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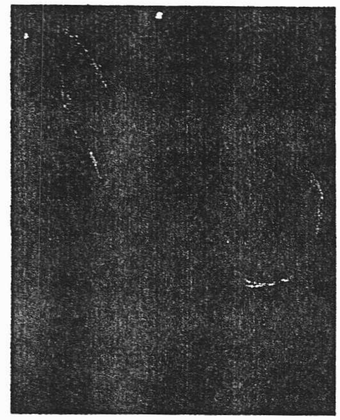


SURVIVAL STRATEGIES

Mavericks in Motor City Cut a Path Through Managed Care

BY KAREN OAKLAND

I wrote the cover story for this issue, which won "Best Trade Magazine" by the industry assoc

IN 1991, CHRYSLER MOTORS awarded an exclusive contract for home medical equipment (HME) services in Michigan that created a ripple effect in Detroit's provider community. For many, it crystallized for the first time the impact of managed care.

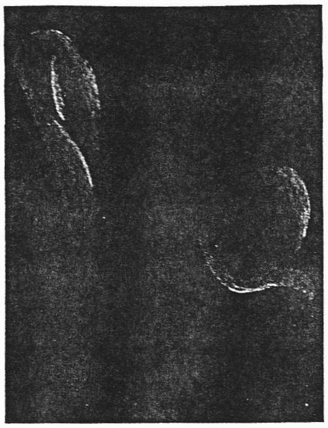
The contract was awarded to Wright & Filippis, a provider specializing in orthotics and prosthetics headquartered in Rochester Hills, a suburb north of Detroit. Small and large HME suppliers in Detroit were closed out and forced to find new ways to compete. The result has been innovative business relationships. The path Detroit suppliers have cut has been closely watched by the rest of the industry.

The Chrysler contract and the Detroit market are both complex and multilayered. Chrysler actually contracted with Detroit's largest insurance company, Blue Cross/Blue Shield of Michigan (BCBSM), which subcontracted on a capitated basis with Wright & Filippis through the insurer's SUPPORT (Select Utilization of Providers for Prosthetic, Orthotic and Rehabilitative Technology) program. That contract expires next month, but Chrysler officials have not indicated whether it will be rebid.

Wright & Filippis was uniquely positioned to meet the contract because it operated 20 branches throughout the state, more than any other Michigan supplier at the time, according to Detroit-area providers who spoke with *HomeCare*. Wright & Filippis also subcontracted with Homedco (formerly Glasrock), whose district office is in Troy, Mich., to serve some of its high-tech respiratory needs.

BCBSM has since attempted to sell its SUPPORT program to Ford Motor Co. and General Motors. Ford officials decided to carve out home care services three years ago, but have not yet issued a request for bids. Some suppliers predict that contract will be let as early as next April. Sources say GM is only now beginning to examine managed care.

If BCBSM wins the Ford contract, it has already agreed to subcontract with Home Health Care Providers Inc. (HHCP), a



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statewide alliance of 20 small HME suppliers led by Plymouth-based Prescribed Oxygen Services' president Bob Mayer.

Mayer says he and four other Detroit-area suppliers formed HHCP when they realized Ford and GM would not be far behind Chrysler. "For us, it was immediate economic survival," he says. The auto companies make up about two-thirds of Prescribed Oxygen's business. "Sometimes you look at these issues down the road and they are five years away. This, however, was an immediate concern. We had to do something to protect our market share."

JOINING FORCES

When the going gets tough, the tough band together. In Detroit, a host of independent suppliers have formed networks that offer a glimpse at what the future holds for the home care industry.

Prescribed Oxygen's Mayer, Jim Binson, president of Binson's Hospital Supplies in Center Line, and a coalition of at least 20 other suppliers spent approximately $20,000 investigating and lobbying against the Chrysler contract. They argued that other suppliers were not given equal opportunity to bid and that patients were transferred to Wright & Filippis without adequate notice. When that effort failed, the suppliers realized they needed to reevaluate their competitive strategies.

HHCP was formed in February 1992 following discussions between Mayer and several friends in the industry. "Basically, I went to people that I knew had similar attitudes that I did and I knew were good business people and were financially sound," he says. The group hired consultant Sheila Morrow of Professional Management and Consulting Services in Canton Township, and Don Fitzpatrick, president of marketing firm DWF & Associates in West Bloomfield, to develop a marketing plan.

