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Proactive and Productive

by Roberta Domos, RRT

You are already doing more with less, but a little creativity and diligence could produce even more productivity gains.



If you are in the HME business these days, you can be sure of two things: 1) making a reasonable profit will remain a challenge; and 2) meeting that challenge will require diligence. The cost of labor is increasing, if not through employee salaries, then certainly through health care benefits provided to those employees. The cost of fuel has skyrocketed over the past several years, and in a delivery-centric industry, that can have a huge impact on profits. Sure, the cost of capital goods has remained fairly stagnant over the short term, but it is a small comfort when decreases in reimbursement rates remain a constant threat.

HME owners must also deal with the reality that fewer and fewer individuals are even on health insurance roles as compared to a few years ago. Four million people more have dropped off over the past 4 years through changes in employment circumstances. There are currently 48 million uninsured Americans, decreasing the pool of potential customers who can afford the care that suppliers provide. On the plus side for suppliers, the Baby-Boom generation will enter retirement age over the next decade, and as a result, the Medicare population is poised to "boom" out of control as well.

Gains Through Productivity

Obviously, profits are determined by the difference between total revenue and total costs. One of the key ways you can tilt the balance of that equation in your favor is to improve productivity. Focusing on this area now can help a company remain profitable through the lean times, and better yet, poise it to take full advantage of "economies of scale" opportunities that present themselves as the "Boomers" retire.

When you think about improving productivity in a labor-heavy service industry like HME, the immediate tendency is to envision fewer employees getting more done; and for many other types of industries that may be true. But if your HME company is like most, the main problem is getting everything done with the limited staff you can afford. Throwing bodies at the problem is not a viable option, so you can't take the easy way out. Instead you will need to assess your company's processes, and find those that can be streamlined or automated.

You can't look at every area of your business at once, so break it down into small chunks and make improvements to one area at a time. You might look at the intake and billing areas first, and then move on to inventory, warehousing, and delivery next. And don't skip an assessment of infrastructure and general operations—because you are bound to find ways to improve productivity in almost any area of your business.

Automate reimbursement processes

Tracking large numbers of oxygen retest dates, certificates of medical necessity (CMNs), and prior authorization renewals manually is challenging at best. Lack of timely documentation can be the cause of many unpaid claims and interruptions in cash flow for HME providers. Minimize the problem by automating tracking of documentation either through your HME systems software if possible, or through a separate database if necessary.

Once your organization is set up to track documentation through a database, instruct staff to run reports that look ahead for documentation that will expire so they can request renewals before claims stop being paid. In addition, put an escalating process in place for pending requests that result in staff completing some sort of follow-up every 7 to 10 days until the documentation is received. Sort pending CMN request reports by referral source, and pending prior authorization reports by payor, so that follow-up can be done in batch fashion.

If you are not currently billing as many payors as possible electronically, spend the time to get that process in place. Also, sign up for electronic remittance notice downloads that will allow you to automate cash posting if your billing software system has that feature.

In the area of collections, review aging reports and assess whether denials are being worked in a priority manner, such as high-dollar down and in accordance with timely filing limits. On the other hand, if an adjustment is called for, do not avoid it. Writing off dollars that you have determined are clearly uncollectible will make the collections process more streamlined for your billing staff.

Review inventory and delivery processes for efficiency and cost-effectiveness. Because the HME business is highly service-oriented, labor costs comprise a large part of any provider's expenditures. Organizing processes for maximum efficiency can help save on human resources, or allow you to put them to use in other areas of your operation.

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For example, check to see if delivery personnel are being routed efficiently, and that upcoming routine preventive maintenance calls for existing patients are coordinated with their supply deliveries whenever possible. If you are consistently spending money to pay for overtime because of orders that often come late in the day, consider staggering delivery personnel starting times so that you have nonovertime employees available for the evening hours.

Medical equipment purchased for recurring rental is the largest continuing investment an HME dealer will make. Automating the tracking process with the use of bar codes and scanners is an outlay that can pay for itself quickly, and go on to result in long-term savings.

If you provide consignment inventory at alternate locations, attach a delivery ticket that includes bar code or serial number information and your fax number so that your organization can be easily notified when a patient receives the equipment.

Use System Software Features

If you are like most HME providers, you have not begun to tap the wealth of features that are available in most HME systems software programs. For instance, with a properly setup system, you can track things like the utilization of your rental equipment, gross margins by product and by payor, and cost of goods as a percentage of net revenue—all of which can help you make good purchasing decisions. In addition, if you enter the data necessary to make calculations for depreciation and sales tax, not only will you and your accountant save time, but you may lessen your tax burden.

These are just a few common systems software features that are typically underused by many HME providers. Take the time to get to know the features of your organization's software system and make the most of its capabilities. Set up your own "digital dashboard" by identifying key reports you can run on a regular basis. Take the key indicators from those reports and transfer them to a spreadsheet that lets you view trends over time. This will allow you to look at the "big picture" and then drill down to find areas ripe for improvement.

No one ever promised that the HME business would be easy, and making a meaningful profit becomes more challenging every day. The good news is that if you are willing to take a proactive stance to productivity, you can almost always find ways to add dollars to the bottom line.

Roberta Domos, RRT, is the owner and president of Domos HME Consulting Group, a national HME consulting firm based in Redmond, Wash. She can be reached by phone: (425) 882-2035 or through her Web site: www.hmeconsulting.com.

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