

~~AA~~HOMECARE

American Association for Homecare

[COMPANY NAME] Meeting with

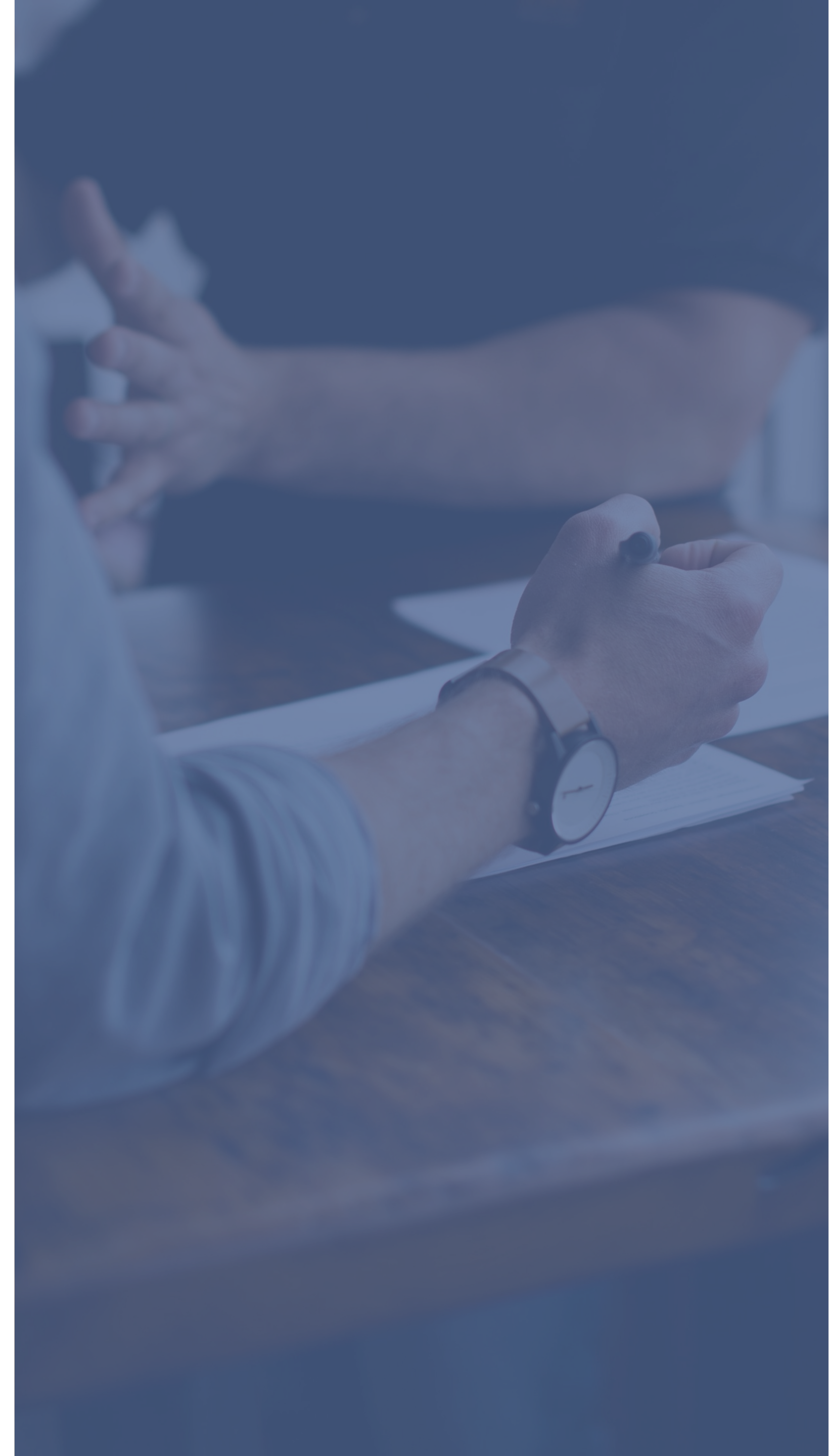
[PAYER NAME]

DRAFT 11/17/23



Agenda

- Introductions and Goals
- Life of an Order
- Challenge 1: Cost of Goods (COGs)
- Challenge 2: Supply Chain and Shipping
- Challenge 3: Operational Expenses
- True Cost of an Item
- HME Provider Value
- Questions and Next Steps



Introduction and Goals

PURPOSE: To introduce the HME provider to the and emphasize the VALUE of HME

HME Provider Intro Slide(s)

- [Insert HME Provider logo]
- [Company Name] Background
 - Years in business
 - Product categories and geographic reach
 - Market strategy (stats specific to census and payer if applicable)
- Value of HME
 - Resources: AAHomecare Value of HME [brochure](#) with videos

PURPOSE: Lay out the HME Provider's goals for the discussion/negotiation with the payer

HME Provider Goals

- List what HME Provider wants to accomplish during this discussion/negotiation (rate increases, network access, etc.)
- List the HME Provider's motivation for the discussion/negotiation

Payer Goals

PURPOSE: To lay out the Payer's goals for the discussion/negotiation

TIP: Try to obtain this pre-meeting. If not, allow time to ask the payer's goals & motivations

- What is most important to the payer in terms of a relationship with a HME Provider (formulary driven, patient outcomes focus, product category pain points, etc.)?
- What is the payer's motivation for the discussion/negotiation?