HHCP is owned equally by five shareholders. The five have contracted with 10 other HME providers to cover the entire state. Metro Home Health Services in Dearborn is the only participating home nursing member. Mayer says he hopes to expand HHCP's home health agency services by developing a statewide network of agency groups.

The key to HHCP's success has been the flexibility of the members, according to Morrow. "They have shared everything to promote uniformity among the members," she explains. This includes information about operations, staffing and financials. "The learning curve has been incredibly impressive,"

About 12 HME companies operate within two square miles in northeast Detroit, according to one supplier.

Managed Care Distinguishes Detroit Terrain

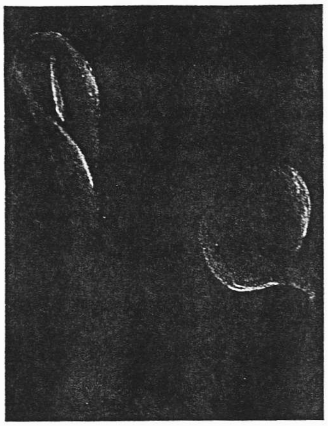
It is the "Big Three" self-insured auto companies that set the Detroit market apart. Of the 5 million area residents, an estimated 760,000 are auto employees, which does not reflect an even larger number of businesses affiliated with auto manufacturing.

The Big Three have a large incentive to reduce their health costs. Their average annual health cost per worker has increased from about $3,300 in 1985 to about $5,700 this year, according to the *Detroit Free Press*. GM's higher retiree population has made its costs higher—officials say health care adds $1,469 to the cost of every car and truck GM builds.

This year providers anxiously awaited the outcome of United Auto Workers negotiations, conducted every three years. A proposal in this year's UAW contract for workers to pay part of their health costs failed, but the employers are looking for alternatives, including managed care.

Managed care already has a significant presence in Michigan. In 1992, 24.7 percent of the state's population was enrolled in health maintenance organizations (HMOs), according to the Group Health Association of America. In 1991, the Detroit-Ann Arbor area was the No. 17 market in HMO enrollment in the United States at 25 percent.

Participation has grown rapidly. Enrollment in HMOs in southeast Michigan increased fourfold between 1979 and 1991, from 174,509 people in six HMO plans to 903,884 people in nine HMOs. The nine saw net income improve 16.4 percent and membership rise 7.4 percent in 1992, according to the GHAA. Membership in preferred-provider



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Morrow says. "Members have been very eager and receptive to management information needs."

"When the ship is sinking, everyone grabs an oar on the lifeboat," Mayer adds. "No one argues about which paddle they are going to grab."

While it awaits the Ford decision about the SUPPORT program, HHCP will begin serving some Ford beneficiaries on a capitated basis in December. The 30,000 enrollees of Blue Cross' Preferred Trust preferred-provider organization (PPO) were switched to HHCP network providers this fall. HHCP also has another contract that starts this winter with Manageability, a utilization-review case management group in Farmington Hills. Billing for HHCP contracts will be centralized at an office in Livonia.

HHCP defines itself as a third-party administrator (TPA), or PPO, according to Mayer. Its target is insurers, rather than employers. This contrasts with its closest competitor, Northwood Inc., founded by Binson's Hospital Supplies. Northwood received alternate finance delivery system (AFDS) licensure by the state in July as a health maintenance organization (HMO), or risk-taking organization, according to Binson's officials. It is structured as two companies—a marketing and administrative services company and an AFDS company.

Northwood covers every aspect of home care from nursing to infusion therapy. It is the largest network in the state, with 28 full-service centers plus others that focus on specific niches. Binson's began forming the network two years ago for the same reasons as HHCP, according to Ken Fasse, Binson's vice president and chief operating officer. The Chrysler contract caused the firm to lose 5 to 10 percent in revenue, Fasse says, which it has since recovered.

Northwood president Michael Elliott helped develop the network and created its marketing strategy. Elliott says he has spent 1993 "beating the bushes" for business. He has prepared proposals for employers, including one major auto parts vendor, that list Northwood members as well as nonmembers in the areas not already covered by the network. This strategy is based on the assumption that the nonmember companies would welcome the added business, he says. Northwood has also advertised in several local business publications to build name recognition.

