



■ **Dr. Schwantz** says, "We are not in the HME business, we are in the people business." See story page 20.

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Briefs

Lincare stagnates

CLEARWATER, Fla. – Lincare in February reported revenues of \$415.1 million for the fourth quarter ended Dec. 31, 2008, compared to \$412.3 million for the same period in 2007, a 1% increase. Net income was \$58.2 million compared to \$57.6 million. The provider reported revenues of \$1.665 billion for all of 2008 compared to \$1.596 billion for 2007, a 4% increase. Net income was \$237.2 million compared to \$226.1 million. In its earnings statement, Lincare predicts a tough 2009. It believes the 9.5% Medicare reimbursement cut and the 36-month oxygen cap will impact revenues by \$240 million to \$255 million.

ABC scrubs in

HUDSON, Fla. – ABC Medical & Oxygen opened ABC Medical Scrubs in January. The provider carries a selection of medical uniforms, scrubs, lab jackets, shoes and nursing supplies. It's located—conveniently enough—next to a hospital.

BayCare contracts

LARGO, Fla. – BayCare Home Care has signed a \$500,000 contract with Pinellas County to provide medical services and equipment to 6,000 residents ages 18 to 64. The contract, which focuses on prevention and primary health care, runs from March 1 to Sept. 30.

Halton takes prize

OAKVILLE, Ontario – MEDiChair Halton was named Franchise of the Year in March. Bas van Lankvelt, COO of MEDiChair, credited owners David and Kristin Courtney with "exceptional business growth coupled with a gift for organizing significant community events." In 2008, those events included the Eighth Annual Veterans Appreciation Luncheon, attended by 800 veterans and guests.

Great Lakes grows 'exponentially'



ADRIAN, Mich. – Great Lakes Home Health and Hospice is expanding its Adrian, Mich., branch office to 4,200 square feet. The office will house HME, as well as offices for physician service coordinators and skilled care professionals. Once completed, it will accommodate about 20 new employees. Great Lakes seeks to expand due to "exponential growth," according to a release.

AHP's situation: 'It's problematic'

If the provider fails to refinance debt, lenders have the right to foreclose on all tangible assets

BY LIZ BEAULIEU Editor

BRENTWOOD, Tenn. – American HomePatient's prospects for paying a \$233.6 million bill that's due Aug. 1 don't look very good.

In a recent Securities and Exchange Commission (SEC) filing, American HomePatient

stated: "The company will not be able to pay this debt without refinancing. If the unfavorable conditions in the current debt market do not improve, the company believes that refinancing of the debt will be difficult or impossible to achieve. Other factors, such as uncertainty regarding

the company's future profitability, could also limit the company's ability to refinance the debt."

American HomePatient may be in the middle of a perfect storm, industry watchers say.

"Refinancing debt is problematic in any environment," said Rick Glass, president of Steven

Richards & Associates, a Tarpon Springs, Fla.-based mergers and acquisitions firm. "Never mind with the current credit situation and reimbursement cuts. It's very problematic."

American HomePatient's no stranger to navigating troubled

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Outside their comfort zones

SBA opens doors with sleep therapy

BY THERESA FLAHERTY Managing Editor

EL DORADO, Kan. – You could say the devil known as national competitive bidding made SBA Home Medical Equipment do it. The provider had long held off entering the booming sleep market, thinking it couldn't compete with big city companies. But it recently took the plunge.

"We needed to diversify," said Kim Nolan, supervisor of medical equipment. "Oxygen is our biggest business and it's 75% Medicare. Our sleep business is only 50% Medicare."

Expanding into the growing sleep market was fairly painless, says Nolan. The company already had three full-time respiratory therapists on staff and expanded the hours of a part-timer.

SBA has done so well in the CPAP market that we're advertising on a national level. Other HME providers are aware we're

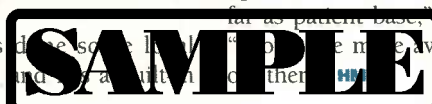
physician referral base through the hospital, but the convenience of shopping at home has been a big success factor, says Nolan.

One particular challenge has been keeping up with compliance requirements, especially for Medicare. Downloadable technology that tracks patient compliance, part of those requirements, has been a plus—and an eye-opener, Nolan said.

"Patients say they wear their CPAP every night and you find out they're not," she said. "But we are able to troubleshoot a lot of problems this way."

As its CPAP business grows, SBA's whole business has benefited, said Nolan.

"I think CPAP has opened up a lot more doors for us as far as patient base," she said.



Despite oxygen cap, provider jumps in

BY THERESA FLAHERTY Managing Editor

TAMPA, Fla. – It may seem counterintuitive to get back into the oxygen market in light of the 36-month cap, but that's just what Butch Vanderpool did recently.

"I've got three years for Medicare to figure out what they are going to do because the cap as it stands isn't going to work," said Vanderpool, the owner of Mobility Specialists in Tampa and Auburndale, Fla. "My oldest oxygen patient is only 60 days."

