

## White Paper

### THE DELIVERY OF DMEPOS IS IN JEOPARDY

#### ABSTRACT

Target audience – DME providers, legislative staff, insurance providers, health care industry providers

The Durable Medical Equipment Prosthetics Orthotics and Supplies (DMEPOS) delivery system is in jeopardy as price levels fall below sustainable margins. One key area of destabilization is Complex Rehab Technology (CRT).<sup>1</sup>

Due to the reduction of reimbursement rates, DMEPOS providers are unable to sustain their businesses as their profit margins have dramatically decreased or disappeared entirely. These providers are typically small businesses. Audits to Medicare and Medicaid insurance claims tie up funds due to the DMEPOS provider, which causes a substantial financial burden.<sup>2</sup> Approximately 71 percent of prepayment audits nationwide were paid upon review. With Power Mobility Devices alone, 94 percent of audits were overturned and paid upon review.<sup>3</sup> Small businesses cannot withstand funds being withheld through audits and reduced reimbursement payments.

The continued reduction of DMEPOS reimbursement rates will soon devastate the delivery system as it currently exists. The delivery system has developed over the last 40 years and includes many product and clinical-type professionals with credentials. This highly trained and creative group of people are in jeopardy of being suppressed due to the mismanagement of funding and delivery of patient's independent equipment aids. These products require trained professionals to fit and monitor patients to be efficiently utilized for independent living. The selection process for medically prescribed products for patient needs and health are being determined by price. The trained professionals are being limited to provide least costly product alternatives that may or may not meet the total medical needs of the patient. This process puts providers, practitioners and patients into a difficult situation.

Independent living at home is the most cost-effective solution for the aging population.<sup>4</sup> By providing the correct equipment, individuals can live at home for longer.

CRT included in the DME category is quite different than standard DME. CRT is individually configured equipment used by people with significant disabilities, such as traumatic brain injuries, ALS, multiple sclerosis and spinal cord injuries. This patient population has much higher risk of destabilization with improper treatment or equipment.

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<sup>1</sup> [National Coalition for Assistive & Rehab Technology, Medicare Data Identifies 30% to 40% Nationwide Drop in CRT Providers.](#)

<sup>2</sup> [Jeffrey S. Baird, Esq., Billing Nonassigned.](#)

<sup>3</sup> [American Association for Homecare. HME Audit Key. 2017.](#)

<sup>4</sup> [Jeffrey S. Baird, Esq., Selling at Retail.](#)

It is this improper treatment of equipment that increases lifetime healthcare cost and shifts expenses from the DME sector to another silo, sometimes leading to hospitalization and/or other medical complications.

Respiratory issues also have high rates of hospital remittance if an inexperienced or untrained provider handles the patient. High-level CRT patients use respiratory products if they have limited control of muscle movement. CRT patients pose another issue with an addition of respiratory complications that can cause additional cost to the system. Respiratory infections and/or complications are one of the three leading killers and cost drivers of CRT patients.

## INTRODUCTION

### **As payers' reimbursements fall, providers make tough decisions.**

Because of the adverse effects of competitive bidding, DMEPOS reimbursement rates have been driven down to a level of unsustainability. It is the continued efforts of large insurance providers, mainly CMS, to decrease reimbursement rates to help fund the future healthcare delivery system. The system is being tested with the population aging at rapid rates. The United States population ages 80 and older will nearly triple between 2010 and 2050; the number of people ages 90 and older will quadruple.<sup>5</sup>

DME and CRT are cost-saving programs when administered correctly. With a reduction in selection along with quality of products and services due to price pressure, there will be an increase of the ancillary cost to other areas of the system over time, mainly in hospital readmissions and premature disease-state deterioration. The lack of updated quality standards and code categorization of benefit and product utilization has continued for decades. CMS has held deaf ears to the industry's continued explanations of specialized equipment and the treating of patient outcomes based on overall cost benefit.