Northwood's challenge, Elliott says, is to demonstrate to employers the value of carving out the home care benefit. "The world has never bought home care as a separate product before," he explains.

Most HMOs have told him they are satisfied with their home care arrangements, Elliott says. "What that means is they haven't thought about it," he says. "We are preparing

Although officials of both HHCP and Northwood would like to achieve national coverage, they remain skeptical that the national companies will be able to provide adequate coverage in every region.

Managed Care Distinguishes Detroit Terrain

organizations (PPOs) grew from approximately 906,000 in 1989 to 1.37 million in 1991.

Managed care has also attracted the state Medicaid program. Officials were scheduled to competitively bid for home medical equipment (HME) services this year, but dropped the plan after the state HME supplier association delivered alternative cost-saving proposals. However, suppliers say the plan is likely to resurface.

Detroit is also unique in that every one of its hospitals and health systems either operates its own HME division or maintains a joint venture with an independent company. These health systems are consolidating even further through alliances with HMOs and PPOs. This vertical integration makes for a tough competitive environment, says Chris Gleeson, district sales manager for Homedco. "The players are changing and consolidating," he says. "They are networking to develop statewide health systems to prepare for managed competition. It's here already."—*K.O.*

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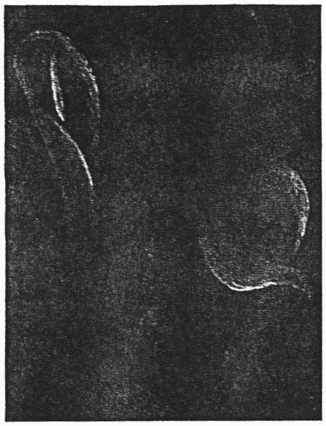

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BCBSM provided HHCP with two years of utilization data to determine its contract rates. HHCP then contracted with Coopers & Lybrand to help sift through the data.

their thinking. There will be time in the planning process when they do make it a priority."

Elliott has made about 180 sales presentations since January. The first nibbles have come from two TPAs, an association whose benefits are administered by a TPA and a national case-management company, he says. About a dozen other contracts are pending.

A third network in the Detroit area was formed this year by 11 home care companies connected to the area's hospitals and health systems. Affiliated Home Health Care is led by chairman and president Larry Brothers, who is also chief operating officer of Kensington Health Enterprises in Flint. In addition, Brothers is president of Metro Duramed in St. Clair Shores, an HME company on Detroit's east side affiliated with Mercy Hospital.

Brothers says Affiliated was formed specifically to respond to managed care providers. "I think one of the keys of organizing any group of individuals is trying to find some commonality and like cultural values," Brothers explains. "We found that with health system-related companies." The members are working on agreements to share their individual contracts.

"This is not a competitive thing," Brothers emphasizes. "It's a survival strategy." His business recovered the 15 percent of Chrysler revenue it lost, but would be more affected if it lost a GM contract because of plant locations. "All of us in Affiliated knew we had to do something based on the number of providers in Detroit," he says. He estimates that about 12 HME companies operate within two square miles in northeast Detroit.

HomeCARE of Michigan, Dearborn, joined Affiliated primarily to go after the auto contracts, but also because president Randy Kowalski says he saw the writing on the wall. His company was approached by several nationals, but he wasn't interested in selling. "As a dealer, you are walking a tightrope by yourself," he says. "It helps to ally with similar quality-oriented companies."

Unlike the other networks, Affiliated's goal is to provide all health care services, Brothers says. "We want to provide a continuum of care, which will include hospital and primary care," he says. "We are part of a vertically integrated health system, and our goal is to go to employers and offer to do everything for them. ...It's not inconceivable that for a really big contract Affiliated and Northwood could get together to serve it."

Affiliated also hopes to contract with integrated health systems that don't have HME subsidiaries. "We are looking at how to match our services to facilitate the flow of the patient through the system with the least amount of hand-offs," Brothers says. "It's refocusing away from the product only." The network is also considering AFDS licensure.

The labyrinth of hospital alliances in Detroit can be difficult for newcomers to unravel. For example, Brothers' company, Kensington, is a for-profit subsidiary of Genesys Health Systems in Flint, which is composed of four hospitals and about 15 health care corporations. One of those is Kensington's sister group, St. Joseph Health Systems, which is owned by Sisters of St. Joseph's Health Systems in Kalamazoo. And BCBSM just formed an alliance, Community Care Partnership, between itself, Henry Ford Health System and the Sisters of Mercy Health System.

