The power mobility marketplace has been subject to considerable regulator shifts. For example, in addition to competitive bidding, the removal of the first-month purchase option forced power mobility providers to transition to a rental model. But those providers weren’t alone — manufacturers of power mobility products also had to transition with their customers. Such changes have produced some surprising results. For starters, mobility — at least for some patients — is going retail. And the manufacturers are responding to this change. Retail-ready PMDs are coming in tiers, with good, better, best options that are reminiscent of cars, electronics and so many other consumer items. Likewise, the products that are being geared for the rental market are becoming simpler, more durable, and easy to repair, maintain and make ready for the next customer.

And vendors are helping providers respond to these pressures not just through new products, but through various services that help providers take gutsy leaps of faith into the new business models dictated by the changing reimbursement landscape. And retail and rental upgrades are just some of the ways PMDs are changing. Read this month’s cover feature to learn more.
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HME Business August 2015
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Providers cannot delay this critical action item any longer. Fortunately, there’s help.

**Taking ICD-10 Action**

Providers cannot delay this critical action item any longer. Fortunately, there’s help.

**Death by paper cut** — that’s how it can feel having to adhere to a constantly shifting regulatory landscape. Providers must constantly understand and comply with an ever-growing and ever-changing mass of CMS requirements in order to continue billing Medicare with any expectation of reimbursement.

The most pertinent of those requirements today should be ICD-10, but many providers don’t even know what it is. ICD-10 represents the 10th revision of the World Health Organization’s International Classification of Diseases. ICD codes are the basis of classifying diseases, injuries, health encounters and inpatient procedures. ICD-10 is a huge revision, taking ICD-9 from 3,824 procedure codes and 14,025 diagnosis codes to 71,924 procedure codes and 69,823 diagnosis codes.

More to the point, by Oct. 1, your business must comply with ICD-10 if it wants to keep billing Medicare. This is long overdue. The United States has used ICD-9 since 1979, but the World Health Organization completed work on ICD-10 in 1992. Since then 110 nations have been using the unmodified system, and 25 countries are using a modified version of ICD-10.

Using the legacy coding system of ICD-9 for so long is problematic. It is no longer clinically accurate, and has limited data about patients’ medical conditions and hospital inpatient procedures. Meanwhile ICD-10 enables more detailed patient history coding to help better coordinate a patient’s care across providers and over time. ICD-10 also aims to improve quality measurement and reporting, facilitate the detection and prevention of fraud, waste and abuse; and improve reimbursement accuracy.

Now CMS — and U.S. healthcare with it — is finally catching up with the world. The Department of Health and Human Services issued a hard-and-fast rule finalizing Oct. 1 as the new compliance date by which healthcare providers, health plans, and clearinghouses must transition to ICD-10.

The problem is that not enough providers are aware of the deadline. Case in point: we recently asked our online readers how many providers were aware of the Oct. 1 deadline for ICD-10. Of the respondents, only 18 percent said they were aware; 36 percent said they would be compliant by Oct. 1, 27 percent said they hadn’t started working on it; and 18 percent said they didn’t even know what ICD-10 was. That was pretty startling.

Worse yet, in discussing the survey results with various industry experts on the subject of ICD-10, I was told on more than one occasion that my results were too positive in comparison to their experience working with providers. Most said they suspected a higher percentage of providers are either unaware of ICD-10 or CMS’s deadline, or aware, but not yet working on compliance.

And that’s critical, because preparing for ICD-10 is not like throwing a switch. Come Oct. 1, your billing software provider is not going to send you an upgrade or a patch that will instantly make all your billing processes ICD-10 compliant. Complying with ICD-10 requires a considerable amount of actual, hands-on work, as well as a good deal of coordination with your referral partners and funding sources.

So how can HMEB help? In addition to past articles on our website, this publication worked with HME software company Brightree LLC to host a free webinar last month on ICD-10 compliance. Hundreds of providers logged on to watch “Your ICD-10 Preparedness Plan,” hosted by Steve Rogers, Brightree’s vice president of product management, who delivered a highly detailed presentation, and answered dozens of provider questions. I strongly encourage any providers trying to jumpstart their ICD-10 compliance efforts to check out the free archive of this webinar by visiting bit.ly icd10prep. CMS’s deadline is fast approaching, but this presentation will help you take action.

David Kopf
Editor
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Providers Continue Lobbying Against Bid Expansion During Recesses

Industry effort sees providers starting reaching out to lawmakers during congressional recesses in order to nix 2016 expansion of competitive bidding rates to rural areas.

At the urging of the American Association for Homecare, providers nationwide took advantage of recent Congressional recesses to call on lawmakers to stop the 2016 expansion of competitive bidding.

As part of the Affordable Care Act, which the Supreme Court upheld in a 6-3 ruling in late June, competitive bidding rates will be expanded nationwide, including rural areas. The concern is that those rural provider will not see any difference in volume, but will experience an average 45 percent reimbursement cut per competitive bidding rate.

So the association called on providers to reach out to their Congressional representatives during two recesses for both the House and Senate, the first, which ran June 29 through July 3, and the second, which runs July 31 through Sept. 4. During those recesses, lawmakers work in their districts, which gives providers solid opportunities to meet in person with their Senators, Representatives and legislative staffs to discuss the issue.

"Addressing CMS’s plan to apply competitive bidding-derived rates to non-competitive bidding areas, due to take effect in January of 2016, remains a top priority for the Association," an AAHomecare statement read.

"Expanding the reach of Medicare bidding rates to rural areas — cutting prices by an average of 45 percent — will be a devastating development for homecare providers and patients alike. In light of this action by Medicare, congressional representatives need to hear from every home medical equipment provider and every Medicare patient about the effects of this latest round of cuts on America’s homecare infrastructure.”

Providers seeking additional resources to help them make their cases can find information on their members of congress via the congressional directory in the AAHomecare Action Center. AAHomecare is also asking that providers send a message to congress on the issue using its action center at aahomecare.org, and that they share that link with their colleagues and other HME stakeholders, as well.

AAHomecare, CMS Meet on CRT Rates

Association staff, members sit down with CMS Deputy Administrator to discuss expansion of single payment amounts to complex rehab accessories in January 2016.

Kim Brummett, vice president of regulatory affairs for the American Association for Homecare, as well as a group of AAHomecare members, met last month with Sean Cavanaugh, CMS’s deputy administrator and director of the Center for Medicare to discuss the expansion.

As part of the overall expansion of the competitive bidding rates, CMS has indicated that these same rates will apply to CRT items that have been explicitly excluded from CB by Congress. While the final rule was unclear on the impact to CRT, a FAQ document released by CMS after the final rule was released indicated the intent.

The association provided additional online resources to help providers in their efforts:

- An issue brief on bidding rates in rural areas at bit.ly/1Husmpd.
- A web tool to send an email to Congress on the issue at bit.ly/1O4Ambw.
- A congressional directory at bit.ly/1UZnDW2.
- Guidance on effective meetings with members of congress at bit.ly/1HusHbr.
- Tips on hosting a facility tour for members of congress at bit.ly/1f0jFeB.

What’s Online

Developing Stories — Monitor HME-Business.com regularly to stay on top of key industry stories unfolding in August, especially the industry’s efforts to reform CMS’s audit program and stop the national expansion of competitive bidding.

Free On-Demand Webinars — HME Business recently hosted two sponsored webinars, the archives for which are available for free. Brightree LLC sponsored “Your ICD-10 Preparedness Plan,” which outlines what providers need to do in order to be compliant by CMS’s Oct. 1 deadline. Medforce Technologies sponsored “Faster Payments Through CMS’s esMD,” which shows providers how to take advantage of CMS’s electronic tool for submitting medical documentation. To listen and watch these two webinars, as well as other free educational offerings, visit hme-business.com/webcasts/list/all-webinars.aspx.

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**News, Trends & Analysis**

**CRT Rate Meeting** continued from page 8

AAHomecare members attending the meeting included Bill Tobia of Home Medical Equipment, Seth Johnson of Pride Mobility Products, Cara Bachenheimer of Invacare corp.; and industry attorney Asela Cuervo.

The group met with Cavanaugh in person, as well as via videoconference with Laurence Wilson, Joel Kaiser, Carol Blackford and Liz Richter. The parties worked to evaluate the differences between standard and CRT items even though they are in the same HCPC codes and the specific statutory language that guides CMS on this issue.

The group also discussed the differences between CRT providers and standard power mobility device providers; the further implications of repairs for this fragile Medicare beneficiary population; and the overarching issue of HCPCS codes being too generic for this broad spectrum of products.

**Provider Poll: esMD**

Results from a recent hme-business.com survey

CMS has a great tool for helping providers handle the tricky problem of handling the millions of medical documentation requests CMS Review Contractors send each year, but apparently providers have no idea this tool exists. Imagine, in an era of document imaging and cloud computing, many providers are still submitting those records and follow-up communications via letter or fax, which stretches their revenue cycles to untenable lengths and burns valuable staff time. In 2011, CMS unveiled its electronic submission of Medical Documentation (esMD) program to put an end to that and establish the future backbone of provider communications with CMS. While esMD has been processing more and more claims, many providers still don’t know about how they can leverage this program.

