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Book 2 of 2 Books
Wednesday,
January 13, 1982

Part IV

REGULATORY INFORMATION SERVICE CENTER

Calendar of Federal Regulations

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Summary of public hearings held in each HHS region and Washington, DC.

The above documents are available for review at: Health Care Financing Administration, Health Standards and Quality Bureau, Room 2-A-2, Dogwood East Building, 1849 Gwynn Oak Avenue, Baltimore, MD 21207.

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HHS-HCFA

End-Stage Renal Disease Program: Incentive Reimbursement for Dialysis Services (42 CFR Part 405; Revision)

Legal Authority

Social Security Act, as amended, §§ 1102, 1814(b), 1833(a), 1861(v), 1871, and 1881; 42 U.S.C. 1302, 1395f, 1395l, 1395x(v), 1395hh, and 1395rr.

Reason for Including This Entry

The Department of Health and Human Services (HHS) believes this review is required because changes in the method of reimbursing for dialysis services may result in an annual effect on the economy of \$100 million or more.

Statement of Problem

We are in the process of developing a comprehensive regulation revising the reimbursement method for all outpatient and home dialysis services to provide greater incentives for economy and efficiency, pursuant to P.L. 97-35.

Alternatives Under Consideration

We are issuing a new NPRM, instead of issuing a Final Rule implementing our proposals of September 28, 1980.

Payment Methods: The 1981 Budget Reconciliation Act gives the Secretary broad discretion in selecting the payment method and the means of applying it. We are currently studying the numerous alternatives open to us that would accomplish the intent of the legislation. Because of the early nature of our deliberations, it would be premature to list or discuss any alternatives in detail. The objective of any alternative selected will be to encourage home dialysis where possible and to reduce overall program costs.

Summary of Benefits

Sectors Affected: Hospitals and outpatient care facilities that provide dialysis services; manufacturers of dialysis equipment; dialysis patients and their families; home dialysis aides; Medicare beneficiaries; and the Federal Government.

Since we have not yet developed any specific alternative in detail, we cannot assign quantities or dollar values to any benefits or costs.

Summary of Costs

Sectors Affected: Hospitals and outpatient care facilities that provide dialysis services and physicians treating dialysis patients; manufacturers and distributors of dialysis equipment and supplies; dialysis patients and their families; and the Federal Government.

As noted above, we cannot assign dollar values to costs, since we have not yet developed any specific alternative in detail.

Summary of Net Benefits

Since we cannot yet quantify any projected benefits or costs, we cannot calculate net benefits. This will be addressed to the extent feasible in the Regulatory Impact Analysis that we are required to perform for these regulations and that will be available when these regulations are published.

Related Regulations and Actions

None.

Government Collaboration

None.

Timetable

Statutory Deadline—October 1, 1981.
NPRM—To be determined.
Public Comment Period on NPRM—30 days from date of publication.
Final Rule—To be determined.
Final Rule Effective—Date of publication.
Regulatory Impact Analysis—To be determined.
Regulatory Flexibility Analysis—Combined with Regulatory Impact Analysis, see above.

Available Documents

NPRM—Incentive Reimbursement for Outpatient Dialysis and Self-Care Dialysis Training (45 FR 64008, September 28, 1980).

Public comments on above NPRM, received from September 28, 1980 to November 25, 1980 are available for review in Room 309-G of the Department's office at 200 Independence Avenue, S.W., Washington, DC 20201,

on Monday through Friday of each week from 8:30 to 5:00 p.m., telephone (202)245-7890.

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HHS-HCFA

Medicaid Regulations Affecting States (42 CFR Parts 430 through 456; Revision)

Legal Authority

Social Security Act, as amended, Title 19, 42 U.S.C. 1398.

Reason for Including This Entry

The Department of Health and Human Services (HHS) includes this entry because the Presidential Task Force on Regulatory Relief has designated these regulations for review.

Statement of Problem

Since the inception of the Medicaid program, the Federal Government, as a contributor to the States' Medicaid funding, has furnished detailed requirements and guidelines with which States have to comply in order to receive Federal Financial Participation (FFP) funds. In many cases, it was discovered that the regulations involved did not accomplish their purpose of assuring the efficiency and integrity of the programs involved, but instead contributed to increased administrative costs and reduced efficiency. The States have long contended that many regulations hamper their ability to provide services to needy people at reasonable funding levels. In addition, the President has promised States that regulatory relief will accompany his proposal to limit Federal Medicaid expenditures. For these reasons, the Health Care Financing Administration (HCFA) Task Force on Regulatory Reform has undertaken a review of existing Medicaid regulations affecting States.

Alternatives Under Consideration

Because the Task Force's review is at an early stage, we are unable to list specific alternatives at this time. The objectives of the Task Force in performing its review are as follows:

The Speaker's Rooms
U.S. House of Representatives
Washington, D.C. 20515

January 19, 1982

The Honorable Richard S. Schweiker
Secretary of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Mr. Secretary:

I am writing concerning the recently proposed rates of payment for Medicare reimbursement of dialysis services which would pay hospital facilities \$133 per treatment and non-hospitals \$128 per treatment.

After carefully reviewing the material which has been provided, I have found reason to believe this program may actually be curtailing an entitlement program which many people in our country have come to depend on for their very existence. While I can certainly understand your attempts to reduce costs in this program, it appears to make little sense to implement a regulation which could have the impact of forcing the closing of many of the non-hospital facilities and therefore reducing competition to the higher cost in-hospital treatments. The dual rate approach and the ensuing payment reduction would seem to reduce efficiency and to thwart an effective cost containment procedure in competition.

In addition, I have been informed that the present rate structure has been in place for almost nine years. This fact, coupled with inflation, would seem to indicate that the profit margin for non-hospitals as well as hospitals treatments must have been reduced. To further reduce this rate seems to lead to the conclusion that the private sector would at some time be faced with the very real prospect of reducing services or even closing their facilities due to their inability to sustain their operations.

Accordingly, Dr. Constantine Hampers, Chairman of National Medical Care, Inc., Boston, Massachusetts, has informed me that this is exactly what the National Medical Care has stated to you in earlier correspondences and reinforced his belief that these new regulations may force the closing of numerous of their facilities. This fact leads me to question who will provide the needed services

Honorable Richard S. Schweiker

January 19, 1982

if these centers are closed. The apparent answer would be that hospitals would be required to pick-up this service at the higher rate or that increased use of in-home treatment must be utilized. While it is my understanding that your Department has been encouraging the increased use of in-home treatments, I have been informed that the percentage of the in-home treatments remains a small percentage of the total number of treatments each year.

It is for these reasons I am expressing my concern and I trust you will give close detail to these proposals and not promulgate regulations which may eventually increase the costs of this vital service.

With every good wish,

Sincerely,



Thomas P. O'Neill, Jr.
The Speaker

TPO/kml

Lack of treatment facilities causes kidney disease deaths

Field News Service

LONDON — More than 1,000 kidney patients are dying each year because of lack of facilities for treatment in Britain, the National Kidney Research Fund said in a report Thursday.

The lack drops England behind Spain and Cyprus in the number of kidney patients treated each year, said Cyril Chantler, a professor of pediatric nephrology at Guy's Hospital, Southwark.

The report said that kidney transplants or treatment on dialysis machines were needed by more than 2,000 people under the age of 60 each year.

"Unfortunately, facilities only exist for half of these individuals who need this treatment," the report said. "The rest die."

"It costs about \$20,000 a year to treat a person in kidney failure and therefore, preventing kidney failure must be the long-term answer."

A SIGNIFICANT number of children are among those affected by the lack of available treatment.

Ninety children each year under age 13 suffer chronic kidney failure, but only 60 a year received treatment, Chantler said.

He noted Britain's lack of facilities for treatment in comparison to other European countries.

"There are more kidney patients receiving treatment in Switzerland, which has a population one-tenth the size, than in Britain," Chantler said.

"Spain treated more patients in relation to its population last year than we did, as also did Cyprus. Greece treated almost as many relative to population as we did."

Despite this poor record, the report shows that rapid progress is being made in saving the lives of children who are treated for kidney disease.

Chantler said that even for those children who did not respond to treatment, and whose kidneys fail, the prospect for long-term dialysis and even transplantation are better.

"There is at least an 80 percent chance of children being introduced to dialysis being alive 10 years later."

January 18, 1982

*Telegram sent by National Association of Patients on Hemodialysis and Transplantation
(NAPHT)

Mr. Edwin Meese
Mr. Craig Fuller
The White House
Washington D.C.

SECRETARY SCHWIECKER'S PRESS RELEASE OF NOVEMBER 25 ANNOUNCING INTENDED REDUCED MEDICARE REIMBURSEMENT RATES FOR HEMODIALYSIS GREATLY CONCERNS THE NATIONAL ASSOCIATION OF PATIENTS ON HEMODIALYSIS AND TRANSPLANTATION (NAPHT). HCFA'S DATA ANALYSIS SUGGESTS ~~48~~ 48% OF HOSPITALS AND 31% OF INDEPENDENT DIALYSIS UNITS HAVE 1981 COSTS WHICH EXCEED THESE RATES. NAPHT BELIEVES THESE PERCENTAGES MAY BE TOO HIGH TO BE ABSORBED BY INCREASED NUMBERS OF HOME DIALYSIS PATIENTS. THEREFORE THE INTENDED REDUCED REIMBURSEMENT RATES MAY FORCE MANY INSTITUTIONS TO CLOSE THEIR DIALYSIS FACILITIES. WE ENCOURAGE THE REAGAN ADMINISTRATION TO CAREFULLY REVIEW THIS BEFORE THE NOTICE FOR PROPOSED RULE MAKING IS MADE, AS THE RATES MAY CALL INTO QUESTION THE LIVES OF UP TO 42% OF THE U.S. CITIZENS CURRENTLY WITH KIDNEY FAILURE, DEPENDING UPON DIALYSIS TO STAY ALIVE.

