DME Opportunities in Orthopedics
2014 AOC Annual Benchmark Survey

Please select one response from below:

<table>
<thead>
<tr>
<th>Answer Choices</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Department has a DME program that generates money (profit) for our Department</td>
<td>32.26%</td>
</tr>
<tr>
<td>Our Department has a DME program that loses money for our Department</td>
<td>0.00%</td>
</tr>
<tr>
<td>Our Department has no financial ties to DME</td>
<td>67.74%</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
</tr>
</tbody>
</table>

Which DME company? Please also feel free to comment on this question.

- Currently evaluating
- We are just starting our DME program and have some barriers with the HMO payers
- We lease space to an external DME provider
- Don Joy
- In the next 6 months we are moving from contract to our facility running
- American Prosthetics
- We now outsource to Orthocare after losing money in the DME business.
- DJO Global
- Synergy
Models
DME Models

- Stock & Bill
- Management Services Agreement
- Practice Owned
Stock and Bill

- **Contract with third party vendor to provide dme services and product to the practice**

- **Vendor assumes financial risk and owns the revenue and expense stream**

- **Provides rental income to practice at fair market value**
Management Services Agreement

- **Contract with third party vendor to provide dme services and product to the practice**

- **Practice assumes financial risk and owns the revenue and expense stream**

- **Practice purchases product thru vendor and incurs management fee to cover cost of vendor provided personnel, billing, management services, etc.**
Practice Owned

- Practice provides dme services and product

- Practice assumes financial risk and owns the revenue and expense stream

- Practice purchases product thru vendors and incurs cost of goods, personnel, billing, management, bad debt, etc.
DME Models

Stock & Bill

Management Services Agreement

Practice Owned
Washington University’s journey

- PO 2010 - present
- MSA 2008 – 2010
- S & B 1995 - 2008
DME Billed Charges & Physician FTE

($ in 000s)

Billed Charges  FTE


$1,500 $2,000 $2,500 $3,000

$100 $200 $300 $400 $500 $600
## Financials
*($ in 000s)*

<table>
<thead>
<tr>
<th></th>
<th>MSA</th>
<th></th>
<th>PO</th>
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</thead>
<tbody>
<tr>
<td>Charges</td>
<td>$1,682</td>
<td></td>
<td>$1,858</td>
</tr>
<tr>
<td>Collections</td>
<td>1,161</td>
<td></td>
<td>1,329</td>
</tr>
<tr>
<td>Coll%</td>
<td>69%</td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Personnel</td>
<td>23</td>
<td></td>
<td>111</td>
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<tr>
<td>Product</td>
<td>767</td>
<td></td>
<td>514</td>
</tr>
<tr>
<td>Mgmt. Fee</td>
<td>111</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>101</td>
<td></td>
<td>222</td>
</tr>
<tr>
<td>Op Margin</td>
<td>$159</td>
<td></td>
<td>$482</td>
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<tr>
<td>Op Margin %</td>
<td>14%</td>
<td></td>
<td>36%</td>
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</tbody>
</table>
Physician Incentives

• General counsel agreed to incentive plan as long as no direct compensation to provider

• Portion of net surplus for DME is allocated back to provider’s education fund in 2 steps:
  1) govt. reimbursed – shared equally
  2) private reimbursed – shared by contribution

• Allocations range from 0 to a cap of $7,500 per provider
Considerations

- Program Objectives and Population Served
- Provider Buy In and Ownership of Process
- Contracts/Billing/Reimbursement
- Participation Rates/Projected Volume
- Operations and Patient Flow
- Inventory Management
- Regulations and Audits

Pro Forma
Documentation Requirements

- A verbal/dispensing/preliminary order (if applicable)
- Detailed written order with provider signature
- Certificate of Medical Necessity (CMN) (if applicable)
- DME Information Form (DIF) (if applicable)
- Proof of delivery
- Beneficiary authorization
- Advance Beneficiary Notice of Non-coverage (ABN) (if applicable),
- Information from the treating physician concerning the patient’s diagnosis, and any information required for the use of specific modifiers or attestation statements as defined in certain DME policies.
DME IT Solution

• Uses mobile devices
• Creates required provider and patient documentation for signatures and medical record retention
• Communicates with EHR and PM systems
• Provides purchasing and inventory management functionality
Thank You!