**Question: Are you using CMS’s esMD to respond to medical documentation requests from review contractors?**

Yes .......................... 13%
No ............................ 86%

That percentage was so high, that MedFORCE Technologies Inc. sponsored “Faster Payments Through CMS’s esMD,” a free webinar that shows providers how to take advantage of CMS’s electronic tool for submitting medical documentation. The program was presented by Joyce Davis, deputy director of the Division of Compliance Projects and Demonstrations for the Office of Financial Management at the Center for Medicare & Medicaid Services (CMS), and Shelly Rogers, senior solutions consultant for MedFORCE Technologies. To listen and watch a free archive of the webinar, as well as other free educational offerings, visit hme-business.com/webcasts/list/all-webinars.aspx.

Note: Due to the open nature of the Web, the results of this and other hme-business.com polls are instant opinion tallies and are not scientific.

**ResMed Acquires Caretouch**

CareTouch 360 patient-support and resupply platform joins ResMed’s Air Solutions.

Sleep therapy equipment maker ResMed has acquired CareTouch, a provider of internet-based, therapy-focused resupply programs for HME providers.

The CareTouch 360 portal, which helps HME businesses give sleep patients the personal attention, customization and service they need, will join ResMed’s Air Solutions connected care platform.

Specifically, CareTouch helps providers:
- Manage and monitor patient populations via a single system.
- Leverage CareTouch 360’s live, multi-lingual contact center to reach patients via their preferred mode of communication.
- Check therapy compliance, take orders, handle payments or collections; and generate customized reports.
- Customize patient engagement protocols for both automated and live outreach.

“Because the CareTouch portal offers personalized and targeted communications between HMEs and patients, they are able to easily stay in touch with, build, and manage their patient populations with customized therapy-focused outreach,” said Raj Sodhi, president of ResMed’s Healthcare Informatics Global Business Unit.

As part of the acquisition, CareTouch will be rebranded ResMed ReSupply. CareTouch employees, including chief executive officer Matthew Dolph, have joined ResMed’s commercial team in the Americas.

“Our team is excited to start a new chapter as part of ResMed,” Dolph said. “Together, we will offer more complete and valuable solutions for HME providers and their patients.”

Founded in 2003, CareTouch will continue to support its existing products through its client service associates team, which is available at (888) 333-1456, Monday through Friday, from 8 a.m. to 5 p.m. Central Standard Time.

**Drive Medical Purchases DeVilbiss Healthcare**

Buy marks Drive’s largest acquisition to date, adds brand known in respiratory and sleep equipment segments.

DME manufacturer Drive Medical has completed the purchase of sleep and respiratory equipment maker DeVilbiss Healthcare, the company announced yesterday.

Headquartered in Somerset, Pa., DeVilbiss’s products are distributed in over 80 countries, via distribution centers located throughout North America, as well as in France, Germany, the Netherlands, United Kingdom, Australia and China.

In the short term, Drive and DeVilbiss will operate independently as the companies work to integrate in the Americas. Upon completion of the integration, the new company will be known as Drive DeVilbiss Healthcare, Inc. In the rest of the world, Drive and DeVilbiss will continue to operate as independent entities.

“DeVilbiss has a long history of innovation in respiratory, going back to the 1880s,” said Harvey Diamond, CEO of Drive. “While their products still enjoy considerable market share, we think there is potential to do much more with the DeVilbiss brand and product line, especially since the sleep market is the fastest-growing segment in the industry.”

“The acquisition of DeVilbiss will provide Drive with a solid platform in the respiratory and sleep spaces, while increasing our manufacturing capabilities and expanding our growing presence in Europe,” said Richard Kolsdny, president of Drive.

Richard Kocinski, CEO of Drive’s Chad manufacturing operations, which produces oxygen conserving devices and other respiratory products, and a former CEO of DeVilbiss Healthcare, has been named managing director of DeVilbiss. Oliver Niemann, head of DeVilbiss International, will continue in his current capacity directing the international operations of DeVilbiss.

Terms of the transaction were not disclosed.

**Advanced Health Care Products Picks up PDG Mobility**

Acquisition of wheelchair maker by Montreal distributor known for support surfaces will broaden company’s North American market reach and product range.

Advanced Health Care Products (AHC), a Canadian distributor best known for its support surfaces and pressure-related products, has acquired wheelchair manufacturer PDG Mobility.

A spokesperson for AHC confirmed the purchase. The company was incorporated in 1991 and is based in Montreal.

Early details suggest that the presence of new ownership won’t have a significant impact on how ATPs and seating & wheeled mobility clinicians work with PDG on a day-to-day basis.

A statement from PDG said, “With Louis Belanger as president, PDG will continue to design and manufacture tilt-in-space, bariatric and high-performance wheelchairs. The current PDG administration, engineering, manufacturing plant and customer service teams will remain in Vancouver, B.C.”

Berlanger joined PDG in 2006 and has been its president since 2011.

PDG said AHC sales reps will now handle PDG orders in Canada, but that PDG’s American network of sales reps will stay in place to handle orders in the United States.

“AHC is committed to keeping and enhancing PDG’s current product line while embracing PDG’s commitment to quality and performance,” PDG said in its news announcement. “AHC will further assist PDG with an integrated presence across Canada, U.S. and existing international markets.”

PDG recently introduced the Elevation manual wheelchair, an ultra-lightweight model capable of seat elevation.

— Laurie Watanabe, editor of Mobility Management

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Industry Newsmaker

People in HME

Sharing Some Penny Wisdom

Universal Software’s David Golen reflects on a career that led him to help enhance HME efficiency.

David Golen, vice president of business development for HME software company Universal Software Solutions Inc., followed an interesting path into the HME industry, but in retrospect, it seems almost designed to help providers address their industry challenges.

After 17 years working in sales and marketing for a tier-one supplier to the automotive industry’s Big Three car manufacturers in Detroit, Golen concluded it was time for a change. So, he decided to pivot into software, and wound up working for a company that designed software for HME providers. The transition came with some culture shock.

“I thought I was preparing myself for homecare, but it was so diametrically opposed to what we were doing in automotive,” Golen says.

The automotive world focused on hyper efficiency. Percentages of pennies were shaved off every element of the process while employee productivity was maximized. Detroit wanted the absolute most for the absolute least.

“In healthcare it seemed like they were trying to hire more people to do things and trying to do things more manually,” he said. “So it was a real interesting change, because it put me back to where I thought automotive was when we started 15 years prior. I had thought healthcare was a bit more advanced, actually.”

Golen notes that’s one thing he noticed was that the service element of the HME industry was nearly entirely undersold, which likely led to some of the reimbursement difficulties that providers have found them in over the past seven or eight years. Labor and service were not explicitly part of the reimbursement scheme. So when CMS started axing reimbursement via competitive bidding and the like, providers found themselves in very dire straits.

“The industry was started because it was a one-to-one relationship between the provider and the patient,” he observes. “That was really where it got started … The part that got lost was that the industry never had a good sense of themselves when it came to charging somebody for the time and effort that went into the service part of it.”

That’s when Golen said he realized that having worked in an automotive industry that was fixated on driving fractions of pennies out of the business and maximizing human capital investments, he felt like he could make a difference working for a software firm serving the DME space.

“I was able to apply a number of things I learned to this industry,” he says.

The one efficiency that Golen says providers need to apply to this industry is that fixation on efficiency. Providers need to focus on new models that drive cost from their business, not just small efficiencies, but larger overhead footprints, such as inventory. For instance, providers should work with vendors and distributors to explore just-in-time inventory and drop-shipping models that keep them from having to stock expensive DME.

And that will likely require some educating patients and managing their expectations, Golen says.

“We still want to have a presence,” he explains. “But the patients are going to be ‘retrained’ in a sense that they’re not going to have high expectations that many of the items will be available to them as they walk in, but will be shipped to them. The multitude of items that people are going to see when they walk in the door is going to have to change.”

Ultimately, all the players in the HME space will be working to redefine the business. The key is for providers to work with their vendors to come up with that definition.

“You really need to team up with the industry itself,” he says. “… If you’re going to be making more money, it’s going to be done in smaller amounts in larger volumes. So you’re going to have to watch your pennies.”

Brightree Adds Two New Execs

HME software company Brightree has appointed two new executives: Lori Jones and Shaw Rietkerk, who will leverage their considerable experience within the HME industry’s Big Three car manufacturers in Detroit, concluded it was time for a change. So, he decided to pivot into software, and wound up working for a company that designed software for HME providers. The transition came with some culture shock.

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As HME providers struggle with lower reimbursement rates, today’s power mobility products evolve to meet key industry and care trends. By Joseph Duffy

Like most of the HME industry, the power mobility market has been hit by many challenges over the last several years, including competitive bidding, audits and removal of the first-month purchase option. At the same time, however, its potential customer base is predicted to skyrocket. Recent estimates include:

- Approximately 10,000 people are turning 65 every day.
- The number of Americans 65 and older will almost double by 2050.
- Those 85 and older will double by 2036 and then triple by 2049.

“The power mobility market is not without significant opportunities,” says Dave Jones, ATP, regional vice president of power mobility sales for Drive Medical. “While the Medicare utilization and reimbursement rates have continued to drop over the past decade the rate of seniors who are aging, and require some type of mobility assistive equipment, continues to soar at record rates.

“The key is to recognize the unique clinical and environmental needs that a patient has and tailor the correct category of MAE [mobility assistive equipment] and particular product to that individual,” Jones continues. “This is where it becomes imperative to match all MAE, not just power mobility, to the patients’ needs. Additionally, retail opportunities for consumer power devices are becoming more prevalent as there are more bottlenecks with Medicare claims submissions, as well as fewer local providers to help beneficiaries navigate the PMD documentation process.”