SINCERELY,

JOHN NEWMANN

PRESIDENT, NAPHT
~~54~~ 54 Naples Road
Brookline, Mass.

Federal budget cuts called threat to kidney patients

By John Jacobs
Examiner staff writer

A proposed \$10 per treatment reduction in federal payments for kidney dialysis patients has prompted the nation's largest provider of such treatments to threaten to close 60 of its 160 clinics. Another company has offered to reopen them.

The flap seems to ignore thousands of patients whose lives depend upon dialysis. It also raises serious questions about the role of for-profit health care operators, who often exist because federal health programs are also self-help programs for entrepreneurs, according to health policy experts.

Kidney patients in California and elsewhere have been told that if the proposed reductions go through — cuts from \$138 per treatment to \$128 per treatment, about 7 percent — some clinics will close. (At least three — in Ukiah, Eureka and Oakland — are among those that might be shut down.) That would force some patients to fight for access to machines or to make roundtrips of 300 miles or more to get treatment three times a week.

Dialysis is a process for cleansing wastes from the blood of a patient whose kidneys do not function properly. It involves hooking the patient to a machine that takes in blood through a small tube, cleanses it and then returns it to the patient. The machine thus acts as a kidney.

John Flicker, 32, a victim of kidney disease, called End Stage Renal Disease (ESRD), was told that the center near him might close and was so distraught by the prospect that he called reporters from his home in Ukiah. Without the machine, he said, he would be dead in two weeks.

Justified as Flicker's concerns are, there seems little likelihood of that. But the controversy brings into focus how hard the opposing sides will fight — even to the extent of trying to mobilize patients — over what appears to be a slight decrease in funding.

"It certainly illustrates the problem of leaving the care of patients so exclusively in the hands of a profit-making enterprise. I can't imagine a non-profit enterprise, say United Way or Blue Cross or Mount Zion, saying they would cut out services for that many patients," said Dr. Philip Lee, director of the University of California at San Francisco's Health Policy Program.

Flicker's dialysis unit is owned by a subsidiary of National Medical Care Inc. of Boston, which runs 160 centers. Its president, Dr. Constantine Hampers, said it is 10 to 15 times bigger than the next largest provider of dialysis treatments and it treats about 20 percent of all kidney patients dialyzed in the United States.

Federal reimbursement for ESRD began with congressional amendments to the Medicare Act in 1973 on ground that the costs of the thrice-weekly treatments were so prohibitive that most people could not afford them without substantial help. In the first year, 1974, about 15,000 patients were dialyzed, and the yearly bill was about \$285 million.

Six years later, according to 1980 federal statistics, the number of patients dialyzed had skyrocketed to 57,000, and the bill came in at \$1.2 billion.

The Medicare amendments spawned an industry devoted to providing dialysis in what are called free-standing facilities. The cost in such places is cheaper than in hospitals, but considerably more expensive than at home.

As part of the Reagan administration efforts to cut federal spending and to encourage more home dialysis, Health and Human Resources Secretary Richard Schweiker announced Nov. 25 that he would propose regulations to cut the payments. The estimated savings could reach \$100 million a year.

Dr. James Donovan, associate administrator of the Health Care Financing Administration in Washington, which oversees Medicare and Medicaid payments, said the proposed rate reduction "is based on our experience of the cost of operating those facilities."

There has been evidence of abuse by providers and accusations of profiteering by the free-standing centers. The \$138 fee does not include fees to doctors, which in 1978 amounted to \$240 a month for each patient. Some doctors

have organized clinics and gotten payments as corporate officers, as doctors and as operators of the clinics.

Another result of the amendments has been that many patients who would not have been dialyzed before now are being dialyzed; these are people who have no hope of rehabilitation or recovery and are kept alive only because the government pays for their treatments.

"A lot of patients who are old and disabled are going on dialysis, and in some instances do not have the capacity or the will to get off and die," said Dr. Malcolm Holliday, professor of pediatrics and director of the Children's Renal Center at UCSF.

"It's a very arguable point, I concede, but other countries, particularly Britain, tend not to dialyze you if they can't rehabilitate you.... It's a philosophical point, and I have divided feelings about it myself, but certainly a statistically significant group of patients probably would not opt for dialysis or stay on it if the decision-making were put back in their hands, if they had to manage it themselves. How much do you do for dependent people? Entrepreneurs in effect are trading on dependency."

Dr. Hampers of National Medical Care Inc. told The Examiner that the \$138 payment has been the same since the program started, despite tremendous increases in the cost of labor and medical supplies since 1974, and that to decrease it now would penalize his company for being efficient and "exemplary in cost containment."

He called the proposed cuts "insane" and "unrealistic." Hampers also vehemently denied that the threat of closing 60 centers was a scare tactic to force the rate back up.

"We will try to be responsible about it," Hampers said. "We won't simply close facilities and watch patients die. But

if we transfer patients to hospitals, it will cost them (the government) more money."

Meanwhile, a Midwest company that manufactures kidney dialysis machines and equipment has written to Hampers, offering to take over the 60 centers and do the dialysis treatments for the lower fee of \$128.

Vernon Loukes, president of Baxter Travenol Laboratories of Deerfield, Ill., wrote the letter, a company spokesman confirmed. He said Loukes feels "it is possible for a dialysis center operator to achieve a reasonable return under the proposed reimbursement structure, assuming they are willing to have a reasonable mix of patients willing to have dialysis in the home. National Medical Care Inc. has not looked favorably on home dialysis because they can't make as much money on it."

Hampers called that move a "grandstand play," and said he has \$100 million tied up in assets in those 60 facilities. "And if they are foolish enough to invest \$100 million in losers, I'll go to Chicago and personally accept the check."

Dr. Arnold Reiman, professor of medicine at Harvard Medical School and editor of the prestigious New England Journal of Medicine, said he doesn't know whether \$138 per treatment is enough to realize a profit.

"The whole thing that bothers me here," Reiman said, "is that the questions of who should be dialyzed, how many need it, what kinds of dialysis they should have, and whether they should have (kidney) transplants are very difficult and complicated questions, involving not only biomedical issues but ethical and personal issues."

"And they ought to be settled by physicians and patients working together, undistorted so far as possible by economic considerations or the profit imperative. That's why I have very grave reservations about the appropriateness of private

business providing dialysis service," he said in a telephone interview.

Reiman added that the entire kidney dialysis program is a model of what kinds of problems arise when "a country undertakes public responsibility for health care and allows the profit system to become part of the system."

He said that because of the industry's political influence, when Congress tried to pass a law to encourage home dialysis, "it was torpedoed by the proprietaries."

Hampers' response was that government too has a responsibility to provide enough money to pay for the services. And he sharply criticized Reiman's and Lee's remarks.

"The immorality lies with the academics," he said. "Ask Reiman where they were when their patients needed care. They were too busy putting BBs in toad bladders. When we were there with patients, Reiman didn't know the difference between a dialysis machine and a turnip. . . . You've talked to all the eggheads. Have you talked to anyone who's worked for a living?"

Dr. Holliday of UCSF took Reiman's criticism a step further. One problem, he said, is that for-profit companies are tied to existing technology and techniques.

"Sure they can wash blood cheaper," Holliday said, "but they're not interested in new forms of treatment that could completely displace their capital expense."

As an example, he mentioned Continuous Ambulatory Peritoneal Dialysis, a revolutionary technique that allows some kidney patients to dialyze without depending on a machine.

Hampers denied the charge that he doesn't provide information. And he said it was Holliday's responsibility, not his, to research new technology.

National Medical Care warns against cutbacks

By Bruce A. Mohl,
Globe Staff

National Medical Care Inc. yesterday predicted a proposed government fee schedule for kidney dialysis treatment would force the closing of 38 percent of its facilities and adversely affect as many as 15,000 patients in the United States.

"I don't believe it's workable," said Constantine L. Hampers, chairman and chief executive officer of Boston-based National Medical Care, the nation's leading operator of out-patient artificial kidney treatment centers.

The remarks by Hampers were regarded by financial analysts as the first shot in a game of psychological warfare between those companies and hospitals providing kidney dialysis treatment and budget cutters in the Department of Health and Human Services.

Since 1973, Health and Human Services has paid approximately 80 percent of all fees associated with kidney dialysis treatment. The remaining 20 percent is paid by Medicaid, third-party insurance companies or patients.

For more than three years the federal government has grumbled about its \$1 billion tab and repeatedly claimed it was going to revise the way treatment centers were reimbursed.

Under the existing reimbursement setup, hospitals are allowed to cover their costs, which average \$174 per patient visit. Such independent operators as National Medical Care are permitted to charge \$138 per treatment.

