aetna U.S. has received approval from the state to begin offering the HMO in Boone, Hamilton, Hancock, Hendricks, Johnson, Madison, Marion, Morgan, and Shelby counties as soon as May 1, the company said. Aetna U.S. HMO members in Indiana will soon have access to disease management and wellness programs, including special programs to help members with diabetes, asthma, congestive heart failure, and chronic low back pain. The L'il Appleseed Maternity Management Program, which covers post-delivery home care nurse visits and case management for high-risk pregnancies, will also be offered, Aetna U.S. said. In other news, Aetna U.S. has settled a lawsuit by Texas, agreeing not to penalize doctors in its network who spend over budget for needed patient care. In the suit, Texas had accused Aetna U.S. of using financial incentives to get doctors to limit medical care for patients, reported the *Los Angeles Times*.

- **Independence Blue Cross** (IBC; Philadelphia) recently executed contracts with two area hospitals, The Holy Redeemer Health System and Roxborough Memorial Hospital. The new contracts are among a large number of new agreements reached by IBC with major provider groups, the company said. The Holy Redeemer contracts are effective May 1, with an initial term ending Dec. 31, 2003, IBC said. They represent a comprehensive set of agreements covering all services offered by the Holy Redeemer Health System. The Roxborough agreements were effective on April 1, with an initial term ending Sept. 30, 2001, said IBC. ■

OIG

Continued from Page 2

According to Bartrum, there have already been several advisory opinions on the waiver-of-copayment issue. "Unfortunately, they have been specific to certain types of industries," he said. For example, Bartrum noted, in an advisory opinion prepared for St. Jude Children's Research Hospital, the OIG determined it was acceptable to waive co-payments because of the nature of St. Jude's practice and the fact that the hospital has historically provided these services at no charge to all its patients.

"What we still have not seen is a very strong advisory opinion that clearly defines what you can and can't do regarding the provision of free services to beneficiaries, and when it is acceptable to waive copayments and deductibles," he said. "I really think the industry needs further guidance on this issue." ■

REGIONAL DIGEST

- **Sacred Heart Healthcare System of Allentown** (Allentown, PA) recently announced the latest in a series of moves to help bolster its home care services. Two services of **Lutheran Services Northeast**, the **Visiting Nurses Northeast** (VNN; Allentown, PA), and **Hospice St. John** will align their services with Sacred Heart, the company said. The hospice will remain a Lutheran Services operation, and VNN will merge into Sacred Heart's existing home care program. About 95% of both VNN and Sacred Heart's existing home care staff already have secured positions within the new program, a spokesperson said.

- Local 220 of the **Service Employees International Union** (SEIU) has won a breakthrough first collective agreement for workers employed by the **Victorian Order of Nurses** in Sarnia, Ontario. The two-year agreement features wage increases of 10.5% over two years for the majority of members, the SEIU said. The agreement also includes ten paid holidays, a pension plan for full- and part-time workers, a seniority system, payment for travel time and mileage, a system for work scheduling and layoff, and recall language.

- **THA – An Association of Hospitals and Health Systems** (Nashville, TN) and the **Community Health Accreditation Program** (CHAP) have reached a formal agreement to offer all home care organizations in Tennessee a cost-effective alternative to accreditation from the **Joint Commission on the Accreditation of Healthcare Organizations** (JCAHO). THA will serve as a liaison to CHAP in helping to coordinate marketing and education efforts under the agreement, provide user groups, and other efforts on behalf of Tennessee providers. ■

WASHINGTON UPDATE

- U.S. Rep. John Peterson (R-PA) said last week he hopes to eliminate the upcoming 15% cut in home healthcare agencies' Medicare reimbursements. Peterson is co-authoring a bill, called the Home Health Payment Fairness Act, that if passed will eliminate the planned reduction in home health payments, reported the *Centre Daily Times* of State College, PA. "It's hanging over the heads of agencies that are fighting to stay alive," Peterson said. "It's like having a death warrant." Donald McClure, director of government affairs at the **Pennsylvania Association of Home Health Agencies**, said there is a definite "threat of losing home care in this country." ■

C A L E N D A R

• The 15th National Business Development Conference, the 15th National Home Care Aide Service Conference, the National Adult Day Services Symposium, and the **Home Healthcare Nurses Association's** 2000 annual convention will be held together May 7-10 in Arlington, VA. For more information, call (202) 547-5050.