Although anchored by piles of paperwork, administrative mayhem, stifling caps and reimbursement cuts, the power mobility market continues to try to navigate through these challenges and changing market conditions to fulfill patient needs and grow revenue. But it’s not a sprint — it’s an enduring march down a road lined with obstacles for both providers and manufacturers.

“With all of the challenges facing providers today and new challenges from CMS being handed to us on almost a monthly basis, it is very difficult for the manufacturers to completely understand the impact to the provider and exactly how to assist them,” explains John Wright, executive vice president of sales management and business development for mobility device maker Shoprider Mobility Products. “We are in this together but historically the manufactures were asked to reduce their pricing or otherwise assist the providers with financing and other programs to help ease the pain. Today the manufacturers have reduced pricing to the lowest levels in history, tightened up credit lines, and in some cases reduced the quality of their products. At Shoprider, we refuse to compromise on the quality as we feel that this is false economy due to the need for products to hold up well so that
the Providers can reduce service calls, especially within the first 13 months where most problems occur.”

What Needs to Change
Greg Packer, president of the U.S. Rehab division of VGM Group Inc., says the power mobility market today is obviously different than in the past. Competitive bidding has not only reduced provider payments — it has also reduced the overall number of providers, even as the patient base grows. “The process of providing equipment has changed as well,” Packer said. “With some items going to capped rental and being paid over 13 months, it has forced people out of the rehab business when this was not their main focus. The discontinuation of the Scooter Store has also left a big hole in delivery and advertising programs that were of somewhat suspect means of communication. Now this has opened its own can of worms in the repair side of the industry. There are many beneficiaries who received a chair from defunct companies and now have nowhere to go for repairs. CMS has tried to fix this, but the fix has done little to build confidence in the industry to go ahead and repair the equipment.”

John Storie, National Director of Field Sales, Quantum Rehab, also pointed out that as Group 2 power chairs went from a coded purchased item to a capped rental, a contraction of the market occurred. “Many weren’t prepared to shift their business models with the changes,” he said. “Competitive bidding has caused further consolidation, impacting beneficiaries and providers. However, those providers who made the transition, building up other areas like complex rehab and retail sales, have weathered the storms well.”

According to Brian Sharpe, regional vice president of power mobility sales for Drive Medical, documentation requirements have become as cumbersome as they are for complex rehab, post-payment audits seem to be more prevalent than ever, reimbursement rates continue to be reduced and the responsibility to educate patients and physicians on the processes involved in qualifying for MAE has largely fallen to the provider. But after all that, he sees a bright side for providers who want to grow their business. “These challenges create significant opportunities for power mobility providers, specifically with regard to branding themselves and the DME industry at large,” he says. “How can a provider differentiate themselves and create a true partnership with their customers? By proving that there is a relationship between a selection of DME products and clinical outcomes. Providers who put the patient at the center of what they do and the decisions they make are rewarded with more satisfied patients, more loyal referral sources and clinicians more willing to learn about documentation to get the patient not only what they qualify for, but what they need to achieve better quality of life and clinical outcomes.”

Storie said he sees tremendous growth and opportunity on the complex rehab side. “After 25 years of the ADA, social inclusion of those with complex rehab needs is rightfully better than ever,” he said. “Complex rehab users are accessing education, employment and community at ever-increasing rates — and needs for complex rehab technology likewise keep growing. User demand for more and better complex rehab technology is driving innovation and growth. Audits drag the industry as well. “The threat of an audit hangs heavy over the heads of power mobility providers and there has been a reluctance to
“Within the third-party reimbursement world few advancements will occur other than cost cutting. In the retail space the market will drive demand for the latest in technology and accessories for the higher featured (and priced) products. Think about the standard features automobiles have currently vs. just five years ago.”

— John Wright, Shoprider Mobility Products Inc.

proceed with any transaction where the provider has difficulty obtaining the proper documentation from the prescribing physician,” said Wright. “Providers have the additional burden of severely reduced profitability, cash flow problems due to the capped rental reimbursement, and the tightening of credit within the industry by the vendors.”

State of power mobility manufacturing

According to Wright, the revenue-diminishing challenges previously discussed in this article are significant factors on how the power mobility industry will grow.

“In the Group 2 space there is not much product innovation by the manufacturers because the providers are unwilling to spend any extra due to reduced reimbursement and the cash flow issues mentioned earlier,” said Wright. “Some manufacturers have introduced new products that are obviously cheaper to produce but touting them as ‘new and improved’ and they are not.”

Jones said it is challenging to all manufacturers to continue to improve the quality of patient’s lives. “To achieve success you must build a breadth of products both coded and non-coded to give patients choices when selecting a mobility product based upon their daily activities. Quality cannot be sacrificed and education to the patient is imperative when making a selection on their mobility needs.”

Storie said that manufacturing has been less about adapting and more about listening and learning. “Any time that our providers or consumers are impacted by market conditions, our only question is, ‘How can we best support them?’ Sometimes it’s with new services, product innovations or better tailoring our business to meet their needs. We want consumers to have the highest quality of life and providers to succeed, and we stay responsive toward delivering solutions as needed.”

According to Packer, in the Group 2 market, the beneficiaries who need power mobility are divided between the ‘haves’ and ‘have nots.’

“Quality-of-life is the key driver in power chair development today,” he said. “Manufacturers have long met medical need. However, we know that those with disabilities live full lives, and they need mobility technology that addresses that full spectrum.”

— John Storie, Quantum Rehab

“If you can afford a product, you will have one of quality and durability,” he said. “If you cannot afford a product, you will take what Medicare or Medicaid will give you and have to be happy. Power mobility providers will be few and far between if the reimbursement is not adjusted in some way from the current competitive bid arena. The beneficiaries in rural America will not be able to receive a product delivery on a timely basis. The large city dwellers will possibly be able to get equipment, but quality will be an issue.”

Packer said that the complex rehab technology (CRT) accessory issue is one part of mobility that must be addressed by Congress to protect access to equipment.

“Complex rehab and CRT accessories were carved out as a separate category in the Medicare Improvement for Patients and Providers Act of 2008 (MIPPA) that Congress passed,” he said. “The only item bid at that time was motorized wheelchairs, so the law states only Group 3 or higher. This addressed the issue of accessories. Now with manual wheelchairs and other items in the bid system, CMS is again using the confusion of not understanding the market and/or products to benefit themselves versus the beneficiary. With the recent decision to charge the same for complex rehab accessories as standard power accessories, access to complex rehab products will be limited in the future. This change will take effect in January 2016 unless it is addressed by Congress. This will not be a great decision for the market or the beneficiaries who have paid into a system for years and would no longer be covered for CRT accessories.”

Since this issue may be confusing to people who do not understand the market, Packer has given some examples that bring this discrepancy to light: “The competitive bid Group 2 chairs are for beneficiaries who have good upper body strength and have non-complex issues, and who have trunk and head control. These types of beneficiaries are unable to walk due to a condition that does not affect the function of the body. This type of mobility product is like an alternator on a standard car; it can be universal with a lot of models in the same line, like Ford. It may fit a Chevy, but you may have to drill a hole or change the wire pattern. This modification is generally not a big deal and the two types of parts typically cost the same. This accessory possibly could be bid and not be a big deal as the part is very similar and could be procured for around the same cost.

“But as the program continues, what if alternators for road transportation in general are bid? The lowest bid was for automobiles and the providers involved in competitive bidding said they would take the bid. Great, we have a completed process and we can get cheaper alternators for our cars now due to the big volume and the other profits that were falsely involved, right? Well, maybe. Let’s now look at a farmer who comes in with a Ford F250 truck and wants an alternator. The dealer would ask for more money as the Ford F250 alternator is much larger and requires more manufacturer cost; a car alternator would not function on this type of vehicle. The farmer would say, ‘No way, I need my truck,’ and the fight begins. This is exactly what has happened with headrests, for example. A complex rehab head rest that was not bid has much more function than a standard padded head rest and is quite a bit more expensive; therefore, no one will be able to supply the correct medically necessary product if the CRT Accessory issue is not fixed by Congress. Not being able to provide the correct product would be going against your professional oath as an ATP and a provider of complex rehab. Hence, there is a problem that is about to occur that will limit deliverables in CRT if it is not fixed by Congress very soon.”

The Future of Power Mobility

So where is the market going? With the potential of a massive customer base, you wouldn’t think that the crystal ball would be foggy. But providers are still digging out from bureaucratic roadblocks and manufacturers must tread carefully in helping an industry under duress.

“Retail products have become more prevalent and providers are selling more mobility products for cash than ever before,” Sharpe notes. “This cash
market is the driving force behind new technologies the manufacturing community is examining. The products in this segment have a recreational look that fit a patient’s lifestyle based on their needs and do not necessarily give the appearance of medical mobility devices. Providers should carry a wide variety of retail product on their showroom floor to educate patients on good, better and best options based upon the patient’s needs.”

Storie says the key is to always think consumer. On the complex rehab side, quality-of-life functionality is vital to consumers, so looking to meet not just medical needs, but quality-of-life needs, is a priority, he said. On the retail side, consumers want affordable, transportable solutions, so compact power chairs remain a trend on the rise. Be well tuned to consumer needs and business will thrive.