Hampers said National Medical Care actually averaged \$130 per visit because \$7 or \$8 regularly was lost in debts unpaid by patients or insurance companies.

The Reagan Administration came into office with a mandate to cut the costs of the dialysis program by \$100 million. On Nov. 25, Health and Human Services Secretary Richard Schweiker proposed fees of \$128 for independent centers and \$133 for hospitals.

Schweiker agreed to reimburse the centers for any bad debts, which would raise the fee about \$7. But Hampers claims the government's calculations were wrong.

A mathematical error, he said, would reduce the fees \$4, to \$124 for independent centers and \$129 for hospitals. Adding in the \$7 bad debt coverage, the proposed fee schedule would then give National Medical Care approximately what it is receiving now.

Hampers said he needs a slight increase to keep marginally profitable facilities in operation. He claims hospitals have even more pressing cost constraints.

In a letter to Schweiker, Hampers said the new regulations would mean 50 percent to 55 percent of all hospital facilities would not be able to cover their costs. He said National Medical Care would be forced to close 60 of its 160 facilities, which produce the bulk of the company's \$245.6 million in revenues.

National Medical Says It May Close 60 Dialysis Centers

* * *

Health Firm Says U.S. Plan to
Cut Payments Won't Meet
Costs at Many Facilities ♦

By a WALL STREET JOURNAL Staff Reporter

BOSTON—National Medical Care Inc. said it would probably have to close 60 of its 160 kidney dialysis centers if a recently announced plan to reduce federal payments is put into effect.

Dr. Constantine L. Hampers, chairman of National Medical, contended the plan designed by the Health Care Finance Agency and announced by Health and Human Services Secretary Richard Schweiker Nov. 25 contained mathematical errors and that actual Medicare reimbursements would be below National Medical's costs at many facilities.

Under federal law Medicare pays for dialysis treatments for all 55,000 Americans with severe kidney disease. Regular treatments are needed by these patients for them to survive. National Medical is one of the largest providers of kidney dialysis treatment.

According to Dr. Hampers, Secretary Schweiker proposed payment rates for dialysis treatment of \$133 a treatment for patients treated at hospitals and \$128 a treatment for patients at separate facilities such as those run by National Medical. Dr. Hampers said the documents on which those payments were based indicate the actual payment would be \$4 less a treatment. According to Dr. Hampers, independent centers currently receive \$138 a treatment and hospitals receive \$174 a treatment.

In New York Stock Exchange composite trading yesterday, National Medical fell \$1.125 to close at \$9.25 a share.

In a letter to Secretary Schweiker, Dr. Hampers said "the implications of this proposal will be devastating to beneficiaries" because of the potential for widespread treatment center closings.

In 1980 the Medicare dialysis program cost about \$1.2 billion.

Close kidney center? 'It would be awful for me'

By KEVIN R. CONVEY

Dorothy Oberg described her life as a kidney dialysis patient nonchalantly, as if she were sitting at her kitchen table in Holliston: "It's hard on my disabled husband, my being away so much."

But she wasn't in her kitchen. As she spoke, a clear plastic tube in her left arm was carrying her blood to one of her most constant companions: her dialysis machine at the West Suburban Kidney Center in Framingham.

Oberg spends more time with her

dialysis machine than most people spend in their cars. She has to. For 4½ hours a day, three days a week for the last six years, the machine has been her lifeline, purifying her blood as her kidneys would if they functioned.

Oberg isn't bitter about her kidney disease at all. But she is bitter about a government proposal that could close her kidney center and others like it across the country by reducing Medicare funds available for private dialysis treatment centers.

"It would be awful for me," she said. "I'd have to go to Boston like I

used to, and it would take me seven hours instead of 5½. The money adds up and so does the time."

But the federal Dept. of Health and Human Services is concerned about the drain on Medicare funds, and it's proposing to cut payments to hospitals and private clinics, such as the West Suburban center.

A spokesman for Health and Human Services said it was acting under Congressional direction to cut the budget and encourage home dialysis, which the department says is cheaper. The spokesman added the plan is still

subject to final approval and won't go into effect for at least four weeks.

Dr. Constantine L. Hampers, M.D., chairman of the nation's largest for-profit provider of dialysis, claims the savings from home dialysis won't save anything at all in most cases.

Hampers has threatened to close 60 of 160 clinics operated by his firm, National Medical Care Inc., if the agency goes ahead with its plans to reduce payments from \$138 to \$128 per treatment. Two of National Medical's five Massachusetts clinics, including Framingham's, might be endangered.

Dialysis payment cutback seen shutting private kidney clinics

By KEVIN R. CONVEY

The government's attempt to chop Social Security costs may force the nation's largest kidney dialysis provider to close a third of its clinics to thousands of patients who need treatment to stay alive.

Dr. Constantine L. Hampers, M.D., chairman of the Boston-based National Medical Care Inc., yesterday said the plan — which would reduce Social Se-

curity payments to hospitals and private clinics offering dialysis — would be "devastating" to kidney patients. He said the cuts could close 60 of the company's 160 private, profit-making clinics nationwide, including two of its five clinics in Massachusetts.

"We are the most efficient provider of those services in the country," Hampers said. "If we can't do it, the hospitals can't do it. So the government either will have to pay what the hospital

charges or allow these patients to die."

The plan is just a matter of numbers to some people, but to dialysis patient Claire Ventura, 42, of Natick, it hits a lot closer to home.

"If they ever closed the center in Framingham," Mrs. Ventura said, "Oh, it would be terrible." Mrs. Ventura has to spend five hours on the dialysis machine and another hour recovering as it is. The round trip to Boston would lengthen her already long day, just as it

did before the Framingham center opened.

Hampers said the clinic in Framingham and another on Cape Cod might be forced to close if the cuts go through. The corporation's Kidney Center in Boston is the largest dialysis clinic in the world, Hampers said, treating 350 patients weekly.

The plan, announced by the federal Department of Health and Human Services two weeks ago, would cut a hospital's payment from \$174 to \$133 per treatment, and a private clinic's payment from \$138 to \$128, Hampers said.

Officials at Health and Human Services did not respond to telephone inquiries.

The Social Security system pays for dialysis for nearly all patients who need it. The typical patient, Hampers said, is treated for four to six hours, three times a week. Dialysis purifies the blood as the kidneys would if they were functioning.

National Medical Care's clinics treat 90 percent of the state's dialysis patients and 20 percent of dialysis patients nationwide.

An official of a major Boston hospital, who requested anonymity, said the cuts "would seriously compromise any hospital's dialysis program."

Hampers said Health and Human Services calculations were "riddled with errors," but added he did not know whether faulty arithmetic was to blame or whether the plan was a conscious attempt to cut Social Security entitlements without congressional approval.

"If it is an attempt to cut the an-

Funding cutback closes Laredo Kidney Center

By GREG STEPHENS
News Staff Writer

Because of funding cutbacks the Laredo Kidney Center will be forced to shut down March 21, leaving 34 patients 150 miles from the nearest dialysis treatment facility, LKC Administrator Guadalupe Cortez announced Wednesday.

According to Cortez, the center received word of the probable closure from National Medical Care in Boston Monday.

The national organization told Cortez that because of proposals in Congress by Secretary of Health and Human Services Joseph Schweiker, it had no alternative but to close 60 of its affiliated treatment centers.

As a result of the proposal, returns for reimbursements submitted by NHC will be lowered, she said. Unless the proposal is killed, LKC will have to shut down three months after Dec. 21.

Its patients will be referred to alternative centers in Corpus Christi, San Antonio and Houston.

"Some of the patients couldn't even afford to come here—much less go to Corpus," Cortez noted. "We had to pick many of them up so that they could receive treatment."

She said that many of her patients intended to write their senator to protest the legislation which will disrupt their lives.

Cuts may close Kidney Center

By VERONICA CASTILLON
Times staff writer

Laredo kidney patients might be forced to travel to San Antonio to receive their kidney dialysis treatments if the Laredo Kidney Center is closed, as now appears likely.

Officials at the center were notified Monday that due to Medicare funding cutbacks, the Laredo Kidney Center might have to close its doors to more than 34 kidney patients in the area.

A message received by center administrator Guadalupe Cortez indicated that kidney centers in Laredo, Uvalde, Alice and Eagle Pass may close in 1982. About 60 centers, serving 3,000 patients across the country, face closure next year.

According to information received by federal sources, Medicare will no longer be able to absorb the cost of keeping most of these centers open. Dialysis treatments, used every other day by kidney patients to cleanse the blood of impurities, costs 138 dollars. Presently Medicare picks up about 80 per cent of the dialysis expense.

Cortez said Tuesday she is worried about the future for many local kidney patients. "Many don't even have transportation to the center here, much less transportation to San Antonio every other day for treatment," she said. Those most strongly affected would be the elderly kidney patients. The average age of dialysis patients in the United States is over the age of fifty, and most have complicating illnesses, such as diabetes. The 3-hour drive to San Antonio would put many of the patients through much of discomfort.

The Laredo kidney program would be consolidated with the San Antonio program should the local center be closed, Cortez said.