HME Provider/Payer Relationship Today

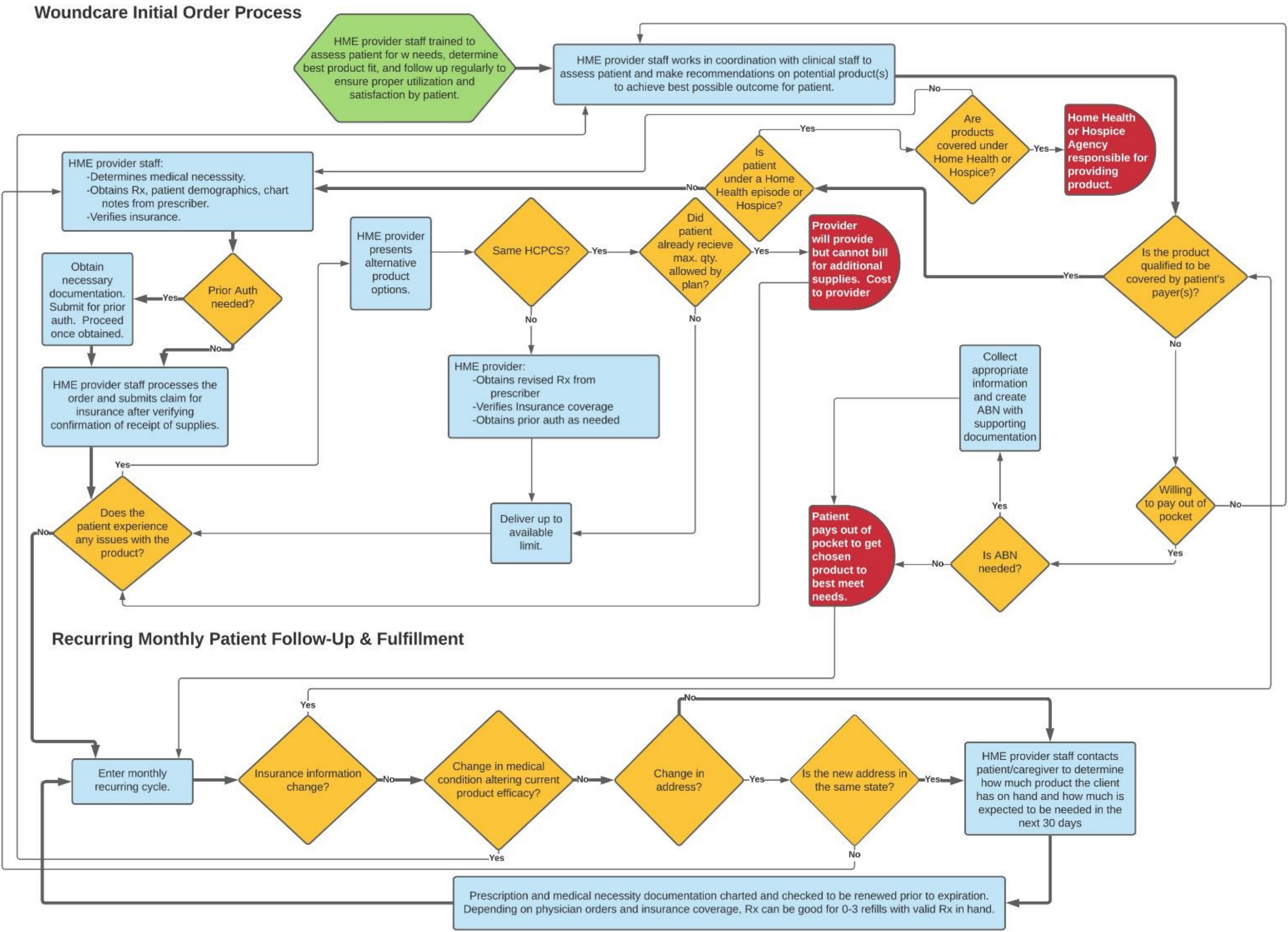
PURPOSE: Review of existing relationship (program structure, fee schedule, etc.).

Ask the payer for their feedback from their vantage point of pros and cons.

- List current relationship specs, keeping it factual
- Provide high level mention of pros and cons of the relationship from the HME Provider perspective.

