Implementing a DMEPOS Ancillary Service Line: The University of North Carolina Experience

Academic Orthopaedic Consortium
Miami, September 21, 2016

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Breg Inc
Disclosures

• I am not a physician
• I have no financial interest to declare in any of the products or services discussed in this presentation

• UNC - Chapel Hill is contracted with Breg to provide consulting services for DMEPOS
UNC Orthopaedics Profile

- Surgical MDs 23
- Non-Operative MDs 5
- APPs 8
- Residents 26
- 2015-2016 Outpatient Visits 54,740
- 2015-2016 Surgical Procedures 5,019
- Orthopaedic Outpatient Locations: 6

- UNC Healthcare System - $4.2b annual revenues with 11 owned or managed hospitals across the North Carolina.
We serve North Carolina. Everyday.
Choosing a Model and a Partner

Carolina Brace, Del Bianco Prosthetics and Orthotics
- Vendor owns the product
- Vendor bills insurance under Vendor NPI
- No financial risk / No compliance risk

XL Medical, Atlantic Prosthetic and Orthotics
- Vendor bills department for product at COGS + markup (or administrative fee)
- Department bills insurance under Department NPI
- Moderate financial risk / High compliance risk

Breg, DJO
- Department owns the product
- Department bills insurance under Department NPI
- High financial risk / Low compliance risk
Vendor Selection Criteria

- Experience setting up physicians in outpatient clinics
- Inventory management software
- Post-implementation support
- Actively engaged in supply or manufacture of orthotics
- Flexibility in Product Selection

Breg vs DJO
Getting Started

<table>
<thead>
<tr>
<th>DMEPOS Type</th>
<th>Staffing Need</th>
<th>Recommended Specialties</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Prosthetics</td>
<td>Prosthetist</td>
<td>PM&amp;R</td>
</tr>
<tr>
<td>B. Custom-Fabrication</td>
<td>Orthotist</td>
<td>Pediatric Spine, Foot &amp; Ankle</td>
</tr>
<tr>
<td>C. Off-The-Shelf / Custom Fit</td>
<td>Orthotic Fitter</td>
<td>All Other Orthopaedics</td>
</tr>
</tbody>
</table>

- **File Form CMS 855S – Medicare Enrollment Application for DMEPOS**
  - **Physician Exception Model:** Apply to Medicare for a DMEPOS NPI Number under the Physician Exception using Form 855-S. (B. and C.). Typically Physician Practices
  - **DME Supplier Model:** Requires Surety Bonds, Accreditation (A. and B.). Typically In-House O&P
Consultative Resources Should Include

• Business Analysis
• Expense and Revenue Projections
• Payer Contract Profiling
• Coding and Billing Expertise
• Compliance (DWO, POD, ABN’s, LCD)
• Workflow Optimization
• Coordinator and Staff Training (Billing, Office and Clinical Staff)
• Protocol Efficiencies
• Implementation Support

• Continuing Education
• Annual Compliance and Financial Analysis
• Program Updates
• Dedicated Compliance Manual
• Continuing Education
• Annual Compliance and Financial Analysis
• Program Updates
• Dedicated Compliance Manual
## UNC DME PRO-FORMA

### PROJECTED INCOME STATEMENT - ORTHOTIC SOFTGOODS

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Net Collections</strong></td>
<td>$1,203,141.00</td>
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</table>

<table>
<thead>
<tr>
<th>Expenses</th>
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<tbody>
<tr>
<td><strong>Staffing</strong></td>
<td>$159,881.00</td>
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<tr>
<td><strong>Cost of Goods</strong></td>
<td>$520,018.00</td>
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<tr>
<td><strong>Consulting Fees</strong></td>
<td>$8,500.00</td>
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<tr>
<td><strong>Equipment</strong></td>
<td>$3,000.00</td>
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<tr>
<td><strong>Software Licensing</strong></td>
<td>$7,000.00</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$698,399.00</td>
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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Pre-Tax income</strong></td>
<td>$504,742.00</td>
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<table>
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<tbody>
<tr>
<td><strong>Insitutional Taxation [3]</strong></td>
<td>$75,143.53</td>
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<td>(Dean, Central Services, etc)</td>
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<table>
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<tr>
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<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$429,598.47</td>
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UNC DME PRO-FORMA
INCOME STATEMENT - ORTHOTIC SOFTGOODS
May 23 - Aug 23, 2016