National Medical Care, Inc., owners of the Laredo Kidney Center, are the largest provider of artificial kidney service in the country. According to NMC officials, the closing of about 60 NMC kidney centers is the result of inaccurate information furnished to the Secretary of Health and Human Services Richard Schweiker by the Health Care Financing Agency (HCFA). Officials at NMC discovered that rates announced recently for Medicare reimbursement of dialysis services were based on the inaccurate information derived from mathematical errors.

Dr. Constantine L. Hampers of Boston, Chairman of the Board of NMC, pointed out that "HCFA made repeated arithmetic errors in their computations, and that the correct calculation would yield a per treatment rate which is four dollars below even the rates" which were announced by Secretary Schweiker.

Based on HCFA's inaccurate information Hampers charges "that over half of the hospitals would not be able to provide treatments and that only slightly more than half of non-hospital facilities could continue to furnish treatments." Hampers added, "It is shocking to me that HCFA could be as irresponsible as this."

If treatment facilities like the kidney centers are closed, more patients would have to turn to hospital care. Hampers went on to say, "While one can be critical of the huge cost increases that hospital based dialysis units have inflicted upon the program, the non-hospital segment has not had a rate increase in nearly nine years. We have carefully controlled costs and invested millions of dollars attempting to be efficient." If the country's Health and Human Services stands firm on their budget many low cost facilities like the Laredo Kidney Center would be forced to shut down.

Cutbacks may affect Marion dialysis unit

National Medical Care Inc., the largest provider of artificial kidney service in the United States, has announced that the Smyth County Dialysis Unit and the Roanoke Valley Artificial Kidney Center may be among the possible 60 facilities treating about 3,000 patients in this country to be closed because of the lower Medicare screens.

In a letter to Secretary Schweiker, Constantine L. Hampers, M.D., Chairman of the Board of National

About 17 patients at the Smyth County Dialysis Unit could be affected if the center is closed because of a proposed federal reduction in reimbursement under the Medicare plan. These kidney failure victims depend on machines at the center to cleanse their blood as many as three times a week.

If the Marion unit is closed these people would have to travel to Roanoke, Bluefield or Johnson City for treatment unless another unit is opened in Marion.

Medical Care, Inc., outlined the factual and mathematical errors furnished to the Secretary which resulted in the rates that Schweiker announced on November 25, 1981. Hampers states in his letter that if these errors were corrected and the HCFA methodology actually implemented, NMC widely regarded as the most efficient and least costly provider of Medicare, may have to close up to 60 of its facilities treating 3,000 patients. However, Hampers feels that the Secretary would not implement the HCFA methodology which if correctly applied would have this unintended result.

Hampers pointed out that HCFA made repeated arithmetic errors in their computations, and that the correct calculation would yield a per treatment rate which is \$4 below even the rates which Schweiker announced. This could mean, according to data supplied by HCFA, that over half of hospitals would not be able to provide

treatments and that only slightly more than half of non-hospital facilities could continue to furnish treatments. The rates announced by Schweiker on November 25, 1981 would have been \$133 for hospital facilities and \$128 for non-hospital facilities. Currently, non-hospital facilities receive the rate of \$138 per treatment which was set in 1973. Hospitals generally receive "exceptions" to this rate which average \$174 per treatment. At the rates which Schweiker announced, HCFA estimates that 48 percent of the hospitals and 31 percent of the non-hospital facilities will have costs which exceed the rate of reimbursement. Insomuch as the rate of reimbursement will be even lower if Schweiker adopts HCFA's proposed methodology, many more facilities will be unable to continue to furnish these treatments. In his letter to Schweiker,

See Cutbacks, Page 3

continued from Page 1

Hampers points out that the industry is frankly wondering who they (HCFA) expect will enter the market at the rates they have selected when the most efficient facilities are forced to close." NMC itself may have to close 51 facilities, treating 2,200 patients, at the announced rates.

"It is shocking to me," Hampers said, "that HCFA could be as irresponsible as this. It is difficult for me to believe that if the Secretary were correctly informed he would have made this decision."

"The implications of this proposal will be devastating to beneficiaries. Even now, people are speculating that this is an attempt by HHS to emulate the English health care system, under which few patients over the age of

55 are accepted for treatment." The average age of dialysis patients in the United States is between 53 and 54. Many older patients have complicating illnesses, such as diabetes and are commonly denied care in England.

"I do not share the notion that the Secretary deliberately chose to deny these beneficiaries their entitlement to life-sustaining care, but when you effectively close over half of all treatment facilities, certainly you make the Administration vulnerable to that claim," Hampers went on to say. "While one can be critical of the huge cost increases that hospital based units have inflicted upon the program, the non-hospital segment has not had a rate increase in nearly nine years. We

have carefully controlled costs and invested millions of dollars attempting to be efficient. Yet the proposed rates could force us to close nearly as many facilities as hospitals will have to close. It is easy to see how critics view this as an effort by the Administration to curtail entitlements."

While the HHS proposal contemplates an exceptions process to permit higher rates in "unusual" circumstances, HCFA has budgeted only \$15 million for these payments, much less than will be needed for the amount of beneficiaries scheduled to be displaced. "We assume this is a firm number," Hampers said. "Of course, HCFA could spend far more on exceptions, which reimburse only costs and therefore go almost ex-

clusively to hospitals, but that would dramatically escalate total program costs, rather than saving money. The effect of any decision of this sort would be to simply drive low cost proprietary facilities out."

Hampers stressed that NMC desired to resolve this expeditiously. "As we told the Secretary, we have no desire to see this program mired in prolonged legal struggles attempting to implement this methodology. Nor do we feel comfortable denying patients the life saving treatments they require. We work very hard to save lives. I want to assure all of our patients that we will do everything possible to continue to provide treatments or to provide alternative treatment sites if necessary."

JAN 5 1982

4 the little sentinel, Wednesday, December 30, 1981 WP

Kidney centers worried about Medicare cuts

By GOLDIE BLUMENSTYK

The little sentinel

One of the country's largest suppliers of kidney dialysis services is warning that a proposed change in Medicare benefits could force it to close 60 of its 150 centers across the country — including one in Sanford.

But a spokesman for the federal Health Care Financing Agency, which administers the Medicare program, said the company's concern may be premature because the proposed reimbursement rates are not yet firm.

The company's Orlando facility, Orlando Artificial Kidney Center, on Clay Avenue, is expected to remain open.

"I think people are getting a little hyper a little too soon," the spokesman said.

National Medical Care Inc., the Boston-based firm that last week launched the media-blitz warning of the changes, claims the federal agency used bad information in announcing the new reimbursement rate of \$128 for dialysis treatments performed in non-hospital facilities. Since 1973, non-hospital rates have been \$138 per treatment.

Hospital rates would also be affected, but they generally are eligible for "exceptions" and can be reimbursed at a higher rate.

Dialysis is necessary for thousands of patients whose kidneys do not ade-

quately filter fluids in the body. Treatment generally includes three four-hour sessions per week. Most kidney patients are eligible for dialysis treatment under Medicare.

Last week, National Medical, a publicly held corporation, announced that if the new rates did go into effect, it could be forced to close its Sanford facility. Bio Medical Applications of Sanford Inc., which opened last December and now treats 26 patients.

The reduction in reimbursements will reduce the capacity to provide dialysis services, said Dr. Edmund Lowrie, vice president for medical affairs.

Locally, several dialysis treatment center operators expressed similar concern over the potential cut in payments.

"We are barely making it now," said Maureen Michaels, director of the non-profit Central Florida Kidney Center on Sturtevant Street in Orlando, which serves 76 patients.

But "before it would shut us down, we would try some" alternatives, which could include sterilization and reuse of some equipment that they now dispose of after each treatment. Many patients wouldn't want that, she said, but if the alternative is shutting down completely, that may become policy.

Other options include the use of less skilled personnel and less lab analysis.

Medicare changes may force company to close kidney centers

By **GOLDIE BLUMENSTYK**
Seminole title sergeant

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The reduction in reimbursements will reduce the capacity to provide dialysis services, said Dr. Edmund Lowrie, vice president for medical affairs. "Everything else in the world has increased, particularly medical care," Lowrie said.

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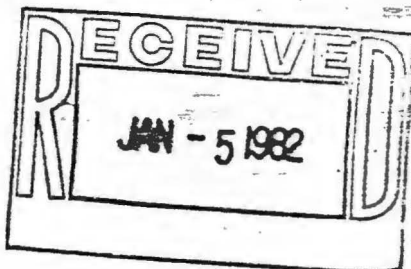
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Other options include the use of less skilled personnel and less lab analysis.

"We may be able to make it a little longer than someone who has to make a dividend," said Michaels. "We don't have to make a profit to stay in business."

A spokesperson at the non-profit Melbourne Kidney Center, serving 84 patients, also said the cuts could curtail treatment, but not force a complete shutdown.

In Washington, a HCFA spokesperson said the department has received "quite a few questions" about the proposed cuts, but few complaints.



Evening Herald

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Kidney Dialysis Center To Close?

A Sanford artificial-kidney center may be among those forced to close if a reimbursement cut proposed by Secretary of Health and Human Services (HHS) Richard S. Schweiker is implemented.

Bio Medical Applications of Sanford Inc., 210 E. Commercial St., which opened Dec. 15, 1980, is currently providing kidney dialysis services for 26 patients, according to Valerie Raymond, office manager.