Life of an Order

Life of an Order: Woundcare Ordering Process



Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

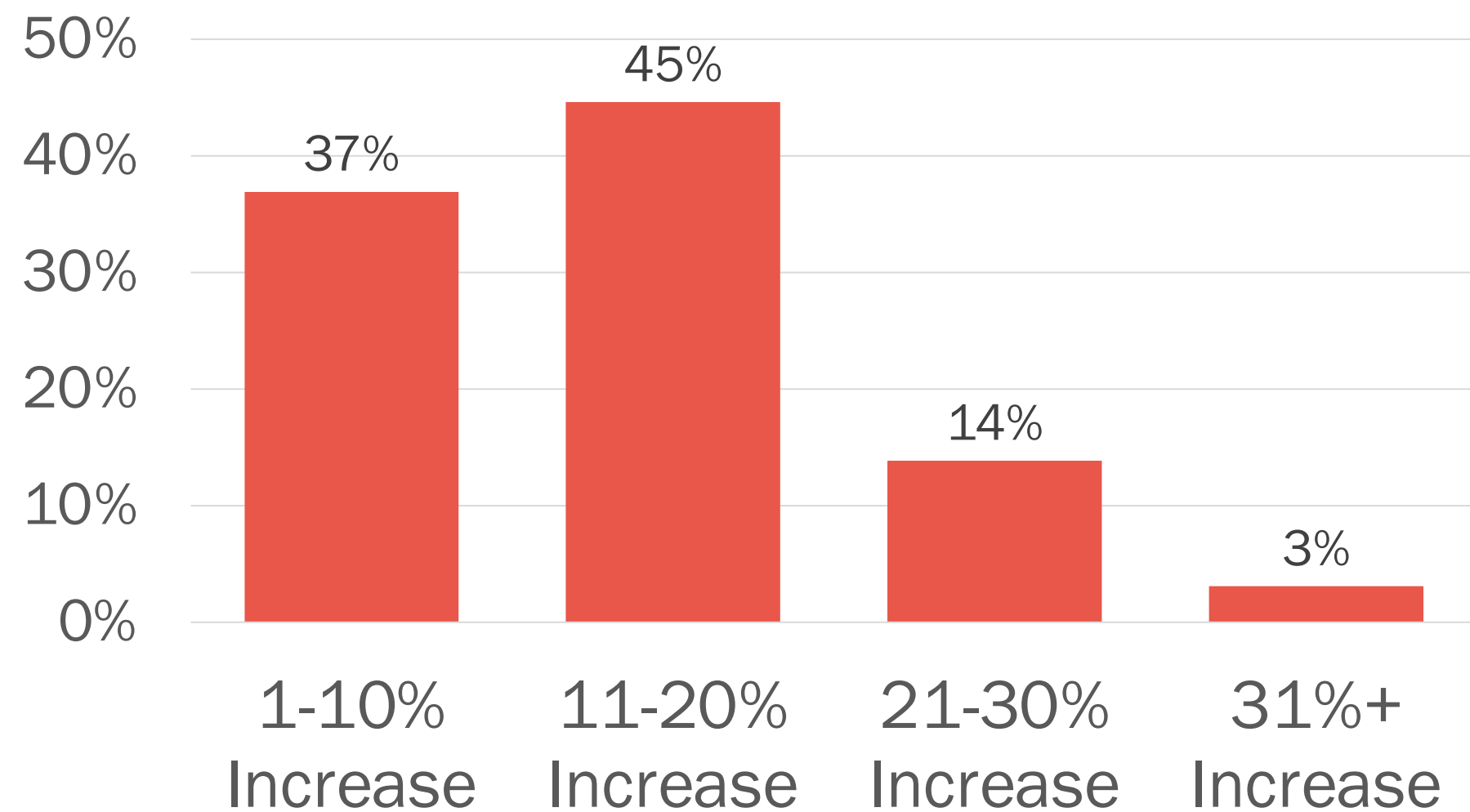
- [HME Provider] Insights:**
- Typical # of hours to complete an order
 - Average # of calls to referral to get needed information
 - (other info as needed)



Challenge 1: Cost of Goods

Woundcare Supplies COG Increases

Percent of Suppliers with Increased Costs of Woundcare Products Over the Last 12 Months



Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME woundcare providers indicated significant product cost increases; 59% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate woundcare supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

HME Provider COGs View

PURPOSE: To help illustrate a historical perspective of the acquisition cost of items. Cost of items reflects the direct cost of the item across spans of time.

TIP: Columns can be removed dependent on availability of data and HME Provider preference; may choose to only share the % increase and/or modify the lookback period.