With this downward spiral, we are seeing product quality deterioration and health benefits suffer. The Medicare and Medicaid system is in a compromising state and will fail if not addressed in the very near future. The professionals that deliver the products and services at the quality American patients have come to want and need are becoming in shorter supply. In any given year, 10 percent of patients account for 65 percent of the nation's healthcare expenditures.<sup>6</sup> Healthcare expenditures can be reduced if the proper equipment is provided to the patient. In 2013, 42.2 percent of individuals who sustained a traumatic brain injury did so due to a fall. If we treat them with proper equipment, we can reduce the comorbidity epidemic.<sup>7</sup> The comorbidities epidemic can be prevented by properly utilizing equipment for patient cost reductions.<sup>8</sup> By providing the patient with the right equipment, the equipment can help keep the patient healthy and reduce their overall

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<sup>5</sup> [Kaiser Family Foundation, \*The Rising Cost of Living Longer\*, 2015.](#)

<sup>6</sup> [National Institute for Health Care Management Foundation, \*Concentration of Health Spending Among Highest Spenders\*, 2013.](#)

<sup>7</sup> [Centers for Disease Control, 2017.](#)

<sup>8</sup> Jamie Ryan, Melinda K. Abrams, Michelle M. Doty, Tanya Shah, and Eric C. Schneider, How High-Need Patients Experience Health Care in the United States, Findings from the 2016 Commonwealth Fund Survey of High-Need Patients

healthcare spend especially for those high-cost beneficiaries mentioned above. For every dollar that Medicare spends providing mobility DME, Medicare actually avoids paying an additional \$29.00 over a five-year equipment life period for fall-related emergency room visits, hospital stays, doctor visits and outpatient care that would result without that equipment.<sup>9</sup> Every dollar that Medicare pays to provide supplemental oxygen therapy, Medicare avoids paying \$14.30 for the treatment of COPD.<sup>10</sup>

With the continued reimbursement cuts and bottom-line reimbursement levels, professionals are choosing to provide lower quality equipment with better margins to Medicare patients, are finding new areas to practice in or are leaving the industry all together. Between 2012 and 2014, there was a 30 percent drop of CRT providers and a 40 percent drop of CRT provider locations throughout the United States.<sup>11</sup> The state of the industry is in crisis. If the current industry system fails, the cost will be driven to other more expensive delivery models.

The system failure will have devastating and lasting effects on private citizens who rely on our current governmental process to look after their best interest. The current aging in place system and patient home delivery model will be destabilized rapidly with the lack of concern and slow reaction time from CMS. Shifting of care will increase overall cost and destroy one of the most efficient delivery systems in the healthcare continuum. It is our expert opinion that the bottom has been found; accepting rates in today's market is only going to lead to more business failure. If action is not taken to stop the reduction of reimbursement rates, the system will be destined to failure and the cost shifting will occur. This will inevitably lead to an increase in overall patient cost to the public payer system as a whole.

### **Rates must be stabilized immediately to stop the devastation**

The continued drop in price levels due to competitive bidding over the last five years has driven rates down by over 50% or more in some areas. This declining rate level has allowed for inferior quality products to creep into the market. These products have lower quality and increased repairs and decreased product efficiency for patients who are living longer and using them more. The decrease in quality creates risk to the patients who use the products as they could fail unexpectedly. These products are having repair issues that are being unaddressed in the marketplace due to the increased evacuation of providers in the market. The market also has reduced the reimbursement of repair parts below the acquisition cost in many cases, which opens another obstacle for patient access. With providers closing and leaving the delivery business, the system will not withstand current patient caseloads.

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<sup>9</sup> [Brian Leitten, \*How America Can Cut Waste, Save Billions & Improve Healthcare\*, \(2017\).](#)

<sup>10</sup> [Leitten, \*The Case for Medicare investment in Durable Medical Equipment\*, 2017](#)

<sup>11</sup> [NCART, \*Medicare Data Identifies 30% to 40% Nationwide Drop in CRT Providers\*.](#)

The rationing of healthcare in the DMEPOS market is here.<sup>12</sup> With reductions of the quantity of independent providers and the national providers being more selective on what patient categories they allow to participate, the system has reached critical mass. This double-edged sword is jeopardizing patient quality of life and product quality. As the product quality falls, patient safety and quality of life is compromised. The current delivery system model has a very short time to react. As the pipeline is drying up due to unsustainable rates, providers will be forced to look to other areas of revenue, such as retail or billing items unassigned. Billing unassigned allows the provider to collect the payment directly from the patient while also submitting the claim to Medicare on behalf of the patient. If Medicare reimburses for the item, the reimbursement is sent directly to the patient.<sup>13</sup> This process shifts the burden of the cost from the provider to the patient. Because of the cumbersome process, many patients forgo using their Medicare benefit for the product and pay out of pocket.