The Sanford facility is one of five artificial-kidney centers operated by National Medical Care of Boston, Inc., in the northern half of Florida which are threatened NMC district manager Tom Last of Tampa said.

If the Sanford center is forced to close, patients from this area could still go to the Orlando treatment center, which is not slated for closing, Last said. "We would have to put on a third shift in Orlando," he added. "They have the capacity to take the Sanford patients, but the problem is whether the county or local agencies providing transportation

"The issue is scheduled to be published in the Federal Register this month, and after that 60 days are allowed for public comment," said Last. "At the end of that time the change could be implemented."

National Medical Care Inc., the largest provider of artificial-kidney service in the country, has charged that the recently announced dual rates of payment for Medicare reimbursement of dialysis services were based on inaccurate information furnished to HHS by the Health Care Financing Agency (HCFA). It says the rates actually announced by Schweiker on Nov. 25 were in all probability wrong.

In a letter to Schweiker, Dr. Constantine L. Hampers, chairman of the board of National Medical Care Inc., outlined the factual and mathematical errors furnished to the secretary.

Hampers says in his letter that if these errors were corrected and the HCFA methodology actually implemented, NMC, widely regarded as the most efficient and least costly provider of Medicare, may have to close up to 60 of its facilities treating 3,000 patients. However, Hampers feels the secretary would not implement the HCFA methodology, which, if correctly applied, would have this unintended result.

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— JANE CASSELLBERRY

Dialysis cutback attacked

BOSTON (UPI) — The federal government will save little, if anything, and put thousands of patients in jeopardy if proposed cutbacks for kidney dialysis services are imposed, an expert in the field warns.

Dr. Constantine Hampers, who heads the nation's largest provider of kidney dialysis services, predicted Monday that 50 percent of hospital dialysis treatment centers and 30 percent of independent facilities would stop operations if Congress accepts the cuts.

"The implications of this proposal

will be devastating to beneficiaries," said Hampers, who is chairman of National Medical Care, which has 160 dialysis facilities nationwide to treat patients suffering from kidney disease by filtering their blood of impurities.

Health and Human Services Secretary Richard Schweiker is proposing to lower federal reimbursement rates provided under Medicare from \$178 per treatment at hospitals to \$133 and from \$138 to \$128 at independent facilities. The cutbacks are estimated to save \$100

million.

In a letter to Schweiker, Hampers said if the reimbursements are reduced, about 60 of the units serviced by his organization, treating 3,000 patients, may have to close down.

Some centers are in rural areas and he said patients would have to be transported hundreds of miles to hospitals in some cases.

"It's so unrealistic as to be absurd," Hampers said. "Economically it will cost (the government) more money because they're removing the low-cost provider."

Marion Dialysis Center May Be Closed

ROANOKE (AP) — Dr. Constantine L. Hampers, chairman of National Medical Care Inc. of Boston, Mass., says the chain may have to close 60 of its facilities serving about 3,000 kidney patients nationwide, including two centers in Virginia.

Hampers' views of the situation were incorporated in a packet of press releases that included a copy of a letter from

Hampers to Secretary Richard Schweiker of the Department of Health and Human Services.

The mimeographed press release, apparently widely distributed, announced the "potential closing" of a large number of centers.

The board chairman of the national chain of artificial kidney dialysis centers said the centers in Roanoke and Marion

may be closed because of a proposed federal reduction in reimbursement under the Medicare plan.

About 70 victims of kidney failure depend on machines at the two centers to cleanse their blood as many as three times a week. Without the machines, they would die.

Personnel at the Roanoke and Marion centers said they had been instructed to direct all comments to Hampers, but he could not be reached.

The press release read in part, that "National Medical Care Inc. has reached this conclusion only after painful deliberation and regrets deeply the inconvenience and perhaps anxiety that this would cause its patients and staff."

Hampers said the firm had tried to make its views known to the Health Care Financing Administration.

"Unfortunately, we believe that the HFCFA has advised Secretary Schweiker badly in this matter," he said.

In the letter to Schweiker, Hampers said the proposed new Medicare rates for treatment by hospitals would be \$133 each, and \$128 for separate dialysis facilities such as the ones in Roanoke and Marion.

He said the methods used to figure the rates were not sound and that hospitals were given extra money in figuring what they called excessive overhead expenses.

Dialysis centers now get about \$150 per treatment at centers with laboratory and physician care, while hospitals get about \$174.

Hampers said he doubts hospitals would accept a \$45-per-treatment cut, and separate facilities do not feel they would be allowed enough to make a profit.

Although personnel at the Roanoke Artificial Kidney Center on Brambleton Road would give no information, it is believed the center treats about 50 patients. The center at Marion has about 70 patients.

In two or three times a week.

Ken McGulre of Roanoke, president of the Roanoke chapter of the National Association for Patients on Hemodialysis and Transplantation, said that if the Roanoke center closes, "it would be very grave for a great number of people. If you don't have dialysis, you die in a matter of days. It's that simple."

Medicare cuts threaten kidney dialysis centers

Roanoke, Marion chain facilities may be closed

By FRANK HANCOCK
Medical writer

The board chairman of a national chain of artificial kidney dialysis centers says the centers in Roanoke and Marion may be closed because of a proposed federal reduction in reimbursement under the Medicare plan.

About 70 victims of kidney failure depend on machines at the two centers to cleanse their blood as many as three times a week. Without the machines, they would die.

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Ken McGuire of Roanoke, president of the Roanoke chapter of the National Association for Patients on Hemodialysis and Transplantation, said that if the Roanoke center closes, "It would be very grave for a great number of people. If you don't have dialysis, you die in a matter of days. It's that simple."

Some people knowledgeable in dialysis treatment, who asked that their names not be used, said they feel National Medical Care Inc. is trying to arouse the public so that it can get more for its treatments.

Please see Dialysis, Page B-2.

Dialysis

From Page B-1

If the treatments in Roanoke and Marion were cut off, it could spell trouble.

Roanoke Memorial Hospitals, which treated dialysis patients before the local center was built, has seven machines. A total of 45 patients were on the machines last year.

A spokesman said he was not aware of the controversy over closing the centers or the possibility of addi-

tional patients coming in. But he added, "Roanoke Memorial has always kept in mind the fulfilling of community medical needs."

Ted Smith, public affairs director of the Veterans Administration Medical Center, said the VA has five dialysis machines, but that they are not for general use of chronic patients.

"Our machines are used mostly to train patients to be able to use home dialysis equipment," he said.

Future is uncertain for Dialysis Center

BILL SCHULZ

Northwestern Staff Writer

NEENAH — Proposed changes in the federal Medicare program could result in the closing of the Fox Valley Regional Dialysis Center and an uncertain future for the approximately 55 people undergoing dialysis treatment.

Dialysis treats patients suffering from kidney disease by filtering their blood of impurities.

Both Dr. David Hathaway, medical director of the center, and Dr. Constantine Hampers, chairman of the

center's Boston-based parent firm, National Medical Care Inc., said this morning that closing the Fox Valley Center, 216 N. Commercial St., is a definite possibility if the Medicare program is cut.

Hampers, in a telephone interview, said the federal government is seeking to trim \$100 million from the expected \$1.2 billion in Medicare costs which the government will bankroll next year for dialysis treatment. Medicare presently covers the complete cost of dialysis, estimated at between \$22,000 and \$30,000 annually

per patient. Hampers said about 95 percent of about 60,000 kidney patients nationwide rely on Medicare for covering the cost of treatment.

The average cost per treatment for dialysis is \$178 at hospitals and \$138 in independent dialysis centers such as the Fox Valley facility, Hampers said. The government is proposing that per-treatment reimbursements be set at a maximum of \$133 for hospitals and \$128 for centers.

"That's unrealistic," said Hampers of the proposed figures. "It can't be."

If the federal proposal passes, Hampers said 60 of his company's 160 centers, including the Fox Valley Center, would be in danger of closing. "I think that's certainly a possibility," he said. The 60 centers facing closing would be the smaller ones that could not absorb the reimbursement reductions, he said.

Hathaway concurred with Hampers' assessment. "To my knowledge (under the proposed changes) this local dialysis center would then oper-

Uncertain / Page 2

Uncertain ...

Continued from Page 1

ate at a deficit," he said, adding that it would then likely be closed.

Hathaway said he hasn't had time to examine what options his patients would have if the local center is closed. "I honestly don't know what alternatives we'd have," he said.

He said a number of patients could probably get treatment at other medical facilities in the state. Others would be eligible for home dialysis. Under home dialysis, the equipment used is basically the same as at the center, but an attendant is needed to assist the patient during treatment. Hathaway said the attendant requirement precludes about 50 percent of his patients from that form of treat-

ment.

Hampers said it might be possible for private insurance carriers to pick up treatment costs, but that would be only a temporary solution, given the magnitude of the costs involved.

Both Hampers and Hathaway were critical of the government's proposal. "You're going to have to assume that they don't want us to care for the patients," said Hampers. Hathaway noted that dialysis treatment costs, unlike general medical costs, have remained "relatively constant" through "increased efficiency" during most of the last decade. "Reimbursement for dialysis has not increased since 1973," he said.

Hathaway was reluctant to discuss

a worst-case scenario in which dialysis treatment would be unavailable for some kidney patients if the reimbursement reductions would force widespread closing of treatment centers. But Hampers said a worst-case situation could put the nation in the frightening position of choosing who will receive treatment.