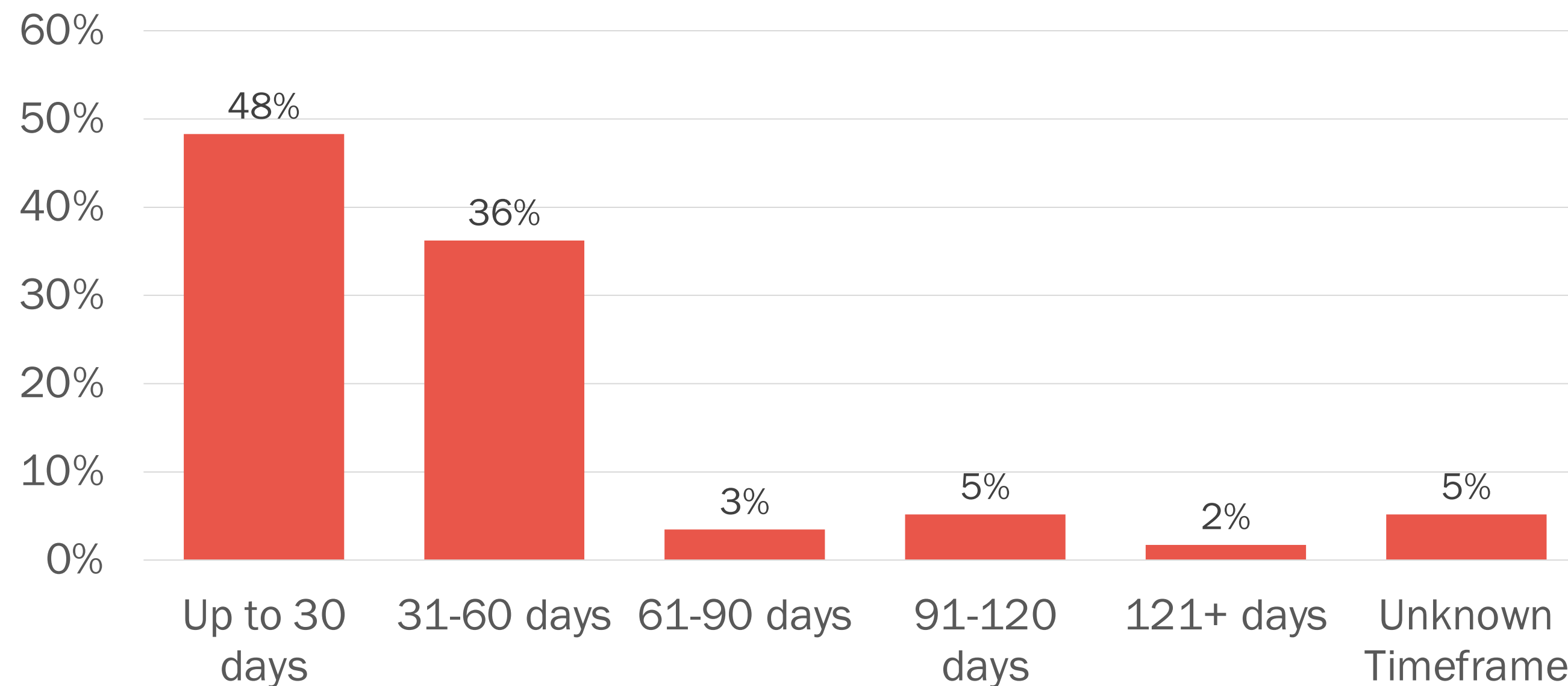
HCPCS:	Dec 2019	Jul 2021	Current
AVG Cost of the Product			
% Cost of the Product Increase			
Fee Schedule			
% Fee Schedule Increase			

**call out if fee schedule increases were only caused by annual inflation increase*

Challenge 2: Supply Chain and Shipping

Supply Chain Constraints: Woundcare Supplies

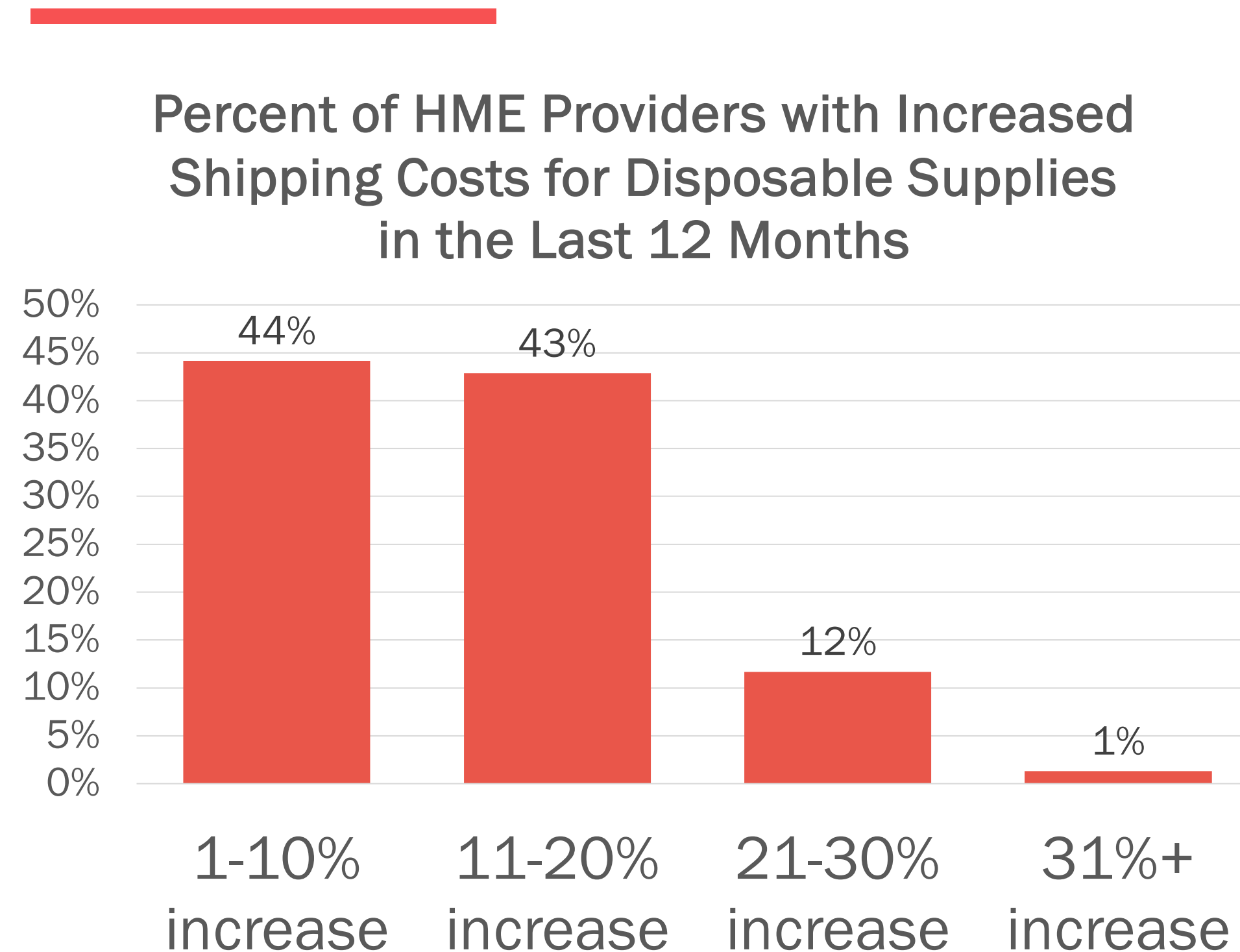
Percent of HME Providers Experiencing Delayed Timeframes for Woundcare Order Fulfillment in the Last 12 Months