These health systems are also integrating with the area's managed care organizations. Genesys is negotiating to purchase Health Plus, a Flint-based HMO. Last year Health Plus sold its Detroit operations to another HMO, SelectCare, in Troy. SelectCare is partially owned by five health systems, including St. John's Health System in Detroit. The Henry Ford Health System owns HMO Health Alliance Plan and is affiliated with Detroit provider Fairlane Home Medical. M-Care,

Detroit Area HMOs

Name/Enrollment Oct. 1991-Sept. 1992	
Blue Care Network	117,901
Care Choices	76,636
Comprehensive Health Services	100,101
Health Alliance Plan (HAP)	405,287
Health Plus	29,000
M-Care (Univ. of Mich)	42,118
Omni Care	95,205
SelectCare MedExtend	79,165
Total Health Care	21,088
TOTAL:	966,501

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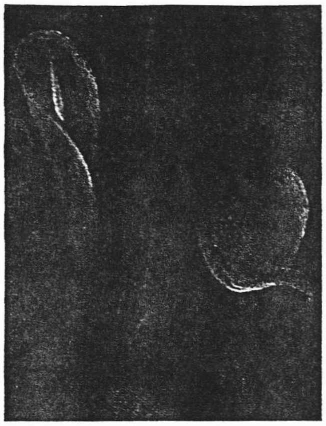

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operated by the University of Michigan in Ann Arbor, is affiliated with Ford Hospital. And HMO Care Choices is owned by the Sisters of Mercy Hospital Corp.

Both Northwood and HHCP have network members that have joint ventures and other business relationships with hospitals. Some providers, such as regional independent ComfortCare, say it's their hospital relationships that are helping them stay alive in the managed care wilds.

A 9-year-old HME and infusion therapy provider and former subsidiary of the Perry Drugs chain, ComfortCare operates six branches in addition to its corporate headquarters in Troy. Approximately 60 percent of its business comes from relationships with health systems, according to chief operating officer Charles Osburn. One of its biggest sources is Detroit Medical Center.

Through its hospital relationships, ComfortCare has already signed a number of capitated contracts with small insurers, PPOs and HMOs, one of which is Health Plus in Detroit. The company had little Chrysler business, but Osburn says GM business would be much harder to replace. Because 40 percent of its northern Michigan business is from GM, the company is working to develop ways to compete for the auto contracts.

ComfortCare's biggest operational change, Osburn says, has been to cultivate statewide coverage. "We have a loose consortium of providers," he explains. "We don't have contracts. They are handshake agreements. Why get immersed when we don't know what's going to happen down the line with health reform?"

BEYOND BORDERS

Even though they emphasize that managed care providers want local service capabilities, most small suppliers say they are looking for ways to compete for business that is contracted on a national basis. Detroit is geographically isolated by the Great Lakes on three sides, so it has experienced little interstate competition. With the transition to four Medicare carriers, suppliers say that could

Accreditation Forces Suppliers To Sink or Swim

In addition to broad access and low cost, home medical equipment (HME) providers in the Detroit area say managed care organizations demand quality assurance, which to them means accreditation. Not having that status from the Joint Commission on Accreditation of Healthcare Organizations is an automatic deal-buster, according to suppliers who spoke with *HomeCare*.

"Managed care companies often don't know what they are bidding for," says Larry Brothers, president of Affiliated Home Health Care, a network of hospital-affiliated HME companies. "Thus most of the HME contracts they are submitting now specify Joint Commission accreditation. That's a very competitive factor right now. If you're not accredited, you're out the door. Forget it."

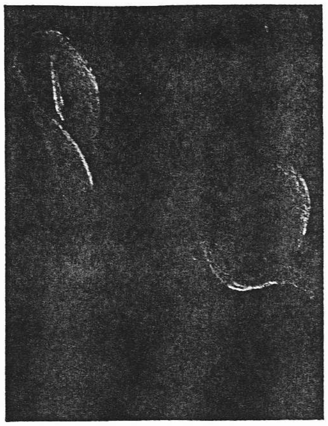
Accreditation should be mandatory for the entire industry, according to Randy Kowalski, president of HomeCARE of Michigan in Dearborn, an Affiliated member. "I think too many people approach these managed care groups by looking at the low dollar," he says. "If you're not accredited, you're part of the problem."