"The rest die," Hampers said. "There's no other way to say it."

Hampers said the proposed Medicare changes are expected to be reviewed by Congress in January, with 30 to 60 days allowed for medical agencies to respond. A final decision on the changes could be made as early as three months from now, he said.

Kidney dialysis cuts 'absurd'

BOSTON (UPI) — The federal government Medicare from \$178 per treatment at hospitals will save little, if anything, and put thousands of patients in jeopardy if proposed cutbacks in facilities to save an estimated \$100 million for kidney dialysis services are imposed, an expert in the field warns.

Dr. Constantine Hampers, who heads the nation's largest provider of kidney dialysis units, said yesterday. The implications of this proposal will be devastating to benefit patients, he said.

Hampers is chairman of National Medical Care, which has 60 dialysis facilities across the country to treat kidney disease patients by filtering their blood of impurities. He is also secretary of Health and Human Services. Richard Schweiker is proposing to drop federal reimbursement rates provided under

Medicare from \$178 per treatment at hospitals to \$133 and from \$138 to \$128 at independent facilities to save an estimated \$100 million. In a letter to Schweiker, Hampers said if the reimbursements to hospitals and independent centers are reduced about 60 of the nation's largest providers of kidney dialysis units serviced by his organization, treating 3,000 patients may have to close down. Some centers are in rural areas and he said patients would have to be transported hundreds of miles in some cases to hospitals.

There are five centers in New England, including the nation's largest in Boston as well as Framingham, Cape Cod, and the Lemuel Shattuck hospital in Boston.

"It's so unrealistic as to be absurd," Hampers said.

Proposed kidney dialysis cutbacks will save little, hurt many — doctor

Evansville, Indiana

United Press International Dec. 22, 1981

BOSTON — The federal government will save little, if anything, and put thousands of patients in jeopardy if proposed cutbacks for kidney dialysis services are imposed, an expert in the field warns.

Dr. Constantine Hampers, who heads the nation's largest provider of kidney dialysis services, predicted yesterday that 50 percent of hospital dialysis treatment centers and 30 percent of independent facilities would stop operations if Congress accepts the cuts.

The implications of this proposal will be devastating to beneficiaries," said Hampers, who is chairman of National Medical Care, which has 160 dialysis facilities nationwide to treat patients suffering from kidney disease by filtering their blood of impurities.

Health and Human Services Secretary Richard Schweiker is proposing to lower federal reimbursement rates provided under Medicare from \$178 per treatment at hospitals to \$133 and from \$138 to \$128 at independent facilities. The cutbacks are estimated to save \$100 million.

EVANSVILLE, INDIANA December 22, 1981

US plans might close care facility

Special to The Sentinel

Neenah — The Fox Valley Regional Dialysis Center might have to close because of a federal government proposal to reduce Medicare payments for kidney dialysis treatment, center officials said Monday.

The regional center is 1 of 23 in the state.

"If we close, which is likely if the government proposal goes through as it is, there will be a surplus of kidney dialysis patients going to the treatment centers that do remain open," David Hathaway, medical director of the center, said.

"That is going to pose serious problems for the centers that do remain open."

The Neenah center treats an average of 50 kidney patients requiring blood cleansing three times a week. The average patient is on a dialysis machine for eight hours during each visit, Hathaway said.

Medicare now pays the full cost of the treatments.

Close Turn to Page 13

Federal plans might close facility for kidney dialysis

Close

From Page 1

Hathaway said the cost is \$138 per visit in private facilities such as his center and \$174 per visit in hospitals.

The government is proposing to reduce payments to \$128 in private centers and \$133 in hospitals.

He said no decision on the proposal is expected for about two months.

If the proposals pass, Hathaway said, many patients will be unable to pay their share for the treatment.

Many dialysis patients are eligible for the Medicare program because they are disabled and qualify for Social Security.

The government would prefer patients to treat themselves or receive treatment in their homes, Hathaway said. He estimated the cost of home

treatment equipment at \$15,000 per patient.

Several dialysis patients opposed the idea.

"One Fox Valley patient said, 'I would be afraid to operate the machine by myself, especially if something went wrong.'"

A relative of another patient said she would be fearful of her father-in-law operating dialysis equipment by himself.

Kidney centers may have to close

BY MAIJA PENIKIS
Post-Crescent staff writer

A disagreement in the calculation of Medicare reimbursements for dialysis services may result in the closing of many artificial kidney centers, including the Fox Valley Regional Dialysis Center in Neenah.

The announcement was sent to the media by National Medical Care Inc., of Boston which owns the Neenah center, one of 160 in the country. There are more than a dozen renal dialysis centers in Wisconsin, owned and operated by other corporations, but all would be affected in some fashion. It appears, since most have Medicare patients using the long-term service.

According to Dr. Constantine L. Hampers, chairman of the board of National Medical Care Inc., the recently announced dual rates of payment for Medicare reimbursements of dialysis services were based upon inaccurate information.

He said Health and Human Services Secretary Richard Schweiker has received an inaccurate calculation from the Health Care Financing Agency "and that the rates actually announced by Schweiker were, in all probability, wrong."

Hampers has sent a letter to Schweiker outlining the "factual and mathematical errors" and stated

that "if the HCFA methodology actually implemented, National may have to close up to 60 of its facilities treating 3,000 patients."

"I want to give him the benefit of the doubt, and say that he (Schweiker) did not mean to do this. After all, this is not an elective kind of treatment," Hampers told The Post-Crescent this morning. It is, in many cases, he said, a life and death situation.

The rates announced by Schweiker, in November would be \$133 for hospital facilities and \$128 for non-hospital facilities. Currently, the latter receive \$138 per treatment, set up in 1973. Hospitals generally receive "exceptions" to this rate, which average \$174 per treatment.

According to National, at the rates announced by Schweiker, 48% of the hospitals and 31% of the non-hospital facilities will have costs which exceed the rate of reimbursement.

"Inasmuch as the rate of reimbursement will be even lower if Schweiker adopts the HCFA's proposed methodology, many more facilities will be unable to continue to furnish the treatments," Hampers said.

"The industry," he said, "is frankly wondering who they (HCFA)

Continued On Page 4

Dialysis . . .

Continued From Page 1
expect will enter the market at the rates they have selected when the most efficient facilities are forced to close." National, he said, stands to close 51 facilities treating 2,200 patients if the new rates are implemented.

The Fox Valley Dialysis Center,

which employs 23 people, serves 55 patients at present. Since it was opened in September 1975, it has served 155 patients. Four physicians are involved in the operation, with Dr. David Hathaway and Dr. Richard Kammenzind as the main physicians.

The average age of the dialysis patients in the United States is between 53 and 54. Many older patients have complicating illnesses, such as diabetes.

Schweiker had announced the new rates of payment in late November, stating that "the new rates will significantly reduce federal expenditures and encourage the increased use of less expensive home dialysis methods."

Hampers said home dialysis would not end up costing less. "Maybe you could save a few bucks if you get the family trained to handle the equipment that is now handled by professionals in our centers, but not enough to make this difference," he said.

Oakland Cal.

Wednesday, December 23, 1981, Tribune/TODAY

Dialysis units threatened by budget cuts

By John M. Leighty
United Press International

SAN FRANCISCO — Rural dialysis units in California were told Tuesday they could be closed because of proposed federal government budget cutbacks — a move that could force hundreds of kidney patients to make long three-day-a-week trips to metropolitan hospitals for treatment.

Memos were sent to California

units and others nationwide warning of closures by National Medical Care, the nation's largest provider of kidney dialysis services.

"They're putting us in a precarious position," kidney patient John Flicker of Ukiah, said of the federal cutbacks. "It's almost like signing our death warrant."

The Ukiah unit, which has six machines that operate on two shifts a day, was told it would

have to be closed because it has already lost \$33,000 for the Boston-based firm, which also opposes the federal cutbacks. The Eureka unit was also notified of possible closure.

Herb Dye, who manages both the Ukiah and Eureka units, said about 30 patients would have to find alternatives, such as going to Santa Rosa, which is also in danger of having services cut. "And there's very few beds

available even in San Francisco," said Dye. "There's no where to go. It's a bad situation."

The closures, which would affect more than a dozen facilities in the state, would mean that patients who must use the machines regularly to filter their blood of impurities would have to be provided with transportation to get them to a facility that is open.

Legislators may see dialysis first-hand

CHARLESTON, W.Va. (AP) — The Kidney Foundation of West Virginia may arrange for a patient to undergo dialysis in front of the 1982 legislature to impress upon lawmakers the group's concern over planned cuts in the Medicaid program.

"I don't know of any rule against dialyzing in the (Capitol) Rotunda," said state Sen. Robert Wise, D-Kanawha, who met with officials of several health organizations.

"There never was a black lung law in West Virginia until all those coal miners came up and carried a coffin around the Rotunda."

Janie Meyer of the Kidney Foundation said the

national kidney group arranged for a patient to undergo dialysis in front of Congress several years ago, prompting passage of a law requiring the Medicaid program to cover dialysis costs.

"We have patients willing to dialyze themselves in front of any and all concerned," she said.

