Webinar

O&P/DME Models

May 2, 2016
• Welcome and Introductions: Rich Capra, President AOC

• Webinar Facilitator: Jennifer Gagnon, Senior Vice President, EMR and Social Media, AOC
Welcome
Agenda:

I. Definitions of DME
II. Definition of O&P
III. Medicare Certification
IV. Models
V. Open Forum
What is DME / POS?

Academic Orthopaedic Consortium Webinar – O&P/DME Models

May 2, 2016

Paul Irving, Practice Manager
UCSF Orthotic and Prosthetic Centers
DME / POS

Durable Medical Equipment & Prosthetics, Orthotics, and Supplies

$46.4B or 1.81% of US healthcare spending*

*2014 CMS Statistics, U.S. Department of Health and Human Services
DME and O&P Supplier Qualifications

**DME**
- High school graduation
- 500 hrs experience at a DME facility

**O & P**
- MS degree from accredited school
- Completion of accredited residency program
- National board exam
- State License (15 states)
Durable Medical Equipment

• Can withstand repeated use
• Is primarily and customarily used to serve a medical purpose
• Generally not useful in the absence of illness or injury

Is appropriate for use in the home.

• Hospital Beds
• Oxygen Tanks
• Wheelchairs
Prosthetic and Orthotics

- **Prosthetics**
  - Artificial limbs

- **Orthotics** – bracing of all sorts from a halo to a shoe lift
  - “A brace … [is] used for … supporting a weak or deformed body member or restricting or eliminating motion in a diseased or injured part of the body.” (CMS)
    - Off the Shelf
    - Custom Fit – substantially alter a manufactured product by a person with expertise
    - Custom Fabricated
Becoming a DME / POS Supplier

• Medicare standards control the field

• 15 states regulate O & P through licensure; 2 states require certificates; 33 states are completely unregulated

• Suppliers must have an organizational NPI and a PTAN (Provider Transaction Access Number)
Applying for a PTAN

– Complete and submit CMS 855-S application
– Adjudicating agency: National Supplier Clearinghouse, (division of CMS contractor Palmetto GBA)
– Disclosure ownership
– Establish ownership congruence
  ▪ PTAN info must match
    • NPI
    • Surety Bond
    • Liability Insurance
Supplier Standards

30 operating standards regulating:

• Compliance with all applicable federal and state regulatory requirements
• Physical space and signage
• Number of hours open each week
• Liability insurance coverage limits
• Maintenance of Surety Bond
• Prohibition from direct solicitation
• Prohibition of sharing a facility with another Medicare provider
• Requirement to disclose warranty
Physician Supplier: Academic Orthopedic Department

• The next several slides detail characteristics of Department owned DME models

• The data shared is based on actual experiences within AOC Departments where margins approach $40K/faculty member or upwards of 40-45% of DME revenue.

(These 5 AOC Department slides modeling physician supplier constructs were added to this webinar ppt by Mike Gagnon)
Physician Supplier: Academic Orthopedic Department

• DMEPOS supplier option following the in-office exemption in the Stark Law
• CMS 855S application
• Location based NPI and PTAN assignment
• Supplier Standard Exemptions:
  • Accreditation
  • Surety Bond
  • 30 hour/week minimum operations
• What can you provide?
  • OTS, Custom Fit, and Custom Fabricated (L-coded items)**State Licensure/Personnel**
  • Canes, Crutches, Walkers
  • Only to patients having clinical/surgical visits with affiliated prescribing physician
• What can’t you provide?
  • True DME Items (generally E-coded items) identified on Medicare Fee Schedule
  • No outside RX
Physician Supplier: Academic Orthopedic Department

- Similarities to O&P Model
  - Products
  - Procedures
  - Protocols
  - Revenue

- Benefits to utilizing Physician Supplier Option
  - Significantly reduces time and headache becoming a DMEPOS supplier
    - No accreditation required to receive Medicare PTAN with physician supplier option
      - Eliminates 6-12 months of additional process/procedure time before applying for PTAN
      - Eliminates $’s spent on outside agency for accreditation
  - Payor fee schedules for DMEPOS established under current contracts
    - No additional contracting for Commercial/Work-comp payers
    - Exceptions: Medicaid and HMO’s need evaluation depending on State and/or HMO policy
Physician Supplier:  
Academic Orthopedic Department

