



### IRS ACKNOWLEDGES GASOLINE PRICES; SHOULDN'T MEDICARE?

Effective September 1, 2005, the IRS increased the payment to employees for use of their personal vehicles to \$.485/mile, up eight cents from the previous amount. Home health agencies have been confronted with the frustration of patient care staff who see their gasoline bills increasing without any relief.

The IRS increased rate is a temporary increase scheduled to sunset on December 31, 2005. Accordingly, home health agencies intending to increase payments to staff should make certain that they inform staff that the IRS plans to review the rate on or before January 1, 2006.

As agencies increase mileage reimbursement to staff, perhaps the Medicare program should be considering temporary relief in the form of an add-on payment to the existing HHRG rates. At least, we think so.

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### USING THE NAHC COST REPORT COMPENDIUM: CAUTION!

The National Association for Home Care & Hospice (NAHC) has made available for purchase its summary of home health agency cost report information as filed by Medicare certified home health agencies. This compendium provides extensive useful information for analysis by home health agencies in comparison to similar individual agency information. In fact, Dixon Hughes has prepared a comparison of this information for many agencies for whom we compile home health agency cost reports.

**Caution!** The NAHC Compendium provides an Average Profit Margin (APM) that is very misleading and misunderstood by those using this information. The NAHC APM is computed from Schedule F-1 of the cost report, which includes all patient services, not just Medicare patient services. The APM reported is very low because it includes margins on services to Medicaid, insurance and private payors in addition to Medicare patients. Agencies comparing the APM on services to Medicare patients can be easily deceived regarding their operating results.

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**HEALTH CARE MANAGEMENT AND LEADERSHIP TRAINING PROGRAM SCHEDULED**

Health Services Publishing & Management, an educational division of Dixon Hughes PLLC, will be offering its Health Care Management and Leadership Training Program in St. Petersburg Beach, Florida on January 9 – 10, 2006. This is the third offering of this exceptional hands-on program designed specifically for those new to healthcare management and supervisors or as a refresher to current healthcare managers. Prior attendees include CEOs, COOs, Nursing Directors and Clinical Managers. Attendance is very limited due to the nature of the program and attendee participation. Early registration discounts are available.

For additional details regarding the program contact Margie Pringle at 800.543.9811 or at [mpringle@dixon-hughes.com](mailto:mpringle@dixon-hughes.com).

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**Computing Medicare APM.** A better analysis for monitoring Medicare results is to compare Medicare expenses (total) reported on Worksheet C to Medicare payments on Worksheet D. If the worksheets are properly completed, this comparison provides Medicare-specific information.

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**MEDICARE HOME HEALTH PPS RATE UPDATE**

Effective January 1, 2006, the U.S. Center for Medicare and Medicaid Services (CMS) will increase the national home health PPS rates by 2.5% (full market basket increase of 3.3% less .08% as mandated by the law). Unfortunately, many agencies will not recognize the impact of the 2.5% increase. This is because simultaneously with the rate increase, CMS has significantly altered the wage adjustment calculation.

CMS will be moving away from the Metropolitan Statistical Areas (MSAs) to Core Based Statistical Areas (CBSA). The effect of the change will depend on the actual location of the patients served. There is no planned phase-in of the change; rather, the change will be 100% effective on January 1, 2006.

The following is a small sampling of the comparison of rates effective through December 31, 2005 to those effective January 1, 2006:

Birmingham, Alabama	.66%
Charleston, WV	-1.36%
Flagstaff, Arizona	13.73%
Rural Arizona	-.56%
Ft. Lauderdale, Florida	4.65%
Rural Florida	1.43%
Canton, Ohio	2.92%

The Associated Home Health Industries of Florida, Inc. (AHHIF) recently posted the following, which represents the impact of the implementation of CBSA:

**Effect of CBSA Methodology on 2006 Rates by County**

County	MSA System	CBSA System	Variance
Citrus	0.8698	0.8598	-1.2%
Clay	0.9308	0.9299	-0.01%
Columbia	0.8698	0.8598	-1.2%
De Soto	0.8698	0.8598	-1.2%
Dixie	0.8698	0.8598	-1.2%
Duval	0.9308	0.9299	-0.01%