“Quality-of-life is the key driver in power chair development today,” he explains. “Manufacturers have long met medical need. However, we know that those with disabilities live full lives, and they need mobility technology that addresses that full spectrum. For example, while our iLevel seat elevation technology has clinical benefits, it likewise serves so many quality-of-life roles, from reaching grocery shelves to conversing with standing peers, so we wish to serve the entirety of one’s life.”

Storie suggested that aspects that fit seamlessly into users’ lives are fueling advancement. “Whether it’s something as simple as cell-phone chargers or as cutting-edge as iLevel elevating seating technology, power chair technology is moving toward meeting the entirety of an individual’s lifestyle. It’s this awareness that will continue improving consumers’ quality of life,” he says.

Finally, Wright said that declining reimbursement stifles true product advancement and innovation in the third-party reimbursement world. As providers move to more of a retail strategy, the manufacturers will need to assist providers with retail-oriented products and programs that appeal to the consumer.

“Within the third-party reimbursement world few advancements will occur other than cost cutting,” he said. “In the retail space the market will drive demand for the latest in technology and accessories for the higher featured (and priced) products. Think about the standard features automobiles have currently vs. just five years ago.”

— Greg Packer, U.S. Rehab Division of VGM Group Inc.

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Leveraging patient data could unlock new referrals, revenue and business models for HME providers.

By David Kopf

It is undeniable: U.S. healthcare is fixing a nationwide focus on outcomes-oriented patient outcomes. Case in point: Medicare’s increasing emphasis on Accountable care organizations (ACOs), which are groups of healthcare providers that provide end-to-end healthcare solutions that focus on optimizing patient outcomes for the lowest price.

While ACOs don’t necessarily have much to do with the HME industry at the moment, they indicate where healthcare is going: If Medicare continues to set the pace for the rest of healthcare, it is likely that health professionals across the patient care spectrum will look for partners who can help them ensure the best outcomes for the best price. Insurance companies will move to match Medicare’s approach, and referral partners will follow (if they aren’t already doing so with Medicare).

This focus on demonstrating outcomes provides HME businesses with a key opportunity: if they create services that help better manage the care patients receive, then they will position themselves as a key player in the healthcare process.

And how do they accomplish this? By managing and monitoring patients, and that practice generates a considerable amount of patient data that HME providers can then use to help referral partners generate improved incomes.

We’ve already witnessed this in the sleep corner of the HME market for several years now. Using a variety of communications methods and remote monitoring innovations, those providers serve as information conduits to the physicians and other sleep professionals involved in patients’ care.

What if providers could expand this and apply it to other patient segments, such as respiratory? This could well be where the market is headed.

Square One: The Sleep Market
Let’s begin by looking at the where patient data is being leveraged the most: The sleep arena has given us a good starting point for understanding how patient data is being used to great benefit.

“Patient data is so important in sleep therapy,” says Rob Levings, vice president of Healthcare Informatics, for sleep therapy equipment company ResMed. “For patients with obstructive sleep apnea (OSA), monitoring and treatment compliance is key. Measuring adherence is relatively straightforward and the treatment devices themselves (e.g. CPAP) serve as a monitoring platform. Many modern devices feature wireless communications out of the box to enable data-on-demand. This is not the case for many chronic conditions that can be much more difficult to measure and track.”

More than that, reimbursement is often tied to outcomes efficacy, Levings adds, which compounds the need for monitoring.

“Compliance mandates for reimbursement have also driven the need for patient monitoring,” he explains. “This has created a clear economic rationale and is a key driver in the need for patient data.”

“Compliance and efficacy data has become an integral component of successfully managing patients to become adherent on CPAP therapy,” adds Matt Hitchings, product manager for sleep therapy equipment maker Fisher and Paykel Healthcare. “It allows providers to know which patients are tracking okay and require less attention, so that staff can spend their limited time on the patients who require extra coaching to address their issues and help them achieve compliance.”

And data allows that coaching to get incredibly personalized, according
to Mark D’Angelo, Sleep Business Leader for sleep and respiratory equipment company Philips.

“Connected health technology affords HMEs and RTs new ways to encourage patients to take a more active role in their care, which in turn could lead to more efficient new patient setup and fewer follow up needs from patients who may have initial questions about their therapy,” he says.

“Virtual coaches that are accessible via desktop and mobile devices provide patients with basic information about their disorder, tips on mask fit and cleaning, and insight into their apnea hypopnea index (AHI). RTs have more educational tools to offer patients, which provide guidance on how to use products.”

The Value of Patient Data

And from its starting point in the sleep market, the value of collecting and using patient data is spreading. The worth of patient data in the current DME/HME market is becoming a hot commodity.

“Patient data is becoming more and more valuable in the homecare industry,” says Kimberly Commito, director of product management for the Homecare solutions division of healthcare software company Mediware.

“From assessing a patient’s responsiveness to a particular therapy, services or even device to defining new fee schedules for proper payment for services, therapies and devices that are effective.”

And that is a key point: a patient’s therapeutic data is not isolated. Providers can relate it to a variety of data points within their business.

“Software applications gather financial, clinical and demographic data that can useful to providers in assessing whether they should continue to provide a specific type of service, to payors that can address whether they are paying competitively for a specific type of service, therapy or even piece of equipment,” Commito explains. “Even manufacturers are asking for patient data in ensuring that they are developing cost effective solutions for different disease states and patient needs in general.”

Moreover, patient data can help drive efficient deployment of resources, Philips’ D’Angelo points out.

“Risk-scoring algorithms enable HMEs to identify potential, noncompliant patients for interventional management, and then direct RTs and patient support staff to focus on the patients that need the most assistance,” he explains. “This reduces high-touch follow up with those who have adjusted well to therapy, and ensures RTs are focusing on the patients struggling with compliance. A recent retrospective review of Philips Respironics EncoreAnywhere data showed that such insight has the potential to help HME providers reduce follow up by an average of 60 percent, thus ensuring that the patients who need follow up visits to be compliant get the time and

“Compliance and efficacy data has become an integral component of successfully managing patients to become adherent on CPAP therapy.”

— Matt Hitchings, Fisher and Paykel Healthcare
A Measured Approach

“At the heart of telemedicine and the capturing of patient data is the desire to create a care plan that enables the best possible outcome for the healthcare consumer.”

— Mark D’Angelo, Philips

Attention they need to be successful with their OSA therapy.”

And let’s not forget that can directly drive revenue. A good example of this is how sleep providers are using patient data to ensure their re-supply efforts are not only ensuring patients have optimal equipment, but are optimizing revenues at the same time.

“In addition, patient data can enable sleep providers to automate the outreach and resupply process, from tracking patients who may be eligible for new supplies to helping patients order supplies via phone, text, or email,” D’Angelo says. “An automated resupply program creates more efficient operations and encourages adherence to therapy for patients. For RTs, an effective resupply program enables them to devote their time to activities that help to increase compliance, such as in-person check-ins, instead of dedicating their time to securing equipment for patients.”

Data as a Differentiator

When providers act as data go-betweens for patients and physicians, they find themselves in the proverbial sweet spot. Now, their ability to provide fast, detailed and accurate patient data to their referral partners establishes them as key player in an outcomes-oriented care continuum.

And that expertise providers can offer can help solve new problems. Fisher and Paykel’s Hitchings cites the effect home sleep testing has had on sleep care as a good example of how providers can use patient data to help referral partners and their patients. There can actually be less patient education occurring in the HST model, where patients who are very likely to be suffering from OSA are quickly given a HST and then put on PAP therapy right away. The response is almost too quick.

“The small number medical professionals the patient comes in contact with in the journey to get their PAP device has resulted in a void in the education of the patient,” he explains. “The traditional pathway of a sleep study patient meant many touch points along the way where patient education and support occurred. … It is clear to see today that in the payer sensitive markets, the process has almost been streamlined to a fault.

“The reduced number steps in the HST pathway compared to the traditional sleep study pathway have removed touch points where a patient gained education, assurance and support along their journey,” he continues, “which may have provided the best chance of successful adherence to therapy.”

But when sleep therapy equipment providers indicate that they understand this dearth of up-front education and clear data, and can fill that hole by sharing insights based on solid data, their partners will greatly appreciate that clarity.

“The opportunity to PAP providers is to show their referral sources that they understand this growing void and are addressing it, which in turn improves patient outcomes,” he explains.

Nuanced Marketing Messages

Of course, the key is to let referral sources and other key care partners know that the provider can deliver the data that will improved outcomes, and that means marketing.

“At the heart of telemedicine and the capturing of patient data is the desire to create a care plan that enables the best possible outcome for the healthcare consumer,” D’Angelo says. “Providers can market themselves to referral partners as able players in this new environment by building an entire patient care program and implementing the collection and use of patient data as part of this program. They can then position themselves in a way that helps the referring physicians become more efficient with patient care and assure the physician is getting all of the clinical data they need. Patient data can also help the HME show how their patient outcomes potentially compare to other HMEs in the area.”

However, if providers aim to differentiate their businesses through patient data, they must tread carefully when it comes to marketing messaging. Obviously, providers should never release patient names, or other personally identifiable information to the public.

Providers should educate themselves on HIPAA laws and limitations as to how much of the data they can share, or how that data should be handled once outside the application, which should have security associated with the access to that patient sensitive information,” Commito offers.

Once a provider has a solid understanding of privacy and other regulatory requirements when it comes to marketing, they are some varied approaches in how they should let their numbers do the talking.