It is our recommendation that there should be complete halt to the current practice of using Medicare-based rates and discounts for products in broad categories. Products that have multiple functions are currently being combined in one broad, general category and are given one standard price. For example, a standard headrest only provides support. A complex rehab headrest may provide support and also positioning, allowing the patient to be more mobile and drive over many types of terrain without having instability. The application of broad categories limits access to specific products that are medically necessary to keep patients independent and healthy. If providers are only reimbursed one standard, low price, the reimbursement rate is insufficient to actually cover the costs of the product. A standard headrest may cost the provider around 25% of a complex rehab headrest and the reimbursement may be below the acquisition cost of the medically needed product. Providers cannot afford to supply the product and take the loss. CRT items should be separately classified by Medicare. If the current competitive bidding process is not stopped, we will have a crisis of extreme proportion, affecting patients and businesses alike.

Patient quality of life and healthy days are the most important variables to keeping a patient from hospital remittance and condition deterioration. DMEPOS and the medical home environment provide patients the ability to live at home and help them maintain a more active life. However, their active lives need monitoring and help from time to time to keep care plans workable. Aging at home, cost effective patient delivery of equipment, and aids to daily living delivery are the key to this model.<sup>14</sup> We have identified that the existing health delivery system will be devastated in the next 6 months with current programs in place that reduce rates of reimbursement far below quality equipment cost. A study has found that patient access to diabetic testing supplies has been significantly impacted by the competitive bidding program. A reduction in access has caused an

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<sup>12</sup> Increases in Wheelchair, Breakdowns, Repairs, and Adverse Consequences for People with Traumatic Spinal Cord Injury Lynn Worobey, BS Michelle Oyster, MS Gregory Nemunaitis, MD Rory Cooper, PhD Michael L. Boninger, MD

<sup>13</sup> Jeffrey S. Baird Esq., *Billing Unassigned*.

<sup>14</sup> Courage Center, Medical Home Final Report to Minnesota DHS, 2012.

increase in mortality, hospital admissions and cost of care.<sup>15</sup> Reduction in equipment quality, delivery support falling, and many business disruptions due to closing, bankruptcy and consolidation are all at high risk of occurring with the current state of the industry. The health and delivery of DMEPOS products is in disarray and devastation that may not be fixable without immediate intervention.

### **Action Needed**

Because of the compelling need in addressing the competitive bidding and product quality issues in the market today, we are asking that Congress along with CMS take action to stop the destruction of a workable system. Providers are now saying no to the rates that are being offered because there is no margin for an owner's return on investment. The small business providers are now few and far between. The national providers are at their tipping point as well; they are saying no more to rates that are not sustainable for even a large volume provider. The system is at a critical juncture and will be crippled beyond repair if not addressed in the very near future. The providers who survive will be living off retained business and personal savings in hopes of a turnaround in the market. Our recommendation is for those providers to think twice before spending their life savings on a roulette table-type bet. Each area of the business must maintain profitability; a no loss leader-type mentality will survive as we have seen with increased bankruptcies and liquidations over the past 5 years. Without intervention, the industry is headed for a relatively large disruption in delivery to the healthcare system. The DMEPOS system is much smaller than any other system in the healthcare continuum; but without it, the cost forced on the other parts of the system will send shockwaves across the entire care continuum and patient care will drop.