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<td>Revenue</td>
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<tr>
<td>Net Collections</td>
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<tr>
<td>Expenses</td>
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<tr>
<td>Staffing</td>
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<tr>
<td>Cost of Goods</td>
<td>69,425.00</td>
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<td>Consulting Fees</td>
<td>8,500.00</td>
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<td>Equipment</td>
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<td>Software Licensing</td>
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<td><strong>Total Expenses</strong></td>
<td><strong>122,395.25</strong></td>
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<td>Pre-Tax income</td>
<td>135,833.75</td>
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<td>Institutional Taxation [3]</td>
<td>14,941.71</td>
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<tr>
<td>(Dean, Central Services, etc)</td>
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<tr>
<td><strong>Net Income</strong></td>
<td><strong>120,892.04</strong></td>
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Inventory Management Challenges

• Preventing Inventory Creep
  ➢ Reduce Inventory Variability
  ➢ Hold a Product Fair
  ➢ Put in Place a “New Inventory Item” Review Process

• Tracking Inventory Dispensing in the Clinic
  ➢ Have an internal ordering system in the clinic that will enable you to track products or build order sets into your EMR.
  ➢ Use an inventory management system that includes a par management system
  ➢ Put in Physical Controls - stock room, single point of entry, limit staff / faculty access

• Purchasing Inventory
  ➢ Negotiating contracts with suppliers (GPO pricing)
  ➢ Reduce Cash Outflow with Consignment Agreements
  ➢ Tracking product deliveries especially if ordering through central purchasing
Providence

Epic

Epic

Cerner

Athena

Lawson
System

Scheduling Messages (HL7)

Billing Messages (HL7) and PDF (MDM) if needed

Inventory Decrement Message
In Lawson’s preferred message format

• HL7 ↔ API translation
• Real-time, bi-directional
• Consolidated VPN
• “Integration as a Service”
  • 24/7 Monitoring
  • Upgrade support
  • Highly scalable
• Implementation leadership
• Reusable infrastructure

• Already live with Breg/Epic integration
Operational Challenges

• Managing Physician Expectations
  ➢ Cannot accept external referrals
  ➢ Cannot dispense from a different site of origin
  ➢ Expectation on use of income from DMEPOS

• Coordinating fitting / return visits with product delivery dates
  ➢ Improve communication between care teams and fitters
  ➢ Order DME at pre-surgical visits, not on the day of surgery
  ➢ Communicate appointment rescheduling or product delivery delays with patient

• Charity Care and Uninsured
  ➢ Setting physician expectations, that DMEPOS is a convenience that we are offering patients
  ➢ Provide patients with external referrals / prescription to DMEPOS Supplier
  ➢ Standing firm on deposit policy
  ➢ Find alternative cost effective products

• Personnel Coverage
  ➢ Staff training for certification in orthotic fitting (Certifying Bodies: BOC International or ABCOP)
Revenue Cycle Challenges

• EMR / Revenue Cycle Set-Up
  ➢ Staff Training
  ➢ Charge Master review
  ➢ Setting self-pay pricing
  ➢ Building a deposit schedule
  ➢ Medicare Registry Set-Up

• Front End Challenges
  ➢ Pre-Authorization (insurance and product dependent)
  ➢ Collecting and posting deposits
  ➢ Charge capture (EMR work-queues)
  ➢ Charge Review (Provider documentation / Epic Smart Phrase)

• Back End Challenges
  ➢ Compliance Reviews
  ➢ Denials Management
Best Decisions

• Hired consultants to assist in start-up
• Hired dedicated certified orthotic fitters
• Trained all cast technicians in orthotic fitting, and paid for certification examinations (est. total cost $5,000)
• Hired an Administrative Coordinator with DMEPOS Supplier experience to manage inventory, documentation, and billing
• Used third-party software for inventory and compliance documentation management
• Negotiated reduced institutional taxation (to exclude COGs)
Our Future DMEPOS Opportunities

- Expanding DMEPOS to a new clinic site (est. 50k net income)
- Expanding into Medicaid and hiring an Orthotist (est. 200k net income)
- Data Integration with EMR (improved efficiency)
- Joint venture with PM&R for prosthetic service line ($$$)
- Inpatient contract with Hospital for orthotic fitting ($ for management)
- Improving Patient Education / Service
- Providing patients with access to innovative product selections
Was this worth the effort?

- Initial financial results are promising
- This income is not allowed to be distributed directly for physician compensation (Stark self-referral rules), provides protected discretionary funding for department missions
- This would have been extremely challenging and time consuming without the support of consulting experts
Other AOC Member / Breg Partnerships

• Duke University
• University of Florida
• Washington University

Comments??