“When it comes to using patient data for marketing purposes, there are typically two schools of thought,” Commito says. “One is to identify patient demographics and clinical information that could lend to outreach on other products you might provide to market to them directly. By looking at patient profiles, you might be able to establish additional services they might require for example.

Additionally, looking at patient information from a trending perspective could be useful in marketing specific services and products a provider offers,” she adds. “Using statistics to indicate the number of patients cared for within a specific disease state or using a specific product, for example, can show a providers expertise in that area of patient service.”

And that reputation for expertise will grow as a provider continues to leverage patient data.

How Does Patient Monitoring and Data Collection Work

Right now, the big arena for patient monitoring and patient data collection is in sleep therapy. In the sleep sector, we can see the basic model for how the data is collected, reviewed and used in multiple ways.

“Patient data, whether obtained via SD card or wirelessly, gives insight into patient usage behavior and therapy outcomes,” says Rob Levings, vice president of Healthcare Informatics, for sleep therapy equipment manufacturer ResMed. “In some instances, such as with ResMed’s AirSense 10 devices, data can be available in as little as an hour after a patient’s sleep.”

That “near real-time” data is giving providers and physicians the ability to respond much more quickly to patients’ therapy needs.

“This allows sleep providers to detect therapy issues quickly and take action if necessary,” Levings says. “Patient management software can streamline this process by supporting ‘management by exception’ capabilities, enabling providers to focus only on those patients that need help. Such software also frees up resources, allowing providers to focus less time on data analysis and more time on patient care.”

Moreover, the data is now a tool that can be leveraged by all stakeholders to streamline processes and focus on care.

“OSA therapy is undergoing dramatic improvements through the integration of disparate data sources from EMRs, sleep labs, billing systems and payers,” says Mark D’Angelo, Sleep Business Leader for sleep and respiratory equipment company Philips. “With centralized data, HMEs and RTs are able to eliminate a number of manual tasks, reducing both time and opportunity for error. The automating of manual and administrative tasks is helping to ensure timely delivery and ongoing support of OSA patients.

Most importantly, these strategies are keeping the right people connected to the right information at all times to increase compliance and adherence throughout the care process.”
Never, never, never give up.

– Winston Churchill

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Retail Sales Strategies and Solutions for HME Professionals

Retail AVENGERS
How to be a cash sales superhero.

Also inside:
• Retail Finance Tips
• Retail Product Marketplace
HME providers are undergoing a radical transformation. As declining Medicare reimbursement crushes their bottom line like a super villain’s trap, many providers are harnessing retail sales to give their bottom lines a super-powered shot of newfound revenue. And as a result their business strategies are morphing in new and unexpected ways. And those missions are in sync with the marketplace — there are many reasons for providers to be excited about implementing a retail strategy, including a growing customer base from an aging population that is paying cash for products and services to meet their own healthcare needs.

But being a successful HME provider retailer in a traditional and challenging reimbursement industry takes a herculean effort to go from basic retail to creating a model that brings in a significant portion of revenue. Even so, with a growing market segment, more providers are setting out on this path.

“In the last few months, we received incrementally more inquiries from members asking about retail, asking us to visit to help them set up retail and looking for the road map to start and implement retail,” said Rob Baumhover, director of retail for VGM Retail Services. “In addition, there is a trend toward high traffic, stand-alone cash locations, separate from the original DME business. But typically what providers have done is to start slowly, adding retail in response to customers asking for specific items or carrying items in the main traditional categories like bath safety.”

Todd Blockinger, senior director of sales for The MED Group says his organization is also seeing an increasing number of members either looking at starting retail operations or adding resources to their current retail efforts.

“Companies are looking at the demographics of the U.S. population and the current state of health care in general,” he adds. “The take away is that an increasing number of people are in need of retail medical equipment, and are willing to pay cash, foregoing insurance requirements and activities.”

What’s Hot and Why
Understanding the motivations of the customer is paramount to increasing sales. Blockinger reported that The MED Group is seeing a substantial growth in sales of lift chairs and power mobility.

“Patients and their families are focusing on enhanced patient care,” he explains. “Because of this, products that improve comfort, convenience and quality of life are key drivers in the growth of retail sales.”

Randy Walsh, vice president of Jazzy and retail mobility sales for Pride Mobility Products, adds, “The travel mobility product class of scooters continues as a huge retail epicenter for consumers, as do lift chairs. Both of these product classes tie so obviously into quality-of-life, at retail price points within the realm of consumer goods, that consumers are drawn to “Patients and their families are focusing on enhanced patient care. Because of this, products that improve comfort, convenience and quality of life are key drivers in the growth of retail sales.”

— Todd Blockinger, The MED Group
“Many providers have a preconceived notion of what they feel a consumer will spend. Providers need to change their funding mind set to a cash purchase mind set, and recognize that consumers are willing to pay for products that will allow them to age at home.”
— Randy Walsh, Pride Mobility Products

Taking the Leap
But retail isn’t a slam dunk. Providers must prepare for obstacles and new learning curves. The biggest retail challenge holding providers back from being cash sales superheroes is a lack of a business plan, according to Maria Claire Markusen, director of development and operations of VGM Retail Services. Too many retailers buy products, place them on the showroom floor and simply hope for the best. To grow retail revenue, you need a roadmap that gets you from the basics to superhero status. And although business planning will vary by provider, Markusen offers the following steps to help in creating a basic plan:
- Identify a retail champion for the organization.
- Analyze your current customer base and respond to missing needs and opportunities.
- Analyze your market demographics and respond to missing needs and opportunities.
- Analyze your competition and fill in what they are missing.
- Define the number of daily transactions at what amount is needed to make a profit.
- Create a budget to include revenue projections, and operational and start-up expenses.

“In addition, there is a trend toward high traffic, stand-alone cash locations, separate from the original DME business.”
— Rob Baumhover, VGM Retail Services

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“Hire staff members who are friendly and have a ‘sales mentality.’”
In addition, sales initiative programs are an integral part of retail’s success. The staff naturally competes with each other and the bar is raised to obtain the most sales possible.”
— Coleen Zinda, Home Care Medical

prescription for a particular product,” Pride’s Walsh says. “Retail providers need to change this mindset and look at that person as a retail selling opportunity.
“Providers shouldn’t overlook the opportunity to

“Establishing a retail program within an existing HME means innovating. In larger organizations, innovative programs can be difficult to implement and sustain. … Owners and managers who want to implement a retail program from the ground up must be diligent in changing the organizational culture to make room for retail.”
— Aaron Ziegler, HME Retail

HME Retail Sales

• Create and manage an 18-month marketing plan to drive traffic.
• Analyze performance daily and adjust as necessary.

Once you know how you are going to take your retail business where you want it to go, you have to take your employees along for the ride.
“Some providers still think the person walking in the door will have a

incentivize sales staff by offering a commission on cash products and accessory sales,” he adds. “Many providers have a preconceived notion of what they feel a consumer will spend. Providers need to change their funding mind set to a cash purchase mind set, and recognize that consumers are willing to pay for products that will allow them to age at home.”

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Retail Spotlights: What Successful Retailers Are Doing

HME Business magazine interviewed two HME retailers committed to growing their retail sales, and, in many aspects of their retail business, have achieved superhero status. They share their real-world best practices to help you increase your retail revenue.

Home Care Medical
Coleen Zinda, sales director, has three retail store locations in Southeastern Wisconsin: Milwaukee, West Bend and Sheboygan

Current percentage of business from retail/cash sales: 8 percent

Retail sales trends: Adding retail store locations has been the best trend for increasing retail sales. In 2012, Home Care Medical saw a 49 percent increase in sales when they added its West Bend retail store location. In 2013, they had 31 percent retail revenue increase after adding its Sheboygan location.

Biggest retail challenges: Insurance and national competitive bidding.

Hot retail categories: Compression stockings, bath safety, lift chairs, scooters/mobility and diabetic shoes.

Best practices for an HME provider that wants to go beyond the retail basics and become a serious retail player:

- Make sure your retail store is in the best, most visible location for your customers to easily find you.
- Hire staff members who are friendly and have a ‘sales mentality’. In addition, sales initiative programs are an integral part of retail success. The staff naturally competes with each other and the base is raised to obtain the most sales possible.
- Provide one-on-one, exceptional experience that customers cannot get anywhere else. In addition, up-selling and/or up-caring is part of every customer interaction.
- Stick with the proper products that will work well in your region. For example, we have one location that really works with selling scooters, but not as successful with lift chairs. Your marketing plan needs to adjust.
- Make the most of your vendor relationships and ask about the best way to display their product, how to sell it, and advertising co-op opportunities.
- It is imperative to get the word out to potential customers and referrals that you provide hands-on expertise and are a ‘destination’ retail location. Having an easy-to-navigate website is the first step in helping educate your customers about your product lines and directions to your store. Placing media buys in local publications and radio stations is also important along with attending trade shows.
- Social Media — Facebook, Twitter, Pinterest, and Google — is also important marketing channels. And, having an e-commerce store helps customers research the product online before they come into your stores to buy. Finally, the key with marketing is to measure your results from your advertising.
- Monitor your product offerings. Know what you are selling and how much you are selling.
- Real estate on your retail floors is compact, so make sure you have the best products available. Stay up-to-date on the latest market conditions/trends.
- Invest in your sales team. Ongoing education and training, such as webinars, seminars, trade shows, classes and publications, are key. Educate your team and they will educate your customers.
- Invest in your store. Use signage, end caps and planograms. Upon entering your store, most customers turn to the right to begin shopping. What is the first product that your customers will see? Do you have shopping carts and baskets to make it easy for shoppers to grab products? Are refreshments or cookies being served? How about a place for children to be occupied? Are you encouraging your customers to stay in your stores or are you rushing them out the door?
- Monitor your results. Work with your finance team to discuss monthly retail metrics (return on investment, inventory turn rates, dollars per square foot, cost per customer, etc.)
- Don’t be afraid to take chances. Try new product offerings, listen to your customers and listen to your employees. The results can be phenomenal.