- **83%** of HME providers of woundcare supplies experienced a supply chain disruption in the last 12 months
- **HME Provider Direct Stats** (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

TIP: If preferred, HME provider can replace general increase info with company-specific rate increases

Patient Home Delivery: Cost to Ship



5.9% minimum additional increase in shipping costs by major carriers in effect beginning of 2024

<https://www.partnership.com/blog/post/fedex-ups-general-rate-increase>

UPS & FedEx Rate Increases **General Rate Increase (GRI)**

- **5.9%** - 2024
- **6.9%** - 2023
- **5.9%** - 2022
- **Avg 4.9%** - Previous Years

**GRI does NOT include surcharges and accessorial fees.*

Cumulative Impact: An item that costs \$10 to ship in 2020 had an **18.7% increase**, now costs \$11.87 in 2024 before surcharges and additional rural fees

Surcharge Increases from 2023 to 2024

- Residential Deliveries:
 - UPS Ground: **8.2% increase**
 - FedEx Home Delivery **8.4% increase**
- Additional surcharges for more rural routes and longer zones

PURPOSE: To help illustrate a historical perspective of patient home delivery shipping costs associated with disposables (WUO).

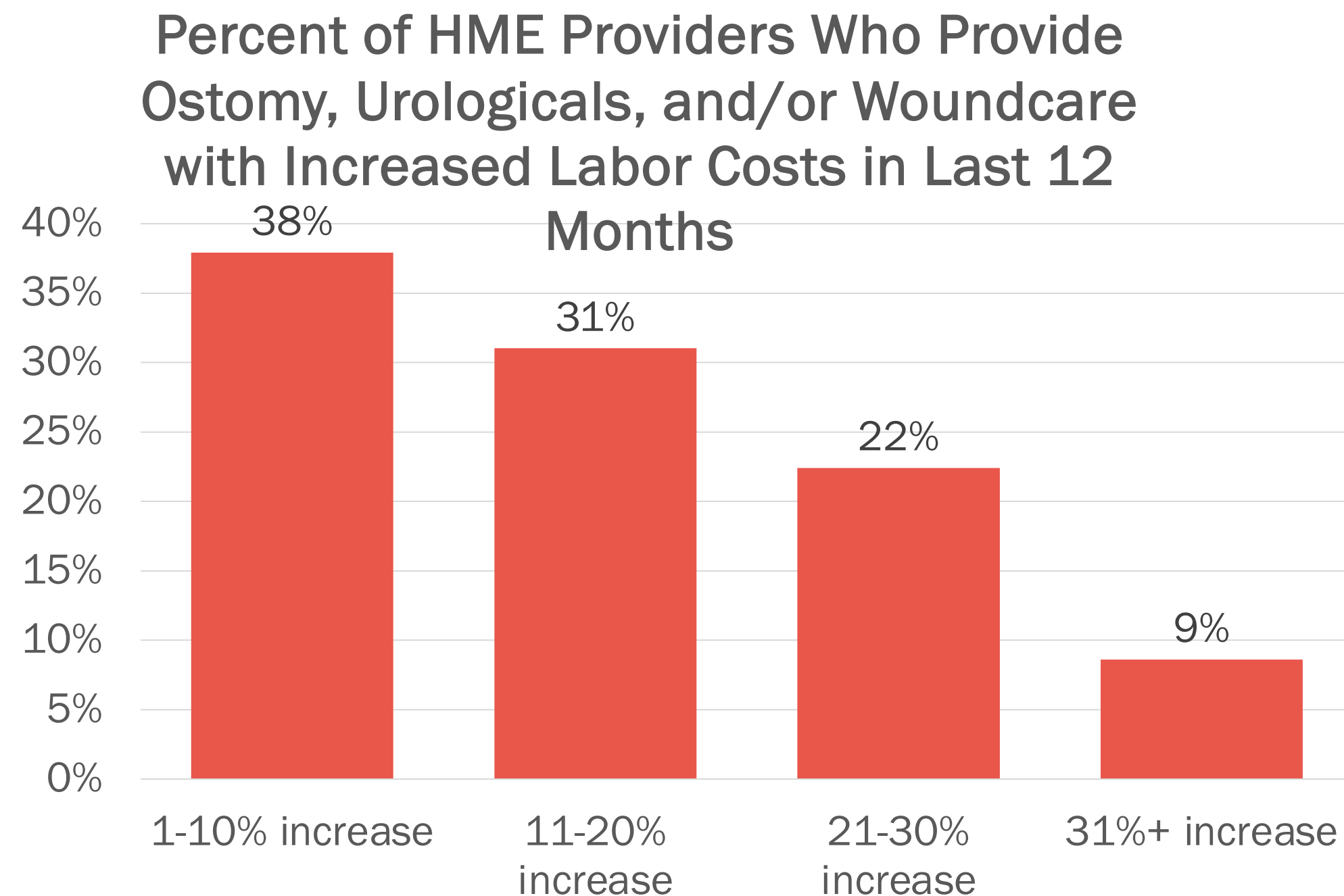
HME Provider Shipping View

Historical view of year-over-year increase in the GRI starting in 2019 through 2024.

HCPCS:	Dec 2019	Jul 2021	Current
AVG Shipping Cost Per Order			
% Increase			

Challenge 3: Operational Expenses

Increase in Disposable Supply Companies' Labor Costs



Sources of Increased Labor Expenses:

- Staying competitive from a wage perspective within the market and also accounting for inflationary cost-of-living adjustments.
- Personnel time required to fulfill orders and submit claims due to sourcing alternative products, obtaining information needed from prescriber, etc.
- Extensive training required for new staff, taking 6+ months on average.
- Staffing shortages leading to overtime payment and staff burnout.

PURPOSE: To help illustrate a historical perspective of the changes within the HME Provider as it pertains to staffing challenges.

HME Provider Labor Costs View

Staffing	Dec 2019	Jul 2021	Current
# of Orders Per Day			
Revenue per Employee			

- List key insights on how HME provider has had to adapt, ex. outsourcing departments, etc.

True Cost of an Item

True Unit Cost Breakdown

PURPOSE: Determine the actual true cost of an item factoring in direct operational expenses of COGs, shipping, and operational expenses

Tip: Due to variance of pricing and functionality within products in these categories, consider looking at several items within the same code.

HCPCS	Item 1	Item 2	Item 3
COGs (per unit)			
Shipping Charge (per unit)			
Operational Expense (per unit) *			
Current Fee Schedule			
Profitability			

***Includes labor, building/lease, compliance, etc.**

HME Provider Value

HME Provider Value Slide(s)

- Explain what HME Provider does better than their competitors
- Explain how HME Provider facilitates better patient outcomes
- Explain the benefits to the payer (what's in it for them) to work with HME Provider?
- Connect the dots on how this emphasizes the **Value of HME**
- Show how this helps achieve the payer's goals (if appropriate)

PURPOSE: Clear & specific “asks” from payer to move towards HME Provider goals.

HME Provider Asks

- List of “asks” for the payer (ex. reimbursement, policies, becoming in network provider, denial issues, communication, etc.)

