HOME CARE MARRIAGES

The mergers promise more services, more volume

The mergers and acquisitions that have become so common in the home health-care industry are not unlike marriages between people. In every case, two entities must combine different attitudes, interests, and resources to form a strong and lasting union.

Newlyweds combining households quickly discover that there just isn't enough room for two sets of household items. And what should they do with the threadbare armchair that she thinks is an eyesore but that he can't live without? Couples try to consolidate their belongings, take the best from each household, and dispose of the rest. In the same way, merging home care companies negotiate deals that create strong unions but require tremendous consolidation.

The dilemmas that accompany mergers and acquisitions are, however, larger and more serious than those involved in furnishing a first apartment, and the decisions that home care organizations make result in much more than an old La-Z-Boy ending up in a dumpster.

Due to drastically falling profit margins, health-care organizations have been forced to create economies of scale. By increasing volume, home care providers hope to survive these tight times. Mergers and acquisitions allow them not only to offer their services in more places and to more people but also to expand the range and variety of their services. However, duplicate programs within a region must be consolidated, and many qualified pharmacists stand to lose their jobs as a result.

How do companies handle staffing changes? How should pharmacists prepare for the future in this changing environment? The answers to these common questions may vary from person to person, but the philosophy remains the same: Sink or swim. Those interviewed share a belief that pharmacists have to change with the times.

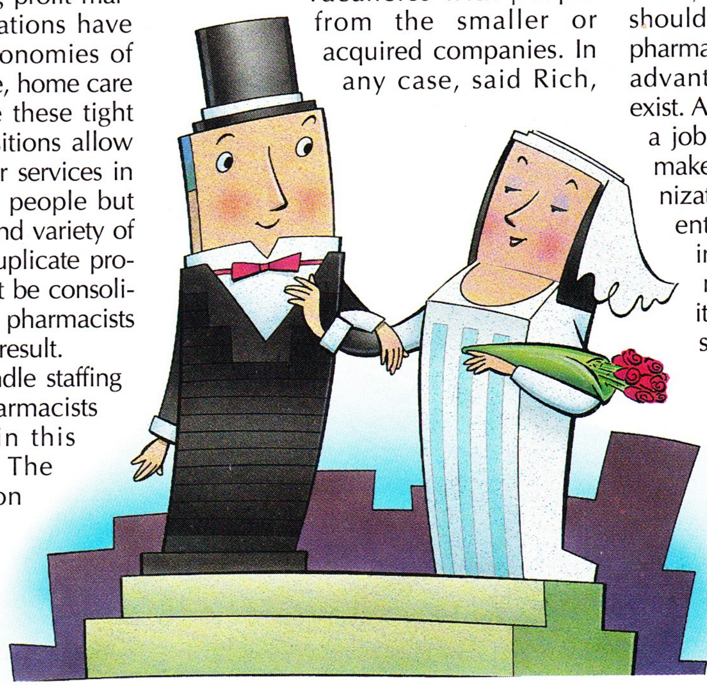
Darryl Rich, Pharm.D., M.B.A., associate director of pharmacy services in home care accreditation services for the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), said that some corporations do a better job than others in consolidating their workforces. He has heard that some require employees from both companies to apply and compete for positions in the new organization created by the merger, thus insuring that the best people are employed. Other large companies retain their own staffs and just fill vacancies with people from the smaller or acquired companies. In any case, said Rich, "there are a lot of people out of work." JCAHO expects that the Coram/Caremark deal alone will cause the loss of about 100 home care branches.

The most obvious choice for pharmacists affected by consolidation is to find employment elsewhere. Many R.Ph.s take positions with competitors, hospitals, pharmacies, or independent home care providers. JCAHO sees many regional carriers expanding into moderately large organizations with interstate branches, thereby creating numerous opportunities. R.Ph.s may even be rehired at some point by their former employers as the home care conglomerates continue to grow.

However, some pharmacists want to be their own bosses. According to Rich, there is a one-year window of opportunity for small companies seeking to take advantage of the confusion that results from the merging of companies. "Things are very chaotic during the merger period. Sometimes entire staffs decide to leave and begin their own home infusion groups, because they know that they have a good team and can provide good care," said Rich.

William F. Comer, M.S., R.Ph., pharmacy manager of a Coram Healthcare branch in Portland, Ore., believes that pharmacists can benefit from all the confusion. "There's a book by Tom Peters, *Thriving on Chaos*, which I think should be mandatory reading for all pharmacists. They have to learn to take advantage of the opportunities that exist. A license doesn't entitle anyone to a job. You have to earn respect and make things happen." Different organizations and businesses have different cultures, he said. "The home infusion market is best served by more of an entrepreneurial spirit." Comer himself began an infusion program with others in 1989.