Advanced Home Care
Aaron Ziegler, program manager, HME Retail

Current percentage of business from retail/cash sales: 57 percent

Retail sales trends: Cash sales have increased about 35 percent year-over-year for the first two quarters of the fiscal year. This trend is expected to continue.

Biggest retail challenges: Establishing a retail program within an existing HME means innovating. In larger organizations, innovative programs can be difficult to implement and sustain. Successful innovation requires communicating a vision that is sometimes perpendicular to the traditional business model, and protecting that vision from the inertia of the organization, which can completely destroy the momentum of an innovative program.

Best practices for an HME provider that wants to go beyond the retail basics and become a serious retail player:

- Hire talented sales staff. This is the single most important factor that determines success in HME retail. HME retail showrooms should be staffed with authentic salespeople. This has been well documented in HME publications. However, in many organizations, deficiencies in people skills and major deficiencies in a sales-oriented mindset cannot be overcome with training. It is extraordinarily difficult to train someone to do something better if they do not have a propensity to do it all (e.g., selling). Staff members who are not naturally inclined to engage customers in an effective way should be reassigned according to their strengths, and authentic salespeople should (a) head profit, (3) retail roles. If reassignment of existing staff members is not an option, HME owners and managers should be candid with their staff that the expectations of employees working on the showroom floor have changed, and retail staff will be held accountable for hitting a new and different set of objectives. Ultimately, these legacy staff members must embrace the shift and deliver on sales objectives or move on. Training is also vital. Research shows that sales associates who complete as little as one interactive training module sell 69 percent more than those who don’t.
- Carefully expand and control retail inventory. Managing products may be your second – biggest challenge as a growing retailer, especially when multiple locations are involved. Product selection and inventory maintenance will require constant attention. Continuously evaluate your product selection and inventory, and products that have retail feel, specifically attractive retail packaging.
- Enhance your retail showroom. Organization is the most critical component of managing the HME retail showroom space. Once you have a strong sales staff in place, the showroom becomes their workspace. They must be able to maneuver and demo products to your customers and patients effectively in this space. You should have demo areas established for your most important products, and demo units should be out of the box and ready for patients to try out in the store. Having the patients experience the products themselves is a critical part of HME retail success. Focus on making sure your showrooms are clean, organized and optimized for your sales staff to work effectively one-on-one with each customer, and you will be set up for success.
- Leverage your existing patient base to drive traffic. To find the express lane to HME retail success, embrace a reduced-delivery operations model that funnels patients into your store for smaller, lower-margin items. This requires close attention to detail and careful planning due to myriad regulatory challenges. However, don’t shy away from trying to drive your patients to your stores, because many patients are willing to visit you in your retail store to pick up the products that they need if you will simply ask them to. This stands in contrast to a policy of defaulting to home delivery by your driver. If your policy is to default to delivering something, your chances of diverting that delivery to your retail store and reducing your operating costs are essentially zero. If patients express concern with coming into your store and insist on having an item delivered, and regulations require you to deliver, you must deliver. Just keep in mind that the act of asking each patient to come in store to receive service will greatly reduce your operating costs and put you in a position to capture more retail cash sales by interacting with your patients in the retail showroom. You should also consider embedding retail promotion into your normal operations. Consider adding retail coupons to your patient admission paperwork. This is a very low cost way to start retail-focused conversations with your delivery staff and clinicians. You simply cannot afford to ignore your current patient base in your retail promotion efforts.
- Set targets, track results, and take action. Setting clear targets and tracking your results will be essential to your success. A well-known method for setting clear goals for your team is the SMART goal system — set goals that are (S)pecific, (M)easurable, (A)ttainable, (R)elevant, (T)ime-bound. Use these criteria to develop goals around a few key areas, track them closely, and report your progress often. A SMART goal should be able to answer the questions ‘how much?’ and ‘by when?’ The top five metrics that should be tracked specifically for your retail business are (1) total sales revenue, (2) gross profit, (3) average ‘basket’ size (average total sales value), (4) contribution margin and (5) inventory turnover.

For more information about growing your retail business visit VGM (vgm.com) and The MED Group (medgroup.com).

Joseph Duffy is a freelance writer and marketing consultant, and a regular contributor to HME Business and Respiratory Management. He can be reached via e-mail at jduffy@hmemediagroup.com or joe@prooferati.com.

HME Retail Sales

Hot retail categories: Lift chairs are Advanced Home Care’s strongest category, and ambulatory aids, sleep, bath aids, travel mobility, and respiratory are also important. The up-and-comers are sleep, wellness and pain management.

Revenue by product category: Lift chairs (32.2 percent), ambulatory aids (13.7 percent), sleep (7.8 percent), bath aids (6.8 percent) travel mobility (6.8 percent) and other (32.7 percent).

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- Share tips with your sales team. Ongoing education and training, such as webinars, seminars, trade shows, classes and publications, are key. Educate your team and they will educate your customers.
- Invest in your store. Use signage, end caps and planograms. Upon entering your store, most customers turn to the right to begin shopping. What is the first product that your customers will see? Do you have shopping carts and baskets to make it easy for shoppers to grab products? Are refreshments or cookies being served? How about a place for children to be occupied? Are you encouraging your customers to stay in your stores or are you rushing them out the door?
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Retail Sales

Advantageous Home Care
Aaron Ziegler, program manager, HME Retail

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Contact us to learn about our comprehensive in clinic retail opportunities and our slatwall display program.
Call Deena Rudden at: 415-755-2783 or email: drudden@vionicgroup.com
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As HME providers dig deeper into cash sales, they are discovering the nuances of managing retail finances.

By Joseph Duffy

While HME providers expand their operations to capture more of the growing retail/cash market, they find themselves relying more on their retail finance strategy, which can include accounting, inventory, margin markups, and pricing. What they are finding is as sales increase and market share grows, so does the importance of monitoring, measuring and reacting to retail finance data. Before you know it, a slight tweak to your pricing or inventory can be the difference between posting a profit or a loss.

“Retail finance is generally a challenge for HME retailers due to the lack of a fully functioning POS technology that integrates into the insurance side of the business,” said Rob Baumhover, Director of Retail, VGM Retail. “Cost-of-goods margins are the easiest to track. Costs and sales-per-square-foot dollars are a challenge to isolate and calculate, as many of the associated costs are shared with the traditional HME portion of the business. The biggest challenge is inventory tracking, which is absolutely key to managing the finances of a retail business. Controlling inventory leads to higher tickets, number of items per ticket and thus higher revenue. But inventory control is absolutely key to managing cash flow for the whole company. If you don’t have a system in place to manage the ordering and tracking of inventory it’s impossible to analyze specific inventory calculations like revenue per patient, average cash ticket, and average number of items sold by customer and by category.”

Aaron Ziegler, Retail Program Manager, Advanced Home Care, said many of the challenges associated with finance and accounting for HME retail stem from the complexity and expense of creating the reports and getting your hands on meaningful information.

“Creating a meaningful financial reporting system requires a significant investment of time and money and can consume resources,” he said. “A manager must either hire someone to do this for them, or gather the knowledge and invest time into creating the system. Neither of these are attractive options to the typical manager. Finance is a support role, and is not likely to have an ROI that is easily measured. Dealing with the investment required is probably the biggest issue.”

Jacqueline A. Kerwin, MBA, CPA, CGMA, is Director of Finance for provider Beacon Health Ventures. Her company is a client of Mediware. When it comes to retail finances, she said it can be a challenge but suggests that HME providers use software that:

- Provides a POS experience that is quick but captures everything you need
- Verifies benefits immediately to know what will and won’t be covered by someone’s insurance
- Takes an accurate inventory count with precise reporting when you can’t just shut down operations
- “Retail is very challenging,” she said. “Margins are very small and purchasing plays a very important role in insuring you are buying products at the best possible pricing to mitigate constantly shrinking margins. Holding costs are high. You need to have enough inventory to meet demand, but not so much that you are stuck with products that don’t sell.”

She also said that you need to figure out which product lines you should keep and which ones you won’t make any margin on, and have enough variety of product to display and have on hand without being all things to all people, since it is cost and space prohibitive.

The biggest finance challenge is timing, she said, because customers do not want to wait.

“You need to have all of the information in a format that is easy to provide expertise and make sound decisions,” she said. “You don’t have the luxury of ‘getting back to them’ on something. If you don’t have the answers, they will go somewhere else. Additionally, inventory becomes a huge challenge as previously noted. You need experts in the HME industry on a product-specific basis, but you also have to have business savvy to run daily operations that involve cash drawers, credit card reports, batching, reconciliation, etc. Most importantly, the CSRs [customer service representatives] either make or break the business. You have to have the right people as the ‘face’ of your business. They need to be present, accurate, friendly, knowledgeable, etc.”