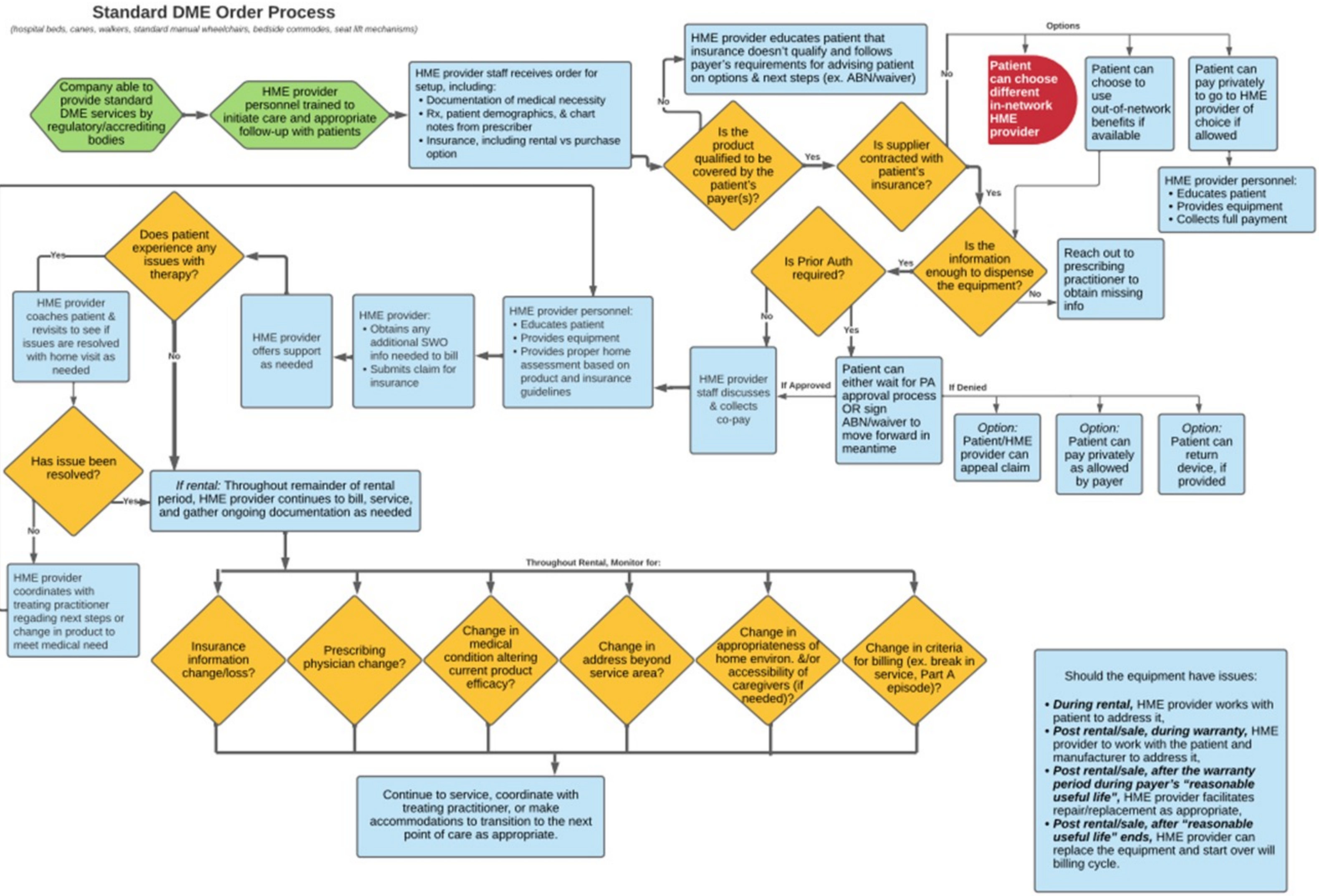
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Questions and Next Steps



Appendix : Life of An Order

