

SENATE HEARING TESTIMONY

RE: HOMECARE, MEDICARE AND MEDICAID SURETY BOND REGULATION

Linda Fanton, RN, Administrator/Owner of Eastern Iowa Visiting Nurses and Home Health Care, LLC.

March 31, 1998

I wish to thank the Senate Special Committee on Aging for allowing me to give my testimony at this hearing. Today, I have come to Washington, D.C. to tell the Senate of the United States about the inability of my home care agency, Eastern Iowa Visiting Nurses, as well as many other home care agencies to obtain the needed surety bonds to participate in the Medicare and Medicaid program. With me today, at this hearing are two other home care agency owners: Julie Tow, RN, of Comfort Care and Angle Nowak, Speech Therapist, of Therapy Solutions. We are all free standing, women-owned businesses in Eastern Iowa.

We are gravely concerned about the Balanced Budget Act of 1997 requirement that all home health agencies nationwide obtain a minimum \$50,000 Medicare and a separate \$50,000 Medicaid bond or a bond for 15% of the agency's Medicare and Medicaid revenues. We have spent many hours calling surety bond companies searching everywhere nationwide for someone to bond us. We first started with our local insurance company; when we received denial after denial we went to other larger city insurance company brokers all with the same type of response. Finally, we went to the Internet to look nationwide and we found the same story over and over again.

Some of these surety bond companies are telling us is that they won't issue bonds at all because they see them as too high of a financial risk. The ones that do issue these bonds tell us they do not approve of the way the Health Care Financing Administration has written the underwriting requirements. They all say this makes the bonds high risk financial guarantee bonds and most require 5-10 times the amount in outright financial assets for each bond. In our case that would mean we would need \$500,000 - \$1,000,000 dollars in the bank to get both the bonds we need. The problem is that when an Agency becomes a Medicare provider the agency agrees to be reimbursed only for actual cost. Medicare participating agencies do not make or retain any profits. So how are we going to come up with those kinds of assets? We are not. We will be forced out of business, there is no question of this fact. It is clear to us that the only agencies getting the bonds in our area are hospital-based agencies, which can fall back on the hospitals' assets, or large company chains. We know this from comparing notes with other agencies in the area. We are appealing to you, the Senate of the United States, to intervene in this matter.

I think it is very important that you understand what damage has already been done here. These bond companies have had two months to form their own opinions about these bonds. Even now if you try to fix this they have already formed their own personal judgments regarding these bonds. I'd like to read a letter I received personally from Cincinnati Insurance Company, a major health care insurance provider and bond provider. You will notice the date of the letter is after the Health Care Financing Administration's revisions to the underwriting requirements of the bond. The letter was dated March 11, 1998 and was written by Ronald Dunlap their Commercial Surety Manager.

Dear Linda,

We previously indicated that "Due to the highly hazardous bond provisions that the HCFA has mandated (i.e. cumulative liability, forfeiture claim provision, and tail-end liability) we were unable to provide bonds unless your worth was five to ten times the bond requirement".

The recent changes made by HCFA has limited the tail-end liability to two years if not released by another Surety. The claims provisions have improved, but a demand from HCFA to pay a certain amount would be difficult to verify without substantial expense on the Sureties part trying to audit. Finally, accumulative liability has not been definitely eliminated.

While the changes have been of some benefit, they do not effect the basic fact that these bonds are considered financial guarantee bonds, and are underwritten on the basis of the strength of the organization and the bond exposure."

Personally, I think these bonds should be only for new home health agencies that haven't already applied for their medicare/medicaid certification.

I did receive a phone call from a HCFA regional official in Kansas City. This individual told me about a possible bond agency that she said was bonding some smaller companies. They are called Centratex Support Services and are located in Brady, Texas. Well, I followed through and called them and they informed me that they are working with Connecticut Surety Group and what they do is essentially watch your agency financials, you send them a financial statement each month and then keep the Bond Companies informed of you status. As I understand it you pay two people: the company that is watching you and the bond company. My concern is that the bond company would cancel your bond the minute they found a Medicare overpayment. I would think this to be risky at best and costly especially if you need two bonds as most agencies do. What you should also know is that according to bond companies we have spoken to people are putting their homes and land up for collateral as a way to obtain these bonds.

As an experienced Registered Nurse with a home health care and hospital background, I own Eastern Iowa Visiting Nurses, a free-standing agency in Eastern Iowa that employs 3 nurses, 3 nurse aides, and 2 social workers. We contract out a full range of therapy services -- speech, physical, and occupational therapies. We serve a primarily rural\small town type of area. We see many farm families as well as small town families. The agency serves all ages of people from preemie babies to the elderly. There is one other agency in our county besides us that is a county nursing agency that has been in the area many years. The main difference in the services we provide is that we provide in-home IV therapy services and other high tech nursing services such as ventilator management. We have been able to take care of patients who would otherwise be in the hospital because of the degree of nursing skills needed to care for them. Recently, we cared for a patient who requested to stay in his own home and even though he had no homecare benefits at all, the case management staff at his insurance company agreed to provide home care anyway because they knew it was much more cost effective for this patient to be in his own home rather than in the hospital. Most agencies do not have social workers on staff and our physicians tell us that they appreciate us having one social worker that specializes in children and one that specializes in the elderly. So if our agency closed, our county would not have access to these services. Some of our patients came from the other agency and tell us they appreciate having a choice on what home care agency they want to use and they tell us they appreciate the quality of our care.

The closest large city is 35 miles away and this is where Comfort Care and Therapy Solutions are located, in a city of with a population of 125,000. They are two of eight home health care agencies in the area. Comfort Care employs 30 people and Therapy Solutions employs 18 people. Both agencies serve all ages of people. Comfort Care reports that many of their patients have been unhappy with the care they received from other agencies and have come to their agency for that reason. Julie, the owner,

reports that many of these patients have diagnoses like Multiple Sclerosis or are spinal injury patients who require a lot of laborintensive care. They tell her they appreciate the quality of her staff. Therapy Solutions is one of the few agencies I know of state-wide that has its own therapists on staff. Angie, the owner, a speech therapist herself, reports that the physicians in the area appreciate their services because they know they can get a therapist in to see their patient within 24 hours. That is not the case in the majority of agencies who contract out their therapies because most therapy groups sell their services to several agencies. Usually it takes about two days to get a therapist out to see your patient because of sheer demand. So, you see, we fill our own specific niches the home care market place. None of our patients want to see our agencies close because of this bond requirement; they report they are happy with our services. There also is no question that many of these people would be institutionalized without our services.

Our community depends on us to provide outreach care to the sick of all ages. What will happen to the medically underserved areas in this country if we allow this to go through?

I am reminded of a February 26 letter written by Senator Grassley, addressed to Iowa Home Health Agency Administrators: "Iowans have often reminded me that they prefer to receive care in homes, rather than in institutions. In addition, there is little doubt that home care can be much more cost effective than institutional care." We owe it to the nation's elderly, as well as people of all ages, to do this job right and correct any mistakes that may have been made.

Most of the nation's Home Health agencies might not be financially worth much on paper but our real worth is judged by the quality care we give our patients. Sincerely, I hope that this Special Senate Committee on Aging will take swift action to avert this potential tragedy.