JCAHO reports some interesting changes, particularly in the home infusion industry, resulting from mergers and acquisitions. "We have seen a lot of consolidation following these deals. Many branches close; therefore, the number of renewal applications for home infu-



sion accreditation has gone down. Yet the number of home infusion companies remains flat as many hospitals and independents start their own programs and enter new applications for accreditation," said Rich.

Obviously, some health-care professionals are trying to seize the moment, but even former entrepreneur Comer wonders how successful smaller home care businesses can be in this new and competitive marketplace. "The window of opportunity to start a home infusion business is never closed, but it is certainly narrower now than it was in 1989, when I started my business," he said.

Jim Smeeding, R.Ph., M.B.A., associate director of the center for pharmacoeconomics studies at the University of Texas, spoke about the financial difficulties facing smaller businesses—the very reasons why large organizations continue to merge and acquire. "The margins are about one-half or one-third what they were two years ago. When margins get small, volume must increase. That's precisely why the large home care organizations have done well. It's the McDonald's method of health care ... over 10,000,000 patients served."

Pharmacists who want to operate an independent home care or infusion agency must develop many contacts. They often must enter into contracts with hospitals to provide home care, which can be profitable but complicated. Smeeding suggests that R.Ph.s strengthen relationships with large health-care provider groups or medical practices.

"Independent home care providers have to find a way to market their services, as well. My advice for pharmacists is to establish some kind of information system to show quality patient outcomes. That is what people will be looking for in addition to cost-effectiveness. It is hard for independents to gather and capture enough data to show outcomes comparatively, but they need outcome data to make benchmark comparisons and help insurers to differentiate between health-care organizations," said Smeeding, who, as president of MODAT (Medical Outcome Data Technologies), is now trying to develop such a database .

Pharmacists are being advised to learn new skills and develop new roles in the health-care industry. The growth of home care, evidenced by mergers and acquisitions, has created an opportunity for pharmacists to play a more important role in patient recovery. "There may not be as many jobs as there once were, but I certainly think that pharmacists' jobs have been enriched. Pharmacy will definitely be a more satisfying area to work in, with pharmacists playing an integral part in care, making therapeutic decisions, and coordinating treatment information. Pharmacists can become skilled clinicians or operations people. In the future, few will be filling prescriptions," said Smeeding.

Comer agrees. "Pharmacists will be doing what they should be doing. They will be counseling patients and writing pharmacy care plans. They will be developing formularies for home care organizations. In short, they will be realizing pharmacy care as the American Pharmaceutical Association and other organizations have envisioned it," he said.

Though many view the consolidation associated with mergers and acquisitions negatively and greet it with trepidation, others are more hopeful. "I think that there have been great improvements in policies, procedures, and forms because of consolidation. It hasn't been painless, but it has allowed us to take the best from each organization. Diversity lessens inbreeding," said Comer.

Karyn Snyder

Rubbermaid expanding into home health care

You won't find Rubbermaid just in the kitchen anymore. The brand has extended its reach into the home health-care market, hoping to capitalize on this growing industry. After purchasing Carex in June 1994, Rubbermaid established a home health division and began manufacturing and marketing a number of items under the Rubbermaid Health Products name. At the same time, the company continued to produce and distribute home care products under the Carex name.

Darren Horst, marketing director for Rubbermaid Health Products, explained the difference between the two lines. "Though a consumer brand, Carex is associated with institutional or professional use, while Rubbermaid Health Products are thought of as cash-and-carry items," he said. Although Carex and Rubbermaid offer many of the same products, the more extensive Carex line includes specialized items that must be fitted, such as walkers. The Rubbermaid items could be impulse purchases and have been packaged to look less institutional. For this reason, Horst doesn't view the two lines as competitors.

"We'd like to grow the home care products market and reach the marginal user by making the items more attractive," said Horst, who hopes that consumers will be less embarrassed to buy such items if they believe that the items will enhance their homes.

Rubbermaid has developed new and improved bathroom safety products to extend the Health Products line. Two bath and shower seats have been added, as well as two toilet seat elevators and two styles of hip and fracture toilet seats for the right or left side. These items will also be marketed under the Carex name, with the Rubbermaid logo placed inconspicuously.

To help retailers, Carex and Rubbermaid offer guides explaining how to establish and promote a home health-care center. Support materials, including ad slicks, referral brochures, sample letters, and radio ads, are available as well. Retailers simply add their names to these materials to drum up business and help consumers make informed decisions about their purchases. DT