Life of an Order: Standard DME Ordering Process



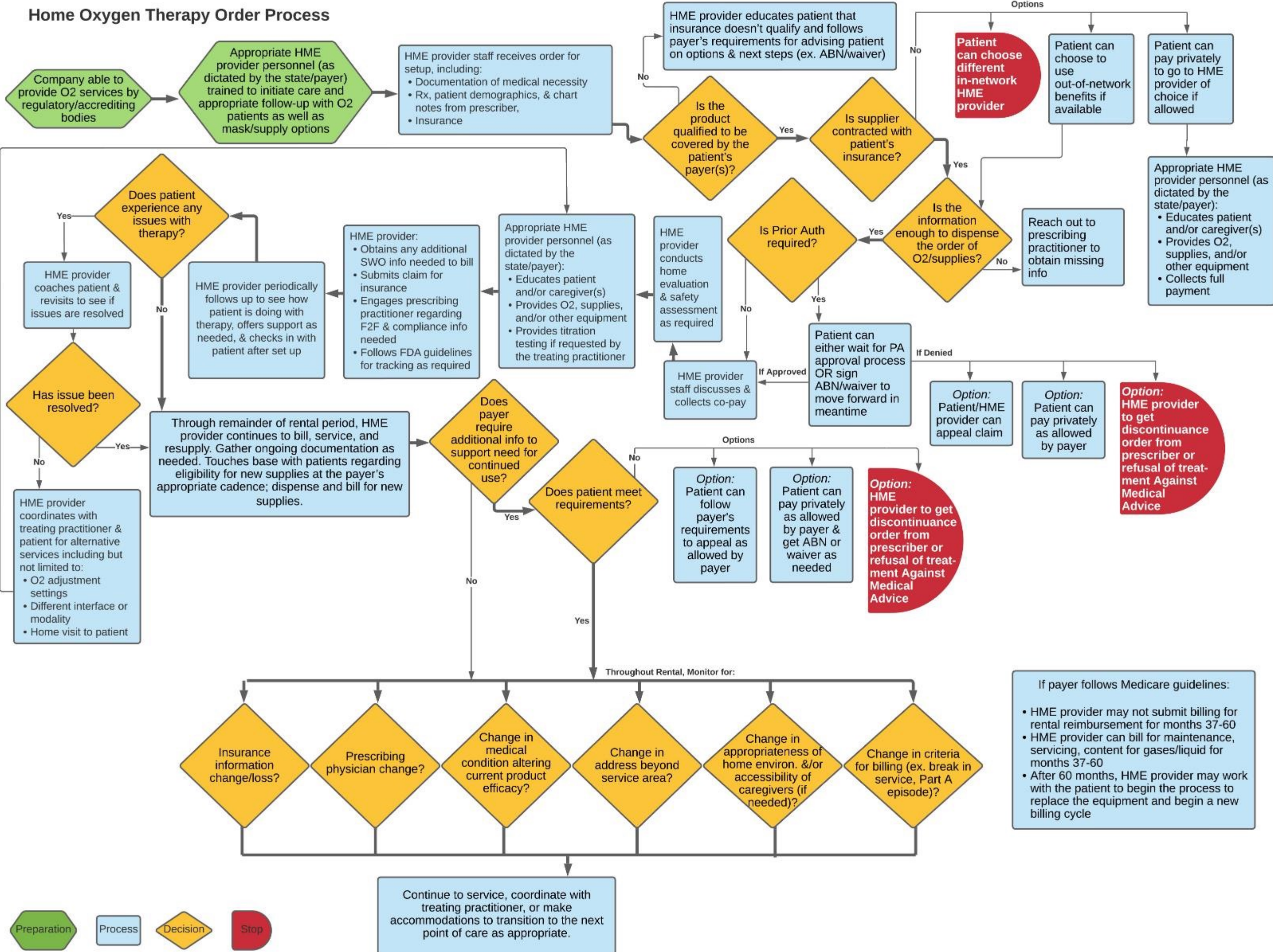
Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)