- **Financials**
- Average 4-5x wholesale cost to reimbursement margins
- Estimated $40K net revenue/physician/year

<table>
<thead>
<tr>
<th>COMMONLY PRESCRIBED PRODUCT FINANCIALS</th>
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<tr>
<td><strong>STATE:</strong></td>
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<tr>
<td><strong>HCPCS</strong></td>
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**Average Allowable based off of Medicare fee schedule (ceiling/floor rate)**
Physician Supplier: Academic Orthopedic Department

- Current AOC members utilizing Physician Supplier Type
  - Midwest Orthopaedics at Rush
  - Washington University
  - Duke University
  - University of Florida
  - University of North Carolina (May 2016)

For additional information/questions, proforma projection modeling, Academic Orthopedic Department specific constructs please email or call…

Jay Subbert - jsubbert@breg.com - 760-685-2132
Owned Practice Guidelines

Academic Orthopaedic Consortium Webinar – O&P/DME Models

Anita Liberman-Lampear, M.A.
Who is Providing?

Nurses
Cast Techs
Medical Assistants
Other ancillary providers
Maybe, even, physicians!

Are these folks trained and certified to do so? Do they know how to measure and fit correctly?
Who is Providing?

- Maybe you are sending these out to an Orthotist (either on site or in town)?
- Maybe you are just giving them out for patient convenience?
- Are you billing for them?
Practitioner and Facility Accreditations

- There are 9 deemed accreditation organizations as approved by CMS in November, 2006
- The most common and often preferred by payers for O&P are:
  - American Board for Certification in Orthotics & Prosthetics, Inc. (ABC)
  - Board of Certification/Accreditation International (BOC)
Practitioner and Facility Accreditation

- Both of these organizations certify O&P providers as well.
What can you provide?

- Do you plan to bill the insurer/payer
  - Commerical?
  - Auto/Worker Comp?
  - Medicare/Medicaid? – do you have PTAN?

- Cash only
  - Is it a covered device? (bill for it; might need an authorization – are you prepared to do this?)
  - Is it not covered or denied?
  - You are only offering on a cash basis! (depends if you “par” with payers)
What can you provide?

- Your Cast Techs & MA’s are good candidates to send to fitter programs and have them certified as CFo (ABC certification)
- They can provide the off-the-shelf/over the counter products and smaller items (like those you can get at CVS, Walgreens, etc.)
- Custom vs Custom-fit – should go to a certified provider
- Do you have an internal O&P and do you partner with them?
What can you provide?

- HCPCS codes – custom, custom-fit or OTS

- Generally if the item doesn’t have a metal or plastic or bone support it is NOT covered.
  - Knee and elbow sleeves for example

- Some codes say ONLY an orthotist can provide but then have a similar code that is strictly off the shelf that anyone else can provide

- If it’s strictly custom and maybe custom-fit – send to your local orthotist (try your in-house provider, if you have one, first!)
Are the items provided or sold elsewhere in your institution?

- Will you be competing with other areas?
- Consider setting one set of billing codes to share and setting one price used by all
- Build your fees to include time and materials unless this is strictly “hand it to the patient.”
- You cannot bill for separate “time” as all O&P codes are time/material inclusive.
- Physicians can bill under CPT 97760 – orthotic/prosthetic management.
APC/DRG Charges

- Somethings like cast shoes are already part of the APC charge. Additional pairs can be sold for cash.
- Most other O&P items can be billed separately.
- Spinal orthoses – part of the DRG surgical bill/stay
  - If the orthosis is given in the last 48 hours prior to discharge (not to a nursing home), this can be billed as an outpatient delivery.
Diabetic Items

DON’T!!!!!