Vanderpool isn't a stranger to the business. He launched

his own HME, Healthcare Diagnostics, in 1996, and sold all but the rehab and sleep lab division to Apria in 2003. As part of the deal, Vanderpool had a five-year non-compete agreement for oxygen and DME. That expired in September.

The last time Vanderpool called himself an oxygen provider, newer transfilling technology was just coming to the market. Investing in the more expensive equipment this time around was a "no-brainer," he said.

"I don't have to hire as much staff or have as many vehicles,"

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BEHIND THE COUNTER C. Barnes Jr. (l) and C. Barnes Sr. (r).

Family ties

Barnes Healthcare celebrates 100 years

BY AMANDA ESTES

As a child, provider Charles Barnes III recalls spending time in his father's pharmacy and HME store, where he would settle into a wheelchair with comic books and ice cream.

"I think I was born at the soda fountain," said Barnes, CEO and third-generation owner of Barnes Healthcare Services, a Valdosta, Ga., family business that has been growing and evolving since his grandfather, Charles Barnes, opened shop in 1909.

Charles Barnes III began working at the store in 1972. He took over the business four years later after his father suffered a heart attack.



C. Barnes III



C. Barnes Sr.

Today, Barnes Healthcare offers respiratory, rehab, infusion and DME, as well as prescription, over-the-counter and compounded medications. The provider employs 210 people and operates 19 locations in Georgia and Florida, as well as a new store in Alabama.

This year, as Barnes Healthcare marks a century of service, president Robert Steedley says the company will not be intimidated by declining reimbursements or regulatory changes.

The company began looking at ways to boost productivity several years ago, when the 36-month oxygen cap and national competitive bidding were just whispers, said Steedley. In addition, the company continues to diversify its product mix. It added negative wound pressure therapy several months ago and it continues to explore other lines, including orthotics.

While charting the company's future, officials are hopeful it will remain in the family for years to come. Charles Barnes III's son, Charles Barnes IV, is currently learning the business as a store manager in Georgia, said Steedley.

"We would love to see (him) eventually take over the business, but whether that's in five years or 15 years, who knows?" he said. **HME**

Blackburn's traffics HME

BY LIZ BEAULIEU Editor

TARENTUM, Pa. – Blackburn's acquired Wagner Medical Supply in January to stake a bigger claim in the retail market for home medical equipment.

Wagner Medical's location is in Cranberry Township, Pa., a growing

suburb of Pittsburgh.

"We wanted a location where we'd have the traffic flow to show off the retail products, like ADLs and lift chairs, that we've had for years," said Georgie Blackburn, vice president of government relations and legislative affairs for Blackburn's. "We have a retail entity in Tarentum, but we

don't have the traffic flow."

Blackburn's now has four locations in Tarentum, Cranberry Township, Erie and Buffalo, N.Y.

In March, Blackburn's was in the process of remodeling Wagner Medical's retail showroom. Once completed, it will span 1,050 square feet and feature a private room for



BLACKBURN'S hopes an acquired location in Cranberry Township, Pa., a growing suburb of Pittsburgh, will boost retail sales.

fitting compression stockings and orthotics and prosthetics.

Through the acquisition, Blackburn's gained about 250 patients, three full-time employees and one part-time employee.

Bob Wagner, the former owner of Wagner Medical, will now focus solely on another company he owns, HMEGPS, a supplier of GPS products for the HME industry.

"I felt Blackburn's would do things right," he said. "That they'd keep the company moving forward." **HME**

AHP's debt

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waters. The company entered and then emerged from a Chapter 11 bankruptcy reorganization earlier this decade.

Another reorganization may be in order, industry watchers say.

"In general, if a business is upside down on its balance sheet, sometimes the best option is to reorganize, which permits a cleaner, more viable company to emerge at the end of the process," said Jonathan Sadock, partner and CEO of Paragon Ventures, a Philadelphia-based M&A firm.

If American HomePatient fails to refinance its debt, lenders "would have the right to foreclose on substantially all tangible assets of the company," according to the filing.

That may mean Highland Capital Management, a Dallas-based investment firm that owns nearly half of the outstanding shares in American HomePatient, would take control, industry watchers say. Highland made an unsuccessful bid to buy American HomePatient in 2006.

Although American HomePatient has been on and off the market for years, its inability to refinance its debt may force the company to pull the trigger on a sale, industry watchers say.

"Everyone has kicked the tires over there, but they think they're worth more than any offer," said Bruce Burns, president of Affinity Ventures, an Albuquerque, N.M.-based M&A firm. "My only hope is

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SAMPLE

Jumping in

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he said. "A lot of people won't invest in technology but if you look at the numbers, it makes sense."

Despite his positive outlook, Vanderpool doesn't take the cap lightly. He won't accept snowbirds with less than 18 months left on their benefit and the referring provider must sign a contract and undergo a credit check. So far, he has accepted only one snowbird this season.

"If a patient is ready to cap out, I would forsee unscrupulous companies sending me the patient and me getting stuck not getting paid for several years," said Vanderpool. **HME**