

Home Health

BUSINESS REPORT

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

HHS announces that it will slash prices for infusion drugs

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – The **Department of Health and Human Services** (HHS; Washington) will instruct its fiscal intermediaries to implement revised average wholesale prices (AWP) for pharmaceutical products, including infusion drugs, effective Oct. 1, HHS Secretary Donna Shalala said last week. The move comes in the wake of pressure by House Committee on Commerce Chairman Thomas Bliley (R-VA).

Earlier in the month, Bliley told Shalala that he was concerned about the “excessive reimbursements” that Medicare is paying for certain drugs paid for by Medicare and probed Shalala on what actions the **Health Care Financing Administration** (HCFA; Baltimore) and HHS have taken in the area.

Shalala told Bliley May 31 that HHS is now moving administratively to take advantage of the newly available, more accurate data on AWP developed for Medicare as part of **Department of Justice** (DOJ; Washington) investigations. Shalala said these data are from catalogs of drug wholesalers, which DOJ said make up a significant portion of the wholesale market.

According to Shalala, DOJ and state Medicaid Fraud Control Units have compiled data for about 400 national drug codes. In order to implement these new codes quickly, Shalala said, HHS will provide carriers the average of the wholesale catalog prices, just as it has been calculated by **First Bank**, a company that specializes in the compilation of drug pricing data. Shalala said these drugs represent about one-third of Medicare spending on drugs.

“In June, we will send this information to Medicare carriers so they can use it when they determine AWP for their next quarterly update of Medicare drug allowances, which will become effective on Oct. 1, 2000,” Shalala wrote Bliley. She said the HHS General Counsel indicated this is the fastest way to implement the changes absent the formal rule-making process.

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Home health poised for steady growth, recent report predicts

By MATTHEW HAY

HHBR Washington Correspondent

Last year, revenues for the home health industry were roughly \$42.4 billion with the vast majority of that – \$40.4 billion – for labor/nursing services and the remaining \$2 billion for devices used in the home care environment, according to a report just released by the market research firm **Frost & Sullivan** (Mountain View, CA).

The firm predicts steady 5% growth over the next five years, driving total revenues to \$44.6 billion this year and \$54.3 billion in 2004. After that, the firm predicts that growth will accelerate to 9%, to \$59.1 billion and \$64.3, in 2005 and 2006, respectively. According to Frost & Sullivan, the four main revenue-generating segments of the home care industry are all projected to experience consistent sustained growth, but at somewhat different rates.

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HCFA announces toll-free hotlines, target billing education

By MATTHEW HAY

HHBR Washington Correspondent

WASHINGTON – **Health Care Financing Administration** (HCFA; Baltimore) Administrator Nancy Ann DeParle notified 9,000 home health agencies last week that HCFA plans to establish toll-free hotlines for agencies and other providers with questions about proper billing and other issues.

She reported that the agency is also testing new evaluation and management guidelines and measuring and identifying payment errors for each Medicare claims-processing contractor to better campaign, as well as other efforts at further reducing Medicare’s payment error rate.

In her June 1 letter, DeParle cited common payment errors and urged home health agencies to prevent errors by providing adequate documentation.

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Home care respiratory products

Total revenue for home care respiratory products last year was pegged at \$609 million, according to the report, but that is expected to grow at a compounded rate of 8.4%. Frost & Sullivan says three major factors will drive growth in this market segment: an aging population causing an increasing incidence of respiratory disorders, more aggressive medical treatments creating higher incidence of respiratory failure, and increased portability of devices allowing wider applications.

Meanwhile, Frost & Sullivan predicts that three factors will restrain growth: cuts in oxygen reimbursement reducing demand for therapy devices, an unclear ruling on new criteria for reimbursement creating confusion among suppliers, and a focus on disease prevention that might reduce incidence of respiratory disease in future populations.

Home health infusion pumps market

Total revenues in the home health infusion pumps market in 1999 were estimated at \$195 billion, according to the report, and a compound growth rate of 9.9% is expected through 2006.

Frost & Sullivan says three major factors will drive growth in this market segment, including an expansion of the pain management market, which will help drive home health infusion therapy; the penetration rate for insulin infusion pumps that will encourage market growth; and advances in telemedicine, which will enable the provision of care outside of hospitals.

At the same time, the firm predicts the following three factors will restrain this growth: unfavorable reimbursement conditions that will discourage patients from using home health infusion therapy, safety concerns that will require additional investment in product development, and institutional pressure to cut costs that will have a negative impact on sales.