Current programs in the market have shown sizable benefits for tracking delivery and operational efficiencies. With many outcomes programs migrating into the DMEPOS market, we are seeing dramatic improvement on operational efficiency as well as patient satisfaction and reduced lifetime cost for the healthcare system. The current research studies being conducted are showing statistical significance in the reduction of overall cost drivers, like falls and pressure wounds, for patient outcomes. With these statistically significant measures, we are closer to answering many questions on how to manage patients living and staying at home. We are defining contact points and care plan adherence along with educational development to monitor and train patients to be more compliant. With these new programs, the continued reduction in reimbursement rates needs to stop due to the progress made over the last 2 years of outcomes program development.

CMS has the power to set the standard for rates in the marketplace and we see no sustainability with the current rates. We would ask CMS to stop, review and study the delivery system immediately to stabilize the process. Without the stability, more and more service and delivery providers will fall out of the system. With the current levels of

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<sup>15</sup> [Gary A. Puckrein, Gail Nunlee-Bland, Farhad Zangeneh, Jaime A. Davidson, Robert A. Vigersky, Liou Xu, Christopher G. Parkin, and David G. Marrero, \*Impact of CMS Competitive Bidding Program on Medicare Beneficiary Safety and Access to Diabetes Testing Supplies: A Retrospective, Longitudinal Analysis\*, 2016.](#)

participants, Medicare and Medicaid will be unstable for some time. The stabilization must occur now with a stay placed on competitive bidding. This would give a calming of the current destabilization and it would bring the stability needed at this time. The move of competitive bid rates from the original competitive bid areas into rural areas will stop the ability for delivery and service to be provided at the current service levels for those who have chosen to live at home in rural America. The bid rates do not allow for a sustainable market environment. As non-Medicare insurance plans base their rates from Medicare, it has devastated the entire industry with the bid program and its flawed methodology. A new, true competitive bid program must be established if that is the route that needs to be taken. In addition, a true categorization of current coding must be taken into consideration. Many products are pushed into codes that are similar but not completely compatible, which has further reduced the price levels of customized and unique products, like cushions and headrests. The pigeonholing process of creating one large category for a wide variety of specialized products has limited the selection of medically necessary products, which has reduced the ability to provide the correct equipment that will help reduce a patient's healthcare costs over his/her lifetime. It is our intention to ask CMS to intervene and push for a proper study of the current system to better understand why it is failing.

### **Conclusion**

Our conclusion is that the current state of the industry is in a major influx and needs intervention. If the current issues with reimbursement are not addressed, irreparable harm will be done to this delivery system. With reimbursement rates below cost of many products and repairs of those products, we are already seeing the rationing of healthcare and the inability of patients to receive products and services that have always been available and guaranteed by Medicare. VGM as a whole has taken a leadership role in patient-centered outcomes research. VGM has invested dollars to show statistical significance in DME, CRT and O & P delivery system capabilities. This research shows how important the current delivery system is to the entire care continuum. The future holds the key to patient experience while increasing care plan compliance and maintain equipment quality and effectiveness. High cost patients require increased contact points to maintain health regression and co-morbidity deterioration. VGM and U.S. Rehab have worked on the path and the solutions for these issues. Along with national associations, we are willing to prove the worth of this highly effective and needed healthcare sector.

### **About the Author**

Greg A. Packer is the president of U.S. Rehab, a division of VGM Group, Inc that is focused on CRT providers across the United States. U.S. Rehab has 400 members with over 1,500 locations nationwide that provide complex rehab solutions for patients. Greg's, background, which includes sales management for Pride Mobility Products Corp. and Biocore Medical Technologies, Inc., provides him with an understanding of both the sales and product areas of rehabilitation technology. Additionally, he served three terms in the Kansas House of Representatives, so is familiar with the regulatory and governmental issues facing the rehab and HME industries. A graduate of Iowa State University, Ames,

he received his master of business administration degree from Baker University, Baldwin City, Kan.

VGM Group, Inc. is the largest member service organization for DMEPOS companies in the United States and Canada. VGM and U.S. Rehab employ some of the top experts in the industry for respiratory, wound care, orthotics, prosthetics and CRT. Members of VGM and U.S. Rehab's management team serve on national industry boards and have extensive industry backgrounds. Our team holds degrees in business management, economics, health care management, marketing, research methods, with master's degrees and PHD's in areas related to the DMEPOS market.

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