Diabetic Shoes
Diabetic Inserts
Stock-and-Bill

Academic Orthopaedic Consortium Webinar – O&P/DME Models

Matthew Garibaldi, MS, CPO
Assistant Clinical Professor
Director, Orthotic and Prosthetic Centers
University of California, San Francisco
Anatomy of Stock-and-Bill

1. Supplier consigns DMEPOS inventory owned by supplier in or near space owned or leased by a medical group practice;

2. Consigned inventory available to medical group to prescribe and use on patients requiring DMEPOS; Supplier replaces used DMEPOS on a scheduled basis to maintain inventory;

3. Supplier files claims for the DMEPOS with payers, including Medicare and Medicaid, from information obtained from patient in accordance with payer requirements and supplier standards;

4. Supplier may or may not pay rental for the consignment closet space where the inventory is maintained;

5. Either the supplier (using its own employee) or an independent contractor (which may be the physician or the physician's employee) may deliver, fit, and instruct;

6. If the physician or physician's employee delivers, fits, and instructs, the supplier may or may not pay the physician for that service.
Anatomy of Stock-and-Bill

More simply put:

1) Physician's office is stocked with DMEPOS products at the vendor's expense

2) Vendor's employees handle many of the aspects of maintaining DMEPOS products in the physician's clinic

3) Vendor bills third-party payers under its tax ID number.
Stock-and-Bill

Popular arguments for using S&B:

1. The physician's office is forced to seek an in-network provider
2. The patient is inconvenienced with an extra trip to another medical office;
3. Incorrect products may be dispensed at the O&P facilities;
4. Patients may be subject to aggressive financial policies at O&P facilities; and
5. O&P facilities may not be open during clinic hours.
Stock-and-Bill

Arguments against using S&B:

1. Liability Issues
2. Medicare Standards
3. Insurance Validation
4. Financial Concerns
5. Hidden Expenses
Stock-and-Bill

Liability issues

- If someone from the physician's office fits the supplier’s product, they could share liability in case of a lawsuit.
  - Example: Was the patient adequately instructed in the use of the product for example?

- Potential reimbursement liabilities for providers/vendors
  - Will the physician's office verify insurance?
  - What about non-insured patients and discrimination policies
  - What about items that require pre-certification and claims that require documentation?
Stock-and-Bill

Medicare standards may not be met

- The Centers for Medicare & Medicaid Services (CMS) considers L-Codes to inherently include the time for fitting and adjustments, which may not have been performed by the billing company.
Insurance validation and financial concerns

- Insurance issues can be a concern also from the physician's point of view and be a factor in the physician's decision regarding a stock-and-bill program.

- DMEPOS reimbursement is highly variable among insurance companies, and benefits frequently change. Thus, it can be challenging to keep up with specific coverage, and charging for DMEPOS may be difficult for physicians.

- DMEPOS is often subject to high co-pays (which creates more billing and collection work and fees), so even if physicians are able to legitimately supply their patients with equipment, they are lucky to break even financially.
Stock-and-Bill

Hidden Expenses

- Product returns could add to the supplier's expenses.
  - Patient may return a device that only needs a simple adjustment, yet the physician's office exchanges it for an entirely new one--or the patient may return the device because he/she simply doesn't want it. Any substantial number of returns could present a costly nuisance.

- Defective devices past warranty
- Inventory Shrink
- Non-reimbursed items
## Financial Sample

### Model 1: OFF THE SHELF DME ORTHOTICS

**Assumptions:**
1. Facility rent/overhead provided at no cost by institution
2. Office location is within easy walking radius of prescribing physicians' offices
3. Market is readily available, i.e., prescribing physicians buy into use of OTS DME products = 15 deliveries per day

<table>
<thead>
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<th>Single Orthotic Fitter</th>
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<td><strong>Revenue</strong></td>
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<td>Charges</td>
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<td>Payments</td>
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<td><strong>Clinic Salary</strong></td>
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<td><strong>Product Cost</strong></td>
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<td><strong>Lost Billings (10%)</strong></td>
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<td><strong>Net Revenue</strong></td>
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Thank you for your time.

QUESTIONS???
We hope you enjoyed the Webinar!
This presentation will be uploaded to the AOC Website. Thank you.