Home durable medical equipment

Total revenues in the home health durable medical equipment market last year were roughly \$1.2 billion, and Frost & Sullivan predicts the compound annual growth rate in this segment is expected to be 7.3% through 2006.

The firm says the three major factors that will drive growth in this market segment include shorter lengths of stay in acute care facilities, more geriatric patients being cared for at home, and a growing need for cost-effective therapies.

Meanwhile, Frost & Sullivan predicts the following three factors will restrain growth in the area of DME: reimbursement cuts resulting from the Balanced Budget Act of 1997, fierce price competition between product manufacturers, and repairs and replacement parts that will stunt growth on new devices. ■

For more information about the report, contact Frost & Sullivan's Nick Mariottini at 530/894/2136 or nmariottini@frost.com.

IR

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For home health agencies, the two most common errors were failure to document the need for skilled nursing visits beyond 21 days and/or document that the need for skilled visits is finite and predictable, and failure to obtain dated physician certifications, she noted.

HCFA says the letters are the latest step in its ongoing efforts to reduce errors, which DeParle noted have already reduced Medicare's payment error rate almost 50% in three years. Medicare's payment error rate was 8% last year, compared to 14% in 1996, the first year of the audit. The agency's long-range Government Performance Review Act goal is a 5% rate by FY 2002. ■

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COMPANIES IN THE NEWS

Continental to purchase Mobility Plus

Continental Home Healthcare (Glendale, CA) has entered into a letter of intent to acquire all of the assets of **Mobility Plus** (Las Vegas), an HME rental and sale business. Mobility Plus has revenues of more than \$400,000 annually.

The aggregate cost of the acquisition, Continental said, is \$175,000 and includes a cash payment of \$150,000 and the issuance of \$25,000 in common shares of Continental. As a condition of the transaction, offers of employment will be made to all five existing employees of Mobility Plus, Continental said.

StaffBuilders unit teams with GraciasDoctor.com

GraciasDoctor.com (McLean, VA), a multimedia, trilingual health information Web site announced today a comprehensive strategic alliance with **StaffBuilders Brazil** (Sao Paulo, Brazil). GraciasDoctor.com CEO Emilio Williams said the relationship will "help both companies to educate Latinos around the world about the growing opportunities to benefit from home care services." Williams also announced plans to develop interactive channels dedicated to Latinos who use or are thinking of using home care for themselves and family members.

As part of the partnership, StaffBuilders Brazil's upcoming Web site will use ObrigadoDoutor.com, the Portuguese version of the Latino health site, as the exclusive provider of health information. StaffBuilders Brazil is the master franchisee for Brazil of StaffBuilders International of the United States and its Tender Loving Care division, a U.S. provider of home care services.

HomMed's monitoring system gets FDA approval

HomMed (Brookfield, WI) has received approval from the **Food and Drug Administration** (Washington) for its home monitoring system. The system, the company said, was designed to provide a better quality of life for those living with health problems associated with age or chronic conditions. The HomMed system collects, transmits, and stores true clinical data, which can be used by clinicians to support diagnostic decisions.

Lexington's chairman/CEO resigns

Lexington Healthcare's (Farmington, CT) Chairman and CEO, Jack Friedler, announced he will retire. Friedler will be replaced by Harry Dermer, Lexington's president and COO.

Mid-Atlantic sees improvement in IQ00 revenues

Mid-Atlantic Home Health Network (Manassas, VA) had a 29% increase in revenues in FY99 over its FY98 revenues. The company said it posted a net income of \$426,000, compared to a FY98 net income of \$8,000.

The company's revenues for IQ00 jumped to \$6.3 million, a 52% increase over IQ99 revenues.

President Dennis Light says the firm has had a "laser beam focus on developing creative approaches to recruiting sufficient nursing personnel to meet the demands of its referral hospitals, nursing homes, and private patients."

Option Care makes management changes

Option Care (Bannockburn, IL) Chief Operating Officer Raj Rai last week was elected president and COO. In addition, Chairman John Kapoor became CEO, replacing former President and CEO Michael Rusnak. Rusnak left Option Care to pursue other opportunities, the company said.

Option Care also promoted Michael Siri to senior vice president and CFO from his prior position as vice president and CFO. ■

C A L E N D A R

- The **American Association for Homecare** (Alexandria, VA) will hold its inaugural annual Washington conference June 14-15. 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 in Biloxi, MS. To register, call (800) 386-4222.

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

- The Medtrade 2000 Exposition and Conference is Oct. 3-5 in Orlando, FL. The exposition hall is free for participants who register before Sept. 8. For more information on the conference, call (877) 835-7232.