All members of the Home Health Care Providers Inc. (HHCP) network must be accredited, according to president Bob Mayer. As a preferred-provider organization, accreditation allows HHCP to check the quality of its members and prove it to potential customers. In addition to quality, accreditation also assures financial stability and personnel management, Mayer says. "In managed care, accreditation is crucial," he says. "If you can't acquire it, you will not be part of managed care in the long run."

If it wins the Ford contract, HHCP has also agreed to set up a quality-assurance committee that will include members from the United Auto Workers, Ford, Blue Cross, HHCP and network suppliers, Mayer said. The committee will meet regularly with a medical director to check service quality.

Northwood also requires that members be accredited or be in the application process, according to Pam Binson, director of reimbursement for network founder Binson's Hospital Supplies. Orthotic and prosthetic companies must be American Board Certified. "We have to maintain some control over our providers," she says. "At Binson's we've prided ourselves on service and quality, but when you hire other people to provide service under [Northwood's] umbrella, your control changes." Northwood has its own quality-assurance program as well.

Some say the costs of becoming accredited could eliminate many small players in the market. National chains Homedco and Abbey are both accredited. "The winners will be the people who can maintain a high quality of service and be the low-cost provider," says Homedco district operations manager Jim Shurlow, based in Troy. "For companies that have been accredited, it's pretty difficult for them to trim their services and remain competitive."—*K.O.*



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change as billing becomes streamlined.

One of the largest national firms, Homedco, based in Fountain Valley, Calif., entered the Michigan market when it acquired Glasrock a year ago. It now has nine branches in the state, with the district office in Troy.

Being a national provider gives managed care organizations a sense of stability and nationwide consistency, district sales manager Chris Gleeson says. "Nationwide we can offer the full range of services, from durable medical equipment to infusion," he says. "And we benefit from certain efficiencies and economies of scale." Respiratory makes up 70 percent of Homedco's Troy business.

In addition to the Wright & Filippis contract, Homedco has developed cooperative relationships with area nursing agencies. According to Gleeson, it is more cost-effective for the company to form such alliances than to enter those markets itself. However, it has almost finished the creation of a home infusion department, complete with pharmacy and nursing capabilities. It also hopes to expand into northern Michigan, where the concentration of retirees is higher.

Abbey Home Healthcare, Costa Mesa, Calif., just entered the Detroit area with its acquisition in August of Specialized Home Care, an HME company specializing in pediatric respiratory care based in Madison Heights. Former owner and new assistant branch manager Carlia Cichon, R.R.T., says Abbey provides Specialized with the financial resources it needs to compete. "We were very fortunate that Abbey came along," she says. "We knew that we had to work with managed care, and we could not keep up with product lines and specialty programs."

The acquisition gives Abbey 14 branches in the state. According to area vice president Manny Brown, it also gives Abbey the opportunity to improve its position in the competitive Detroit market. "But we are not just trying to gain market share," Brown says. "We are trying to build a strong provider network to take care of customers across the United States."

Brown believes the auto companies could one day sign a national contract for all of their employees. The company is pursuing both a regional and a national strategy, he adds. "The marketplace is going to dictate what they want from us," he explains. "We're going to be flexible enough to meet those needs."

Officials of both HHCP and Northwood would like to achieve national coverage by working with other independents or regional networks. They remain skeptical that the national companies will be able to provide adequate coverage in every region. "I don't know of any national competitor that's set up to do things in the local markets," Northwood's Elliott says. "No one medical equipment provider is positioned in the state of Michigan to do what the marketplace needs from a managed care perspective."

Binson's Fasse agrees: "It would be pretty tough to build a network through acquisitions. I would think it would cost too much and would tie up capital needed for other things. ...In Michigan, you need at least 30 to 40 stores to compete."

Mayer says two national HME companies have already approached HHCP about forming joint ventures. So far, the network has declined. "The nationals are going to have to come to the strong state groups," he says. "I don't think they can make it on the local

"I think it's clear within our entire industry, if companies do not get involved in alliances or networks, they will be excluded from a very large percentage of what's available out there."