Although Medicaid cuts proposed by the state Department of Welfare do not directly affect dialysis, she said, they do affect kidney patients in other ways.

She said the program no longer will cover drug costs for recipients of the state's Medicaid for the Medically Needy program. And, said Ms. Meyer,

kidney patients often spend as much as \$250 a month on medications.

The cuts are necessary because federal aid to the state's Medicaid program will drop by at least \$3.2 million this year, welfare department officials say.

Health officials from several organizations met with Wise and another Kanawha County Democrat, Sen. Si Galperin. The two warned that there is little money available to pump back into the Medicaid program.

"And if you think things are bad now, wait til fiscal year 1983," Wise added.

Kidney patients threatened by cuts

By RICHARD F. BELISLE

MARTINSBURG, W.Va. — Nearly 60,000 Americans spend five hours, three times a week plugged into a kidney dialysis machine — a machine that for all of them means the difference between life and death.

The machines do what the patients' kidneys can no longer do: clean impurities from their blood. Without dialysis they would be dead in days.

The treatments are expensive, ranging from \$138 at a private clinic, to \$174 for treatment in a hospital. They are subsidized by the federal government's Medicare program.

There are hundreds of clinics like one in Martinsburg at 608 Rock Cliff Drive. That one is owned by National Medical Care Inc. (NMC), a Boston firm. It currently treats 19 patients from Morgan, Berkeley and Jefferson counties.

But now, if the Reagan administration has its way, kidney dialysis may be thrown back to the days when committees, made up of doctors, clergy and in some cases private citizens, selected who would use the few machines that were in existence — a committee that decided who would live or die.

The lucky patients in those days were usually white, upper middle class males below the age of 50.

Congress changed all that in 1973 when it passed the End Stage Renal Disease Act. It meant that an average American suffering from end stage renal disease, as kidney disease is technically known, were given a new chance at life.

As more machines became available, more people began to live. Instead of dying, older people, blacks, women, rich and poor were getting the benefit of dialysis.

The amount of Medicare money given dialysis clinics — both private and those in hospitals — has not changed in the last eight years. It has been enough to keep even small units like the one in Martinsburg operating. Until now.

The Administration, through its Department of



Robert H. Kitchens, a kidney patient for seven years, undergoes dialysis. Photos by Ken

Health and Human Services, wants to cut to \$128 the amount Medicare pays to the private, for-profit clinics and to \$133 for dialysis in hospitals. Hospitals are paid more because they claim the patients they treat are generally sicker than those using private clinics. Owners of for-profit units dispute that claim.

NMC, the largest private operator of artificial kidney service in the country, runs 160 clinics, 60 of which are small, about the size of the one in Martinsburg.

Dr. Constantine L. Hampers, board chairman of NMC, said that 51 of his company's smaller clinics, including the Martinsburg facility, will have to close if the cuts go through.

"The implications of this proposal will be devastating to beneficiaries," Hampers said. "Even now, people are speculating that this is an attempt by HHS to emulate the English health care system, under which few patients under the age of 55 are accepted for treatment."

He said if the government proceeds with its cut-back, more than half of the country's clinics would have to close.

A spokesman for HHS said the new rates are supposed to encourage the use of less expensive home dialysis machines.

Under the proposal, the same amount — \$128 — would be paid whether the dialysis is provided in a for-profit facility like the one in Martinsburg or at the patient's home. The Administration hopes the move will save \$100 million out of its \$43 billion

total Medicare budget in fiscal 1982. In according to government figures, Medicare out \$1.2 billion to treat 57,000 kidney patients.

Dr. Edmund Lowrie, senior vice president medical affairs at NMC, said the government plan to use home dialysis would save little if anything. According to his estimates it would almost as much — \$127 — for patients to do themselves in their homes.

The machine itself costs from \$6,000 to \$10,000, he said. Each time it is used, the cost of lines, equipment and drugs amount to more than \$60, Lowrie said.

In addition, there are dangers in letting patients run the machines themselves. Blood pressure usually drops to dangerous levels during the treatment. At centers, doctors, nurses and trained technicians are on hand at all times to monitor patients' conditions during treatment. It would be unwise for a spouse or relative to be adequately trained to watch a hometreated person. Hiring someone qualified to monitor a home treatment would add the cost of each treatment by another \$50, Lowrie said.

Lowrie charged that the government is "making a terrible mistake" with its proposal "seeking to make a smaller population (of dialysis users) by rationing the capacity to provide vice."

"They're not dumb and maybe they don't know all the facts, but it will happen," Lowrie said. "either by design or accident."

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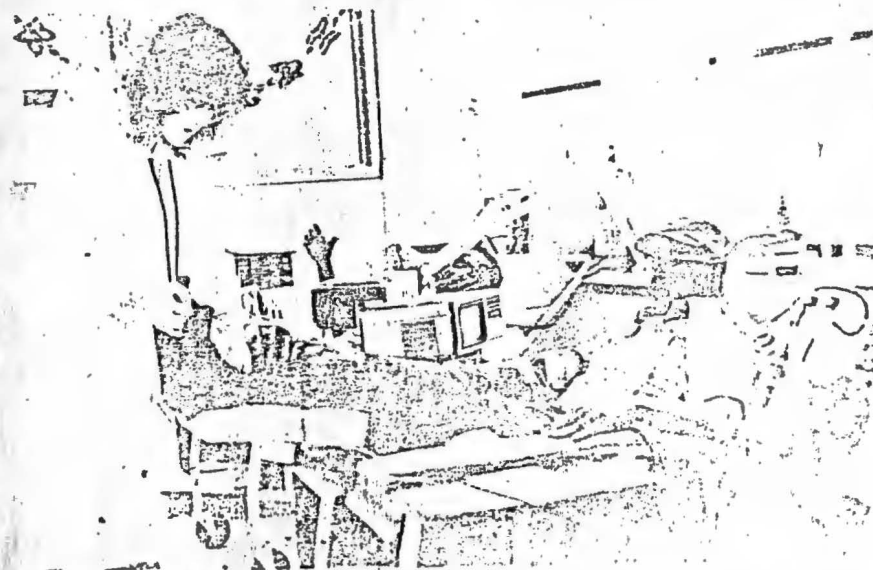
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Lake City Reporter

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Badly needed treatment

Lake City renal dialysis patient Alfred Johnson received treatment Tuesday from a nurse at the Bio-Medical Applications dialysis center. Johnson and other area patients could lose their local treatment center due to proposed

federal Medicare reimbursement cutbacks. "If they close this, that would mean the end of my life," Johnson said of the situation. (Photo by Brad Rogers)

Medicare cutbacks could force closing of dialysis center

By BRAD ROGERS
Reporter staff writer

A U.S. Department of Health and Human Services (HHS) proposal to reduce Medicare reimbursements to kidney dialysis centers across the nation could force the closing of the new Lake City treatment facility, officials said Tuesday.

Medicare currently pays 80 percent of the cost of kidney dialysis treatments. The cost charges are set by the federal Health Care Financing Agency, an arm of HHS. The proposal calls for treatment prices—most patients receive three treatments weekly—to be reduced from \$174 to \$133 for hospital facilities and from \$138 to \$128 for non-hospital dialysis centers. Bio-Medical Applications of Lake City (BMA), the local privately-owned renal dialysis center which opened in early August, is a non-hospital center.

Tom Last, Tampa region ad-

ministrator for BMA, said unless HHS can be persuaded to increase its proposed rates, the Lake City center and five other BMA facilities in North and Central Florida will have to be closed.

"Obviously, it's the smaller units that are going to be affected the worst—it hits them real hard," Last said.

The next nearest renal dialysis center for Lake Citians is Gainesville. But, local BMA administrator Al Rodrigue said the Gainesville BMA center is operating at capacity and even sends some of its overflow to Lake City. The Lake City center currently has 22 patients with a capacity of 24.

An HHS news release said the reasoning for the proposed cutbacks is, "The new rates will significantly reduce federal expenditures and encourage the increased use of less expensive home dialysis methods."

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Furthermore, the release stated the same payment would be made for in-home treatments as those in dialysis centers. The HHS proposal also allows for "exceptions" where dialysis cost could exceed the proposed rates. HHS said in 1980 its dialysis payment program served an estimated 57,000 Americans suffering from stage renal disease.

An HHS spokesperson contacted in Washington D.C. said there is no further explanation of the proposal or where it stands at the moment. She said the proposed regulation would be published in the National Register in early January calling for public comment. From there, 45 to 60 days will be allowed for response. Then, if no active opposition is levied, the regulation will become federal administrative law.

"This is not 100 percent definite," Last said. "The purpose of the press release is to try and get the rates set at a fair level."

To help prevent the closing of the Lake City clinic, local dialysis patients are circulating petitions around town to gain support for higher reimbursement rates by Medicare.

Alfred Johnson, of Columbia City, is one of those patients.

"If they close this, that would mean the end of my life," said Johnson, who lives alone and cannot work because of his illness.

"I used to go to Gainesville. There were times I couldn't get there. I didn't have enough money to buy gas to get down there. My transportation would sometimes be broken down—it's 11 years old. I'm just riding on the very edge; just making it from month to month."

Johnson said having to miss treatments before was a painful experience, but since the Lake City center opened he has not missed.

Last said that the proposal is unfair to private renal dialysis centers because it allows a higher rate for hospitals and also removes any profit margin, which forces closings.