- The ninth annual meeting for the **National Association of Pediatric Home and Community Care** is 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. ■

CORPORATE LADDER

- Sue Vandenbroucke has been appointed to the **Joint Commission for Accreditation of Healthcare Organization's** (Oakbrook Terrace, IL) Home Care Advisory Board. Vandenbroucke is the executive director of operations for **Lifestyle Options** (Schaumburg, IL).

- **Auxi Health** (Nashville, TN) has appointed James Barraza president/CEO and a director on the board. In addition, Auxi named David Steinglass and Gerry McCranie to its board.

- **Nursefinders** (Arlington, TX) named Sherry Hagemester CEO. Rick Peranton will continue in his role as president and COO, Nursefinders said. Prior to joining Nursefinders, Hagemester was CEO of **Science Solutions**. ■

Infusion

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The **National Home Infusion Association** (NHIA; Alexandria, VA) is aggressively challenging implementation of the new methodology and the revised "dramatically lower" AWP. It reported that the new AWP developed by DOJ were provided to all the state Medicaid agencies prior to May 1. NHIA said the list is comprised of roughly 50 inhalation, infusion, and injectable agents that in some cases fall below acquisition costs. Moreover, the association reported that this is considered only the first phase in implementation and that additional drugs are also being evaluated.

NHIA told *HHBR* last week that it believes 14 states, including Alaska, Arkansas, Connecticut, Idaho, Illinois, Indiana, Maine, Maryland, Missouri, New Hampshire, New Jersey, Oklahoma, Pennsylvania, and Wisconsin, may already have implemented these new rates.

Bliley noted that the HHS **Office of Inspector General** has already issued a series of reports that have identified what he called significant discrepancies between the prices Medicare pays for certain drugs and prices available to private sector purchasers. "In its December 1997 report, the OIG estimated that in 1996 alone, Medicare could have saved \$447 million by reducing the Medicare-allowed price for just 22 drugs to the actual prices available in the private wholesale sector," he said.

He also pointed out that the OIG reported Medicare could have saved at least 40% of the current allowance for almost half of the 22 drugs and a whopping 90% for one particular drug by limiting reimbursement to available private sector prices.

Bliley said several drug manufacturers recently confirmed this trend. Moreover, he said, his committee is continuing to investigate the practices of certain drug manufacturers relating to allegations that they manipulated the AWP of particular drugs in order to increase the sales of these drugs. ■

REGIONAL DIGEST

- After hearing emotional pleas last week not to cut in-home nursing care for the poor and elderly, the Contra Costa County Board of Supervisors postponed voting on a plan to close the county's home health agency. Closing the agency is one of the options administrators are considering to eliminate the county **Health Services Department's** estimated \$10 million budget shortage next year, reported the *San Francisco Chronicle*. But several nurses pleaded with the board to find another way. County staff members said closing the agency would save more than \$500,000 a year. The board voted 4 to 0 to hold meetings with groups interested in offering alternatives to ending the in-home service, and agreed to hold another vote on the closure early next month.

- Tennessee State Rep. John Arriola (Nashville) asked his colleagues in the House last week to provide funding for a \$35 million home- and community-care program to give the elderly an alternative to nursing homes. Arriola said that it has always been the policy of Tennessee that if a patient needs assistance from the state, the patient must enter a nursing home. He added that Tennessee has sunk to last in the nation in providing alternatives to nursing home care, and advocates hope that distinction will pressure lawmakers to provide more funding.

- Memorial Hospital's (Denver) board of directors decided last week to close the hospital's home healthcare unit and hand over 176 patients to the **Visiting Nurse Association** (Denver). The city-owned facility lost \$555,000 on home healthcare in 1999, \$659,000 in 1998, and \$383,000 in 1997, hospital officials said. The move eliminates about 50 staff jobs and becomes effective July 1, reported the *Gazette* of Colorado Springs. A hospital spokesperson, Taneda Schreuder, said, "We expect a seamless transition. The (Visiting Nurse Association) has agreed to hire any of our staff that would like to work with them." ■

WASHINGTON UPDATE

- U.S. Sen. Olympia Snowe (R-ME) has co-sponsored legislation that will give Medicare home health beneficiaries improved opportunities to leave their homes periodically. The Homebound Clarification Act of 2000, written by Sen. Jim Jeffords (R-VT), gives seniors who qualify for home health benefits the ability to go to church or attend adult day care center activities that could keep them from qualifying for Medicare home health benefits. The bill clarifies that while beneficiaries must normally be unable to leave home in order to receive Medicare benefits, periodic absences, such as therapeutic exercise, church participation, or adult day care, would be allowed, reported the *Bangor Daily News* (Bangor, ME). ■