Life of an Order: O2 Equipment Process

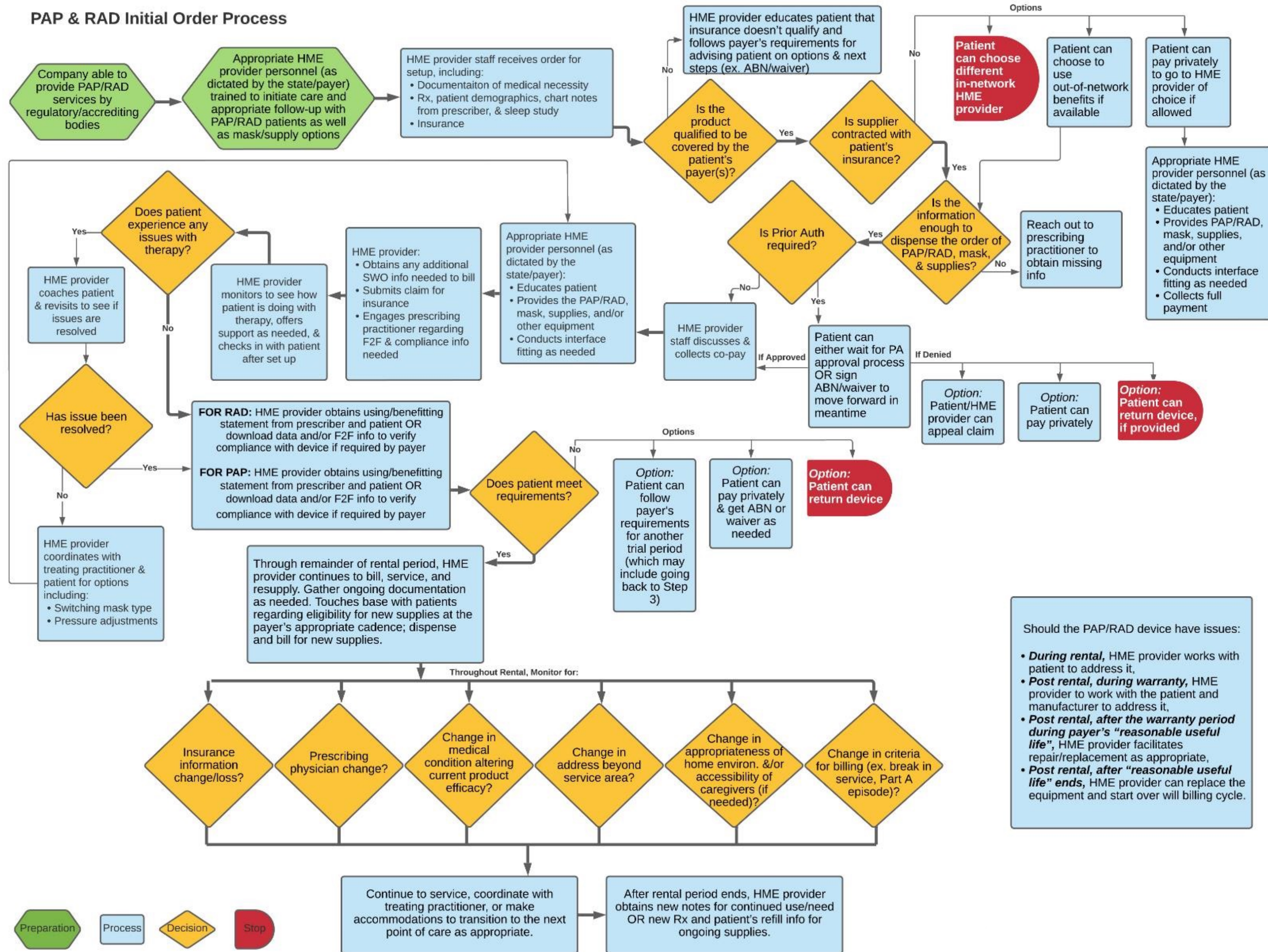


Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)

Life of an Order: CPAP & RAD Device Ordering Process