—Bob Mayer, Home Health Care Providers Inc.

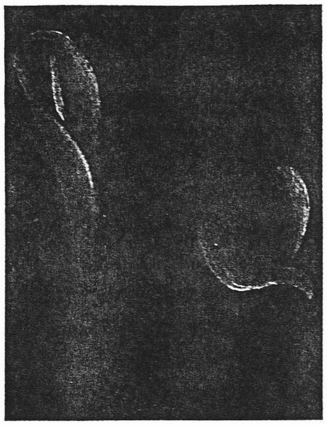
Suppliers Grow Amid Consolidation

In addition to forming or joining networks, home medical equipment (HME) suppliers in Detroit say they are examining their own operations and making changes to compete for managed care contracts on their own.

Companies need more than just a large number of service centers to show managed care firms they offer widespread access, suppliers say. Branches must offer a full range of home care services, from retail to respiratory therapy and nursing.

Respiratory remains the bread-and-butter market for most area suppliers. "Realistically, that's where the profits are," says Larry Brothers, vice president of Kensington Health Enterprises in Flint. "I think if companies don't have a base of 40 to 50 percent respiratory they are really lacking."

Homedco district operations manager Jim Shurlow says the company will continue to focus on respiratory markets. The company does not offer a retail showroom, because he says his referral sources don't require it. It will



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level, particularly with the wide variety of product and service requirements."

THE COSTS OF EXPLORATION

Managed care's mission of lowering health care costs has pushed profit margins to all-time lows, industry sources say. Suppliers are caught in the paradox of having to cut their operating costs while maintaining and even increasing the quality of their services.

Homedco's biggest crusade right now is to challenge its cost of doing business, according to district operations manager Jim Shurlow. "The HME provider that doesn't know what his costs are isn't going to last very long in this market," he says. Areas such as order-taking, customer service and delivery receive special scrutiny. The company also carefully controls its product mix.

Although most contracts in Detroit have been primarily fee-for-service, suppliers say, capitation is on the rise. But capitation can be a dangerous business in home care, especially for small companies, Brothers emphasizes. "With hospitals, you have some degree of control over utilization," he says. "But the HME industry has very little control. If you have no control, you are very much at risk.

"Right now, too many companies are underbidding their services," Brothers adds. "If companies continue to bid at those rates, we are going to be out of business. Small companies generally don't know what it costs them to provide a service." He says regional, national and hospital-owned companies have the advantage of better accounting and managed care experts to provide such data.

BCBSM provided HHCP with two years of utilization data to determine its contract rates. HHCP then contracted with Coopers & Lybrand to help sift through the data and develop a fee schedule accepted by all network members.

"Managed care for HME companies is still in the formative stages," says HHCP consultant Fitzpatrick. "There's not a lot of historical data we can use. Part of the difficulty in establishing our group was there wasn't a lot of precedence. We had to go forward on our gut instinct."

Many suppliers are using sophisticated computer systems to help determine discounts. Prescribed Oxygen is implementing a new system that Mayer says will enable him

"There's a wave coming in this industry called health care reform. There are two things you can do—drown or surf."

—Randy Kowalski, HomeCARE of Michigan

Suppliers Grow Amid Consolidation

also open an infusion division this year.

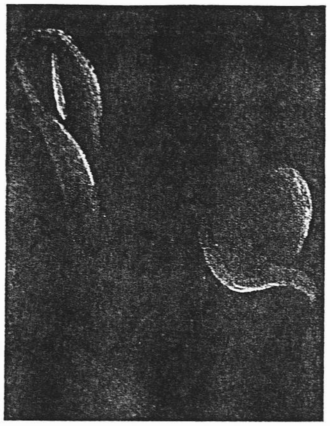
ComfortCare, based in Troy, has shrunk its retail operations because of competition from mass merchants, according to chief operating officer Charles Osburn. "We've had a lot of success having very small show floors and a lot of activity in the field," he says. The company previously had HME centers in Perry Drugs locations, but closed most when it found they weren't profitable enough.

In contrast, Binson's Hospital Supplies in Center Line has possibly one of the biggest retail HME stores in the area. The company will continue to emphasize that market, according to Ken Fasse, vice president and chief operating officer, because referral sources want their customers to be able to shop. "People come in in their wheelchairs and want to pick out their own things," says director of reimbursement Pam Binson.