• The Second World Congress on Home Care is May 7-10 in Vienna, Austria. The conference, *Home Care – Bridge to the 21st Century*, is sponsored by the **World Homecare and Hospice Organization** and the **European Association of Care and Help at Home**.

• The 15th annual Northeast Healthcare Conference and Exposition is May 10-11 in Mashantucket, CT. The conference is sponsored by *Healthcare Review*. Admission to the expo and conference programs is free. For more information, call (800) 243-9774.

• The home care associations in Louisiana, New Mexico, Oklahoma, and Texas are offering the Southwest Regional Home Care Conference and Exhibition 2000 May 10-12 in Dallas. For more information, call (800) 880-8893.

• The **California Association for Health Services at Home's** (Sacramento) 2000 annual conference is May 17-19 in Pasadena. For more information, call (916) 554-6117.

• **HealthCare USA** (Alpharetta, GA) is sponsoring a conference May 22-24 in Atlanta. To register, call (949) 365-8027.

• The **Homecare Association of Arkansas's** 2000 annual meeting and trade show is June 7-8 in Hot Springs, AR. For more information, call (501) 376-2273.

• The **American Association for Homecare** (Alexandria, VA) will hold its inaugural annual Washington conference June 14-15. The meeting is designed for home care providers concerned with legislative and regulatory issues affecting the industry. For more information, call (703) 836-6263.

• The **Home Care Association of America** (Jacksonville, FL) will hold its PPS, OASIS & Diversification Strategy Conference & Home Care Trade Show July 30-Aug. 1 at the Beau Rivage Resort in Biloxi, MS. To register, call (800) 386-4222.

• The ninth annual meeting of the **National Association of Pediatric Home and Community Care** is scheduled for Oct. 5-6 in New Orleans. The conference is being co-sponsored by the University of Massachusetts Medical School. For more information on the conference, call (508) 856-6743.

• The **National Association for Home Care's** (NAHC; Washington) 19th annual meeting and HomecareExpo is Sept. 23-27 in New Orleans. For more information, call (202) 547-7424. ■

PPM / MSO NEWS

• **Birman Managed Care's** (Cookeville, TN) subsidiary, **The Birman Group**, has secured a new contract with a hospital in New York state. The contract is valued at more than \$500,000 for the first year and has an automatic, one-year renewal clause, Birman said. The contract is the second for Birman recently. Earlier last week the company announced a new contract in Pennsylvania.

• **CorSolutions** (Buffalo Grove, IL) has contracted with **HIP Health Plan of New York** to provide its members with a congestive heart failure disease management program. Enrollment under the contract is expected to reach 400-800 patients in the first year, CorSolutions said. It is of no extra cost to the plan's commercial, Medicare, and Medicaid members diagnosed with congestive heart failure. ■

OASIS

Continued from Page 1

be developed to mask the identity of those patients. That last minute change followed an intense debate over patient privacy that prompted Congress to threaten intervention.

The official said HCFA will implement the new system for these patients through a *Federal Register* notice that will contain details for when it will become effective and how it will operate. She said the new system will involve upgrading to another version of HAVEN software that will automatically read the payer source and, if it is a non-Medicare or non-Medicaid patient, make the patient indecipherable. "You will know what they are, but we will not know what they are," she said.

According to the official, the new version of HAVEN will be released in the next few weeks. But she would not specify exactly when the agency will implement the new system. "It will not happen next week, and it will not happen next month," she said. "It is in the clearance process, and once it hits the clearance process, it is anybody's guess when it will come out the other end." She added that HCFA is encouraging agencies to load the new version because it will also include other upgrades.

The official also confirmed that HCFA will not apply OASIS to patients receiving personal care services only. She said the agency has extended that delay for at least two years.

Finally, she warned that the home health prospective payment system (PPS) will not be implemented without at least some additional minor changes in OASIS. "There will be some changes, and we don't know exactly what they will look like," she said. "When we do, we will post a new draft." ■