"If this plan forces us out of the industry...somebody is going to have to take up the slack. And that's going to be state and local government. And if they do it, it's going to cost a lot more."

Reduced Payments Would Close Local Dialysis Center

By TOM TROY
Journal Staff Writer

Seventeen patients receiving artificial kidney treatment in Martinsburg may have to go elsewhere next year if new Medicare reimbursement rates are passed, according to Dr. Constantine Hampers, chairman of the board of National Medical Care Inc.

The local facility at 608 Rock Cliff Drive is one of 51 centers nationwide owned by NMC that will close if rates are cut from \$138 to \$124 per treatment as proposed by the Department of Health and Human Services, Hampers said in a news release.

Hampers said the rates will make the dialysis business unprofitable, and said his centers are already operating at peak efficiency.

He said the rates are even lower than those in use since 1972. The rates were computed by the Health Care Financing Administration of the HHS.

Hampers angrily denounced the HCFA, saying the agency made "irresponsible arithmetic errors" in the way it arrived at the rates.

He said in a letter to Richard Schweiker, secretary of HHS, that Schweiker is the victim of "bad advising" from the HCFA.

"It is shocking to me that HCFA could be as irresponsible as this. It is difficult for me to believe that if the secretary were correctly informed he would have made this decision."

Hampers said the HCFA is trying to emulate the English health care system under which few patients over the age of 55 receive kidney treatment reimbursements. In the U.S. the average age of kidney recipients is 53.5.

The problem with the rates stems from a dispute between hospitals and the independent centers.

The hospitals used to receive exactly the same amount of reimbursement, but under the new rates proposed by the HCFA, the hospitals will get \$129 and the independent centers \$124.

The purpose of the low rates, according to HCFA, is to encourage more home dialysis treatment, which is about 65 percent of the cost of treatment at a center. Currently, no home dialysis treatment is practiced in the

Eastern Panhandle, the local dialysis center reported.

The local dialysis center now has 17 patients from Jefferson, Morgan and Berkeley counties. The patients take three treatments per week, spending about 4½ hours on the machine each time, according to chief technician Charlie Svoboda.

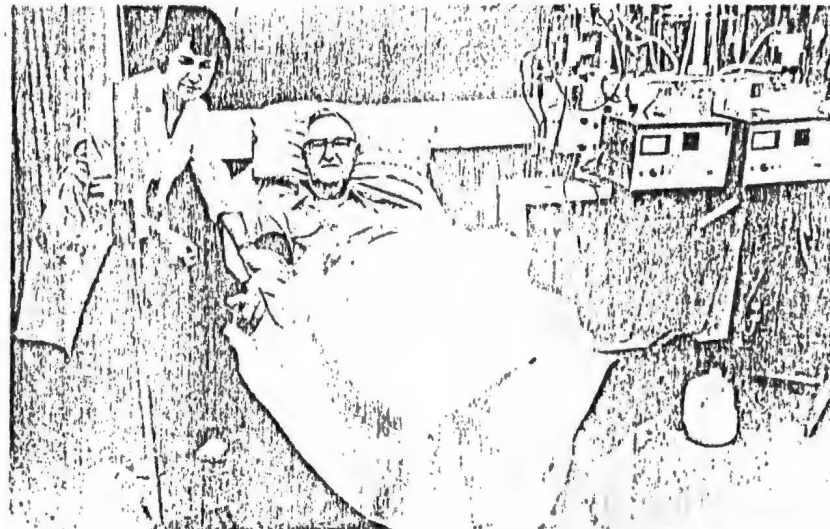
All patients get 80 percent of their kidney treatment paid by Medicare funds, he said.

The staff consists of seven nurses and technicians, plus a bookkeeper, administrator, medical director, dietitian and social worker, he said.

A kidney machine performs the duties of malfunctioning kidneys, which consists of the removal of toxic wastes and excess fluid from the body.

Dialysis was first made available at City Hospital in 1973. The center went independent in 1979.

City Hospital now treats only those kidney patients who are admitted to the hospital. Nurses from the dialysis center handle the treatment in the hospital, Svoboda said. It does not provide kidney treatment as an outpatient service.



Journal photo by Tim Johnson

Staffer Flora Rosler assists patient Claude Hockenberry at the Dialysis Center in Martinsburg. Currently the dialysis center receives \$138

from Medicare for each of Hockenberry's treatments.

The Evening Journal
Martinsburg, W.Va.

Monday Dec 28, 1981
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'Chaos' Could Follow W.Va. Dialysis Unit's Closing

By JOHN HARTSOCK

Star Staff Writer

"Chaos" could be the result, a local doctor says, if the Martinsburg, W.Va., dialysis unit closes and the Winchester dialysis unit has to take on treatment of the Martinsburg patients.

Dr. Jeffrey Harris, one of the partners in Winchester Dialysis Center, made the comment today after reports that the Martinsburg facility may close because of a proposed federal cutback in reimbursement for dialysis treatment.

Not only would the local unit have trouble treating the sudden influx of patients from Martinsburg, but the reduction in reimbursements could have serious repercussions on the Winchester

unit, a process that cleanses the blood of people whose kidneys no longer function normally.

Reacting to reports that the Martinsburg facility is one of 60 units belonging to General Care, Inc., (NMC), a national artificial kidney dialysis unit headquartered in Boston that may close if the Department of Health and Human Resources follows through on a proposal to reduce reimbursements for dialysis units for the treatment they render to patients,

there are 170 units nationwide.

"If they are going to close, it's going to be chaos," Harris said. "If all of a sudden 20 patients came from Martinsburg, physically we would be in a bind."

HE SAID THAT the Winchester unit is working almost at capacity. It has eight dialysis machines capable of treating 32 patients and now is treating 31 patients.

At present treatment of all dialysis patients is paid for through Medicare. Richard Schweiker, secretary of the federal department, is proposing to reduce reimbursements from \$138 to \$128 per treatment at centers like Winchester and Martinsburg.

However, Robert Maloney, a spokesman for NMC, charged that the method used by the department to figure patient costs was inaccurate and that, in reality, units like Martinsburg would only get \$124 per patient.

That could make the unit uneconomical to run, he said, and it may have to be closed. He said no decision will be made until the federal government makes final decision on its proposal.

"I am apprehensive," Harris said. "Even if it drops from \$138 to \$128—that's a pretty significant fall. Winchester could be appreciably affected."

He said it was too soon to know just what the repercussions of a proposed cutback in reim-

bursements would be but that he didn't think the Winchester unit would have to close.

"No, it won't close. It just means we have to start working to try and cut costs more," he said.

MOST LIKELY, that would come in the form of getting competitive bids from different companies that provide supplies needed for the unit instead of relying on one supply company.

Harris said that NMC saves on costs because it owns its own company that provides the expensive disposable supplies needed in dialysis units.

"So if they are nervous, you can imagine how individual units like ours feel," he said.

He called untrue allegations by critics of the dialysis program that reimbursements could be cut because the program is a government "monopoly" to make doctors rich.

"It got this reputation in the early 1970s. . . I simply don't think it's true. When they set this up, they had nothing to judge by," he said. The \$138 reimbursement rate has remained unchanged since 1973, while the inflation rate in the intervening years has taken a big bite into that, he said. "Profits were a lot larger 10 years ago."

THE OTHER CONCERN, and the one more difficult to deal with, would be the sudden influx of patients from Martinsburg if that unit closes.

"We have filed an application to add four more

machines," Harris said. That would give the unit 12 machines and the capacity to treat 48 patients.

"When we built the unit we built it ultimately to hold 12 units. We figured we wouldn't be filled up for a number of years to come."

The Winchester unit opened in 1980.

NMC's Maloney said at present Martinsburg has 19 patients.

That could spell trouble if the 19 Martinsburg patients are added to Winchester's 31, making for a total of 50 and a capacity to treat only 48. It also assumes the four new machines are added to the Winchester unit.

"What do you do if you have 20 more people say to you 'we have to come to you or we're going to die'?" Harris said.

Doctors would have to start looking for alternatives to dialysis, Harris said, including the home dialysis treatment now done on a limited scale.

ANOTHER PROSPECT might be bringing back the "death committees" which existed in the early days of dialysis treatment when there weren't enough facilities.

Those committees were made up of physicians who would decide which patients got treatment.

The addition of 19 patients to the Winchester load would leave no room at the center for growth in the future, he said.

"It's really worrisome."

Harris said that he didn't think the competition from his unit was a factor in NMC's threatening to close Martinsburg.

When Harris was seeking approval from state and federal authorities to open his unit, critics said that it would prove financially damaging to the Martinsburg unit because it would attract patients away from the West Virginia facility.

Thomas Farben, the administrator for the Martinsburg unit, agreed with Harris that competition wasn't a factor.

"The issue right now is primarily the proposed rates," he said. "We find we have a good working relationship with Winchester."

He said he wanted to emphasize that nothing would be done abruptly if the Martinsburg facility is closed. "We will consider the impact on our patients."

FARBEN DENIED that his company, as one of the largest in the country, may be trying to scare the federal government into maintaining the present reimbursement rate by threatening to close down units like Martinsburg.

"That I don't believe is true," he said. "The dramatic impact of the rate has to be looked at."