"Many of the providers in this area worked with primarily warehousing-type operations," Fasse says. "I think we have had a distinct advantage over a lot of other companies that have recently set up retail showrooms." About one-fourth of Binson's revenue is cash sales.

HomeCARE of Michigan operates four retail locations within its joint venture hospitals, in addition to its Dearborn headquarters. However, president Randy Kowalski says he emphasizes the company's service, not product capabilities. At least half of his business is rehab, so that he can avoid government reimbursement. "We are changing daily," he says. "We are looking for areas of good, quality-controlled growth."

Prescribed Oxygen, which operates two Michigan branches, is building a new 10,000-square-foot facility in Plymouth that will have 1,000 square feet of showroom space. "As we move into retail, we're going to emphasize new product lines like medical/surgical and rehab equipment," says president Bob Mayer.—*K.O.*



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to track historical cost data so the company can know the financial impact of capitated contracts.

Northwood designed its own software system to allow the company to evaluate capitated contracts, Elliott says. The network promises a 25 percent discount for fee-for-service contracts and 30 percent for capitated contracts. Infusion is billed on a per diem rate, including equipment, pharmacy and nursing services.

"You have to be able to control both use and unit price," Elliott says. "You have to know what you can provide the service at and still leave a profit margin." To compensate for this pressure from payers, HHCP and Northwood have used their networks to negotiate reduced product prices from manufacturers. Most have been receptive to sharing some of the risk, Mayer says. "We have already generated significant savings on co-op buying by letting vendors know we have a higher level of activity," he notes. "They are very aware of what managed care means to us."

HAND TO HAND COMBAT

Small companies had an ally this year in Republican state Senator Matt Dunaskiss. Dunaskiss introduced an equal access bill this past spring that would have prohibited insurers from signing exclusive contracts with health care providers. Any provider would be allowed to participate in contracts at the set price.

Although strongly supported by independent pharmacists, the bill was tabled after Blue Cross, the United Auto Workers and the auto companies lobbied against it. Yet it demonstrated the desperation of small suppliers trying to compete in Michigan's managed care environment.

"I don't think they see a way to survive, so they are angry," says Pam Binson, a board member of the Home Medical Equipment Association of Michigan, which took a neutral stance in deference to its small independent members. "They've been in the business a long time, and they provide a good service, but they can't afford to become Joint Commission accredited. We don't want to see our neighbors go out of business."

HHCP, on the other hand, worked aggressively against the Dunaskiss bill, according to Mayer, in order to protect the amount of time and money the network spends to negotiate contracts.

"I think it's clear within our entire industry, if companies do not get involved in alliances or networks, they will be excluded from a very large percentage of what's available out there," Mayer says. "Whether they can survive on whatever market share is left, I don't know."

Other suppliers say small independents can survive if they stay one step ahead of industry trends. "There's a wave coming in this industry called health care reform," Kowalski says. "There are two things you can do—drown or surf. I'm going to surf by looking at the changes, seeing what the needs of the market are and creating the things to meet those."

The moral of the story, Kowalski adds, is that the industry must conquer its fears of the unknown. "I think change is good," he says. "Although anyone who thinks they can do it alone will be locked out." □

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>
> **—Larry Brothers, Affiliated Home Health Care**

Insurer-owned HME Firm Disbanded

In 1987, Blue Cross/Blue Shield of Michigan contacted Home Care Affiliated Respiratory Equipment, a company owned by Randy Kowalski, president of HomeCARE of Michigan in Dearborn, about setting up a home medical equipment (HME) subsidiary.

He was an ideal candidate because of his relationship with the insurer and his joint ventures with area hospitals, Kowalski says. The two parties formed a joint company, HC Enterprises, to provide a range of HME services.

Kowalski calls the venture an idea ahead of its time. "The whole concept revolved around the 1993 concept of managed care," he says. A year later, however, the Health Care Financing Administration ordered Blue Cross to divest the company because the insurer processed HME Medicare claims. "They felt it was a violation of the Part B contract," Kowalski explains. "It was not an exclusive deal, but they felt there would have been higher utilization of that provider. That's probably true, not because it is unethical, but because they knew what the company was capable of."—*K.O.*