County	MSA System	CBSA System	Variance
Flagler	0.9334	0.8598	-7.9%
Franklin	0.8698	0.8598	-1.2%
Gilchrist	0.8698	0.9474	8.9%
Glades	0.8698	0.8598	-1.2%
Gulf	0.8698	0.8598	-1.2%
Hamilton	0.8698	0.8598	-1.2%
Hardee	0.8698	0.8598	-1.2%
Hendry	0.8698	0.8598	-1.2%
Highlands	0.8698	0.8598	-1.2%
Holmes	0.8698	0.8598	-1.2%
Indian River	0.8698	0.9444	8.5%
Jackson	0.8698	0.8598	-1.2%
Jefferson	0.8698	0.8697	.0%
Lafayette	0.8698	0.8598	-1.2%
Levy	0.8698	0.8598	-1.2%
Liberty	0.8698	0.8598	-1.2%
Madison	0.8698	0.8598	-1.2%
Monroe	0.8698	0.8598	-1.2%
Nassau	0.9308	0.9299	-0.01%
Okeechobee	0.8698	0.8598	-1.2%
Putnam	0.8698	0.8598	-1.2%
St. Johns	0.9308	0.9299	-0.01%
Sumter	0.8698	0.8598	-1.2%
Suwannee	0.8698	0.8598	-1.2%
Taylor	0.8698	0.8598	-1.2%
Union	0.8698	0.8598	-1.2%
Volusia	0.9334	0.9308	-1.03%
Wakulla	0.8698	0.8697	.0%
Walton	0.8698	0.8598	-1.2%
Washington	0.8698	0.8598	-1.2%

This very limited sample reflects that financial planning and budgeting by home health agencies for 2006 requires a close review of the rates proposed for implementation.

### Home Health Rate Concerns

Unfortunately, the proposed home health rates give no consideration to the increasingly difficult to secure patient care staff, rising gasoline prices or the inability of the proposed rates for most areas of the country to meet other inflationary pressures. While some agencies will fare reasonably well under the proposed rates, most agencies, especially those in rural areas, will not generate revenues at levels to keep pace with operating expenses. Hopefully, home health agencies are filing cost reports that reflect the increasing costs of home health services to support arguments for some modification of periodic rate changes in the future.

## HOME CARE NEWS: IN CONTEXT

Home Care News: In Context is a quarterly publication intended for administrators, CEOs, CFOs, accounting personnel, compliance officers and clinical management personnel for home care agencies. The publication is intended to:

- Highlight current developments relating to financial and compliance matters for agencies
- Address cost reporting issues for agencies
- Notify agencies of educational offerings for home care personnel
- Provide informative, although limited, discussion of topics of interest in home care agency management

The newsletter is intended to benefit all types of home care agencies. Other facilities that deal regularly with home care agencies, such as nursing homes, hospice providers, physicians or hospitals, may also find the newsletter of benefit to them.

Board members and others responsible for oversight of home care agencies may also benefit from this newsletter. If you want others to receive a copy of this newsletter, do not hesitate to contact us.

Your comments regarding this newsletter, including ideas for future topics, are also appreciated.



## LOCATIONS

### Alabama

Birmingham ..... 205.212.5300

### Georgia

Atlanta ..... 404.575.8900

### North Carolina

Asheville ..... 828.254.2254

Boone ..... 828.262.0997

Burnsville ..... 828.682.2876

Charlotte - Southpark ..... 704.367.7020

Charlotte - Uptown ..... 704.334.3600

Durham ..... 919.484.0630

Greensboro ..... 336.383.5200

Greenville ..... 252.321.0505

Hendersonville ..... 828.692.9176

High Point ..... 336.889.5156

Raleigh ..... 919.876.4546

Rockingham ..... 910.895.4014

Salisbury ..... 704.636.9090

Sanford ..... 919.776.0555

Southern Pines ..... 910.692.8555

Sylva ..... 828.586.6200

Thomasville ..... 336.889.5156

Winston-Salem ..... 336.714.8100

### South Carolina

Greenville ..... 864.288.5544

Spartanburg ..... 864.583.5800

### Tennessee

Memphis ..... 901.684.2277

Brentwood/Nashville ..... 615.312.8272

### Texas

Dallas/Fort Worth ..... 817.276.4100

### West Virginia

Clarksburg ..... 304.622.0804

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.



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## HOME HEALTH FINANCIAL MANAGEMENT INCLUDED AT AICPA NATIONAL HEALTHCARE INDUSTRY CONFERENCE

Designed for both internal financial management and practitioners, the AICPA National Healthcare Industry Conference provides extensive healthcare financial issues coverage. This year's program is being offered at the Bellagio in Las Vegas on November 17-18, 2005, with pre-conference programs available on November 16, 2005.

This year's program is extensive and includes the following:

- History of the healthcare system, including the basics of healthcare accounting and reporting
- Enhancing nonprofit accountability
- Accounting & auditing update
- Current issues on fraud and abuse
- Caring for the uninsured/underinsured population
- Tax issues affecting for-profit and not-for-profit providers
- Financial reporting and management for home health providers
- Much more

We hope to see many home health agency financial managers, CFOs and accountants at the program.

For additional details visit [www.cpa2biz.com/conferences](http://www.cpa2biz.com/conferences).

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## HOSPICE COST REPORT TRAINING PROGRAM

Health Services Publishing & Management, a division of Dixon Hughes PLLC, has scheduled a two-day intensive hospice cost report training program for January 9-10, 2006 in St. Petersburg Beach, Florida. For additional details email [mpringle@dixon-hughes.com](mailto:mpringle@dixon-hughes.com).