Retail Finance Best Practices

With more HME providers diving deeper into a cash sales strategy, the industry is learning more about implementing savvy retail finance best practices. Here are best practices used by some HME retail pros:

Aaron Ziegler, Retail Program Manager, Advanced Home Care

- Understand your in-store revenue mix. Assuming your goal is to drive your cash sales up, you need to understand the revenue mix in your retail store. Specifically, what portion of your business comes from cash sales and what portion comes from billing the patient’s insurance? If you find cash business more desirable than reimbursed business (and who doesn’t these days), you should begin to work on converting your reimbursed business to cash business.

“Retail finance is generally a challenge for HME retailers due to the lack of a fully functioning POS technology that integrates into the insurance side of the business.”

— Rob Baumhover, VGM Retail.
• Manage your promotions. Every time you spend money to promote your business, there should be an immediate and traceable response from your customers. You should be able to trace this response with some tracking mechanism at the point-of-sale. Without a promotion tracking system and reporting of the financial results, you may be overspending and wasting precious marketing dollars. A solid direct response ROI should be five-to-one or even 10-to-one revenue return per dollar spent. Avoid untraceable ‘image advertising’ in the early days of your retail business, like billboards, because the results are very difficult to track.
• Know your inventory turns. Retailers need to be really good at one thing: turning inventory over. As a re-seller, you need to be re-selling things rapidly. If you buy items and fail to re-sell them, you won’t last long. This is why tracking inventory turns is critical. Your inventory turnover ratio tells you if you are maintaining a profitable balance between your inventory level and your sales. You can track your inventory turns at the company level, store level and even down to the item.
• Calculate your inventory turns using this formula:
  \[
  \text{Annual Cost of Goods Sold} / \text{Average Inventory Value}
  \]
  An example of a strong inventory turn ratio would be 10 times per year, and a poor inventory turn ratio could be less than one. If you are holding a lot of inventory on an item, reducing your inventory held could be a solution because this can increase your turns. Other times, you should consider eliminating the item from inventory because you are spending more than you are making on it within a year’s time.
• Manage sales performance at multiple levels.
  This topic is not pure accounting. This is part HR policy, part general management and part finance. However, these data illuminate your path to retail success, so they are relevant here. Consider these valuable questions and the impact that this knowledge may have on your ability to make decisions:
  • Who was my top salesperson last quarter?
  • Who was my least productive salesperson?
  • What is each salesperson’s total revenue this month or this year?
  • What is their average sale?
  • How about average profit?
  • What do these same figures look like for Store A versus Store B?
  • How about these same figures for my lift chair department versus my bath aid department?
  • What are my top three product categories by profit margin?
  This kind of data slicing and pivoting is known as business intelligence or ‘BI’ for short. BI is essentially the ability to take large sets of historical data about your business, ‘warehouse’ it, and report against it using a variety of views and scenarios. While BI can get very technical, much of this information

― Jacqueline A. Kerwin, MBA, CPA, CGMA, Beacon Health Ventures

“You don’t have the luxury of ‘getting back to them’ on something. If you don’t have the answers, they will go somewhere else.”
Retail Finances 101

“Understand your in-store revenue mix. Assuming your goal is to drive your cash sales up, you need to understand the revenue mix in your retail store. Specifically, what portion of your business comes from cash sales and what portion comes from billing the patient’s insurance.”
— Aaron Ziegler, Advanced Home Care

can be extracted and reported using very common, manual techniques. To study your transaction data manually, you can use simple totaling and averaging functions in Microsoft Excel and get simple reports very quickly. If you are ready to try to automate this process, or you need to retain large amounts of data, you may want to consider upgrading your software. A basic off-the-shelf version of many of these BI tools can be obtained with little to no cost.

Maria Claire Markusen, Director of Development and Operations, and Rob Baumhover, Director of Retail, both with VGM Retail

Follow the 80/20 rule. 80 percent of revenue will come from 20 percent of products. Also, pay attention to all three layers of inventory:
• Layer 1 — Top sellers 20 percent products, 80 percent revenue
• Layer 2 — Middle sellers 30 percent products, 15 percent revenue
• Layer 3 — Bottom sellers 50 percent products, 5 percent revenue

Manage inventory turns
• 24 sq. ft. fixture turns 6 times per year
• 250 sq. ft. space turns 4 times per year
• 500 sq. ft. space turns 3 times per year
• 750 sq. ft. space turns 2.5 times per year

Manage incremental sales
• Track highest selling product categories
• Track number of items sold per customer
• Track average revenue per customer, both insurance and cash
• Track data
• Daily
• Weekly
• Monthly
• Quarterly

Implement a finance dashboard to track:
• Revenue
• Expenses
• Inventory turns
• Highest performing categories
• Performance for new products and categories
• Marketing performance outcomes
• Daily transactions and traffic

Joseph Duffy is a freelance writer and marketing consultant, and a regular contributor to HME Business and Respiratory Management. He can be reached via e-mail at jduffy@hmemediagroup.com or joe@prooferati.com.

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(4) Stores flat and ships flat.
(5) Available for M-6, C, D, and E size cylinders.
(6) Meets Compressed Gas Association guidelines for cylinder storage.

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By Joseph Duffy

With both The MED Group and VGM Retail reporting that their members are increasingly turning to retail to supplement revenue, Todd Blockinger, Senior Director of Sales, The MED Group, said that continuous sales and product training are critical to make sure the sales staff is well-versed and readily able to guide purchasing decisions.

"Many providers are rewarding staff members that go above and beyond in fulfilling their obligation as a healthcare consultant to educate the patients and caregivers on which products are the optimal choice to increase the quality and comfort of their daily lives," Blockinger said.

Another important tip for successful retail is improving the overall look and feel of the showroom. To do this, Blockinger recommends that HME providers visit destination retail stores for a look at best practices, and then set up their own showroom in a similar manner. He said stores should be bright, clean, and feature arrangements that are logical and intuitive to the customer.

Another strategy for successful retail is for providers to evolve their overall marketing and branding and position themselves as the go-to provider in their local market. The goal is for the community to come to recognize the HME provider as a key partner in their journey to better healthcare.

Rob Baumhover, Director of Retail, VGM Retail, said that merchandising is very important. "Analyze the look, feel and product mix of your store almost daily and change the location and organization of your store to match the changing needs of your customers while making sure that you are calling attention to your best sellers and new and hot categories and items," he said.

As our experts pointed out, product mix is very important. So to give providers a better understanding of what is on the market, here is information about some of the industry’s latest retail products:

**Biomechanically efficient, flexible shoe**

The Apex Boss Runners collection is a biomechanically designed, straight lasted, motion control running shoe. The shoe features a molded external heel counter extended on the medial side for rear foot stability, Carboplus footbridge for torsional stability, and a triple density, compression sculpted midsole to preserve balance between the body and ground forces. The adjustable, Patented Lockdown Heel Strap tightens for narrow heels, and spreads out to accommodate AFOs. The 5/16 in. removable depth in two layers and spacious anatomical toe box allows for biomechanical efficiency and fitting flexibility.

Aetrex Worldwide Inc.
(800) 526-2739
www.aetrex.com

**Home healthcare planogram**

Dubbed the HHC Planogram No. 3, this one-source HHC Center, provides support for the retail shift occurring with home healthcare products. Six major product categories are arranged in a shopper and retail friendly set that places all items in one location. The Center Concept takes the planogram to the next level, making it a destination for the HHC customer. Above all, it’s convenient for the customer looking for home health products.

Alex Orthopedic Inc.
(800) 544-2539
www.alexorthopedic.com
UV shoe kills germs that cause foot, nail infections
Warm, dark and damp, shoes are an ideal breeding ground for the fungus, bacteria that cause issues such as Athlete's Foot, toenail fungus, foot and shoe odor, diabetic infections and more. ShoeZap uses UVC light technology to destroy these microbes for safe, hygienic footwear that doesn’t smell. The ability for providers to “zap” patients’ shoes during appointments is an added value foot health and shoe care service, and effective demonstration that encourages purchase.

The Pedifix Footcare Company
(800) 356-8185
www.pedifix.com

SoftFit Technology
SoftFit technology from BSN medical is for its JOBST UltraSheer knee high stockings. SoftFit technology addresses the ongoing challenge of patient non-compliance in the management of chronic venous disorders (CVD) by combining gradient compression with specialized silicone yarns for increased comfort. BSN medical’s BSN medical stated that SoftFit technology provides less compression to the popliteal area to emulate natural venous blood flow. It consists of a patent-pending, knitted-in silicone yarn in the top band to keep the stockings in place without constriction.

BSN medical
(800) 552-1157
bsnmedical.us

Juzo Spring/Summer Color Collection
Juzo, a manufacturer of compression therapy garments for over 100 years, has announced its 2015 Spring/Summer Collection. Compression garments are available in the following colors: Pink, Driftwood, Moon Beam Yellow, Boho Berry, Gypsy Purple, Mystic Waters and Vintage Mauve. Tie-dye and black tie-dye in the seasonal colors are also available. Seasonal colors are available in the Juzo Naturally Sheer, Juzo Soft and Juzo Dynamic product lines. Styles include both upper and lower extremity products.

Juzo
(800) 222-4999
juzousa.com

E&J Folding Rehab Shower Commode
The E&J Folding Rehab Shower Commode has transport, shower and commode functions. The wheelchair features an overall narrow width and corrosion-resistant stainless steel frame that can be positioned over a standard toilet or used as a portable, self-contained commode. It comes standard with removable full-length arms for transfer ease; cushioned, sealed, oval-opening vinyl seat; choice of 24” one-piece composite rear wheels with handrims and solid rubber tires or 5” rear casters; and removable, hygienic plastic pail and lid. GF stated that the wheelchair meets the requirements of Medicare Code E0240.

GF Health Products
(770) 368-4700
grahamfield.com

Slumberbump
The Slumberbump is a positional sleep therapy device that helps train people to sleep on their side, which can help to eliminate or reduce snoring for many people. The device has a durable rip-stop nylon construction and a breathable mesh belt for comfort. It also has an inner air bladder for easy storage and travel. All of the materials are washable. Smooth zippers help prevent snagging on sheets and pajamas. The design is intended so that the Slumberbump doesn’t appear overly clinical. It comes in black or gray and there is now an XL size that fits chest sizes up to 77 inches.

Slumberbump, LLC
(866) 250-8482
Slumberbump.com

Go-Go Folding Scooter
The Go-Go Folding Scooter was made for easy transport and folding in three steps. The four-wheel scooter was created to complement the active, on-the-go lifestyle. Offering a maximum speed of four miles per hour and a range per charge of up to 12.5 miles, the Go-Go Folding Scooter can be used by riders weighing up to 250 lbs. It is portable and can adjust to fit inside a closet, room corner or vehicle trunk. The scooter has front and rear LED lights, height adjustable tiller and optional armrests.

Pride Mobility
(800) 800-8586
PrideMobility.com

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BSN medical
(800) 552-1157
bsnmedical.us

HME Retail Sales
Marketplace
Safe-er-Grip Changing Lifestyles Line

The Safe-er-Grip Changing Lifestyles line includes balance assist bars and accessories for the bath and shower area. They are designed with suction cup technology that lets the user to place them on a smooth, flat, non-porous surface for convenience and accessibility. The line includes four balance assist bars and 11 accessory items. Each item is designed to meet consumers’ needs for flexibility and bathroom safety.

MHI Safe-er-Grip
(800) 371-3509
safe-er-grip.com

Midtown Microfiber Dark Navy Stripe

SIGVARIS has added the dark navy stripe to its Midtown Microfiber line of men’s compression socks. Launched in 2014, Midtown Microfiber products fall under three compression levels: 15-20mmHg, 20-30mmHg and 30-40mmHg. The line includes socks, socks with a grip-top (for men with large calf muscles or slim legs), and thigh-highs (with a discreet top band that gives the appearance of socks when worn under pants). The line is currently offered in black and tan-khaki, with several styles available in a limited-edition steel grey. The dark navy stripe socks are available in the 15-20mmHg and 20-30mmHg compression levels.

SIGVARIS
(800) 322-7744
sigvarisusa.com

New fall/winter slipper line

Vionic with Orthoheel Technology’s recently released autumn/winter slipper line is now available to the DME market. Vionic products use new orthotic technology that brings customers support and relief via its Orthaheel technology. Vionic aims to transform wardrobes and empower active lifestyles via supportive and stylish footwear that can be retailed directly from a provider’s storefront.

Vionic Group LLC
(415) 492-2190
www.vionicgroup.com

Joseph Duffy is a freelance writer and marketing consultant, and a regular contributor to HME Business and Respiratory Management. He can be reached via e-mail at jduffy@hmemediagroup.com or joe@prooferati.com. HME Business editor David Kopf contributed to this story.

Upcoming Industry Events

August 2015

Aug 06
Arizona Medical Equipment Suppliers Association (AZMESA) Conference
www.arizonamesa.org

Aug 12-13
Texas Association for Home Care & Hospice (TAHCH) Annual Meeting
www.tahch.org

September 2015

Sep 09-12
American Association of Cardiovascular and Pulmonary Rehabilitation (AACVPR) Annual Meeting
www.aacvpr.org

October 2015

Oct 14-16
National Association of Rehabilitation Providers and Agencies (NARA) Fall Conference
www.naranet.org

Oct 26-29
Medtrade Fall
www.medtrade.com

HME Retail Sales

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<td>Mommy’s Helper</td>
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Observation Deck

Identifying DME Deficiencies

Commonly found DMEPOS areas needing improvement from an AO’s perspective.

As one of the Medicare approved accreditation organizations, The Compliance Team representatives are in the field nearly every day of the year conducting on-site evaluations of DMEPOS providers who could be located anywhere in the USA’s fifty states, Puerto Rico or the U.S. Virgin Islands.

While on-site, our job is to verify and validate that our customers are meeting CMS’s DMEPOS Supplier and accreditation quality standards. We do this by using a weighted scoring document that directs us to look at all of the appropriate aspects of a provider’s specific product and service offerings.

To help shed some light on deficiencies that DMEPOS providers commonly share, we looked at our scoring data from on-sites conducted over the past six-months. What follows are common business operations that are areas that DMEPOS providers should pay particular care when addressing.

**Equipment Management.** One would assume that HME companies should excel in the area of equipment management as it relates to the Quality Standards. After all, “equipment” is their core business. Our scoring shows that is not necessarily the case. On average providers lost points in the following areas: segregating clean and dirty equipment, proper storage of equipment, not cleaning with an agent that kills Hep B and HIV, not following manufacturer guidelines for preventive maintenance, not tracking of equipment by serial number, not knowing the location of all equipment, improperly securing items during delivery, inappropriate storage in the warehouse, mishandling oxygen, not tracking repairs by type of breakdown or manufacturer model.

**Infection Control.** Infection control issues were mostly picked up during our evaluations while riding along on home deliveries. Lack of hand washing and gloving along with proper handling of dirty equipment were most often recorded as problem areas. The take away is that it is apparent that how infections are spread is not totally understood.

**Patient Services.** Patient services is always the most important part of a healthcare business and when things are not being done right with the medical equipment that is delivered, it directly ties to the patient’s satisfaction and outcome quotients. Patient rights and responsibilities must be given to the patient and documented, but this is an area that is often overlooked.

One of the most important areas in patient services is instruction. We evaluate providers not only based on observations of equipment set-ups, but also look at the documentation that the patient must receive.

We also observe occasions where the patient is not asked to do a return demonstration that would have shown that they were confident in operating the equipment. Proper home assessments (grounded electrical outlets, area rugs, etc.) for type of equipment being delivered were also a concern.

Patient follow-ups are not being done as they once were. (Timely follow-ups help prevent costly additional visits and ensure that the patient understands how to operate the device or product. Also showing the patient that you care enough to follow-up can prevent costly additional visits and ensure that the patient understands how to operate the equipment.)

**Equipment Management.** Poorly maintained equipment is another major concern (e.g., potential injury from equipment, costly and preventable “switch-outs,” unfavorable outcomes from misuse).

**Clinical Respiratory, O&P and Complex Rehab.** Common scoring deficiencies with clinical respiratory, O&P and complex rehab are observed in the following areas: lack of policies and procedures for patient assessments and staff qualifications, lack of progress reports to MD, missing AARC guidelines, missing written protocols for ventilator, RAD, IPPB and for apnea monitors.

**Orthotics & Prosthetics.** O&P Staff training documentation and lack of proper credentials are most often cited. Providers are often unaware of their State requirements for training or needed credentials. Lack of equipment to provide needed services, fabrication or modification.

Other areas of concern include missing diagnostic specific exams, patient instructions and record documentation; non-compliance with MD instructions; and lack of equipment quality assessment prior to delivery.

**DME & Supplies (Mail Order).** A key problem we see in the mail order sector, include assuring proper fit and suitability for the home. We must know how the provider assures the equipment is appropriate for the home or the shoe or brace is properly fit. In handling returning an item, the provider must accept return of an item if it was not properly assessed for the home/or did not fit appropriately. Some providers have elaborate statements signed by the patients – these do not supersede the Medicare requirements.

Instances of receipt of wrong product can be an issue. Let’s say a diabetes patient received wrong strips. The patient was using another meter with another provider prior to the mail order bid. Know how this is occurring so that the provider is supplying the correct product to the patient.

Also, in having proof of initial contact, we typically ask how the customer came to use the provider. If they do not remember or indicate they were "contacted" by the provider, we will look for this documentation as well. Why is this a concern? Providers are not allowed to solicit Medicare beneficiaries. They need to document how they received the order. Especially when most patients don't remember!

**Physician Orders/Patient Signatures.** There are a number of issues concerning physicians. In one instance the physician did not agree that the patient did not need the item (erect aid) and one where the physician did not sign the order provided to our office (shoes). For patient signatures were concerned a key issue is the patient states he did not sign the paperwork in which his name appeared.

**Licensing/State Inquiries.** The provider needs to contact each State and have documentation on the licensing requirements for each state where they do business. The documentation needs to be written and can include, print screens from the website, state law exemptions, other documentation from the state.

**Administration.** Common deficiencies to The Compliance Team’s accreditation quality standards included: Incomplete employee files, provider did not collect data on patient satisfaction and complaints, patients were not informed of charges/co-pay; verification of MD license to validate that a DME order is from a licensed physician who is active, current and in good standing; or lack of Quality Improvement plan and meetings. (These can be combined with staff meetings and an overall business plan.)

The majority of providers are doing what is best for their customers but need to pay attention to these areas that can be problematic during the time between on site visits from their accreditation organization.

Sandra C. Canally is founder and CEO of The Compliance Team Inc., which was approved by CMS in 2006 to accredit all types of DMEPOS businesses. For more information, visit www.exemplaryprovider.com or e-mail info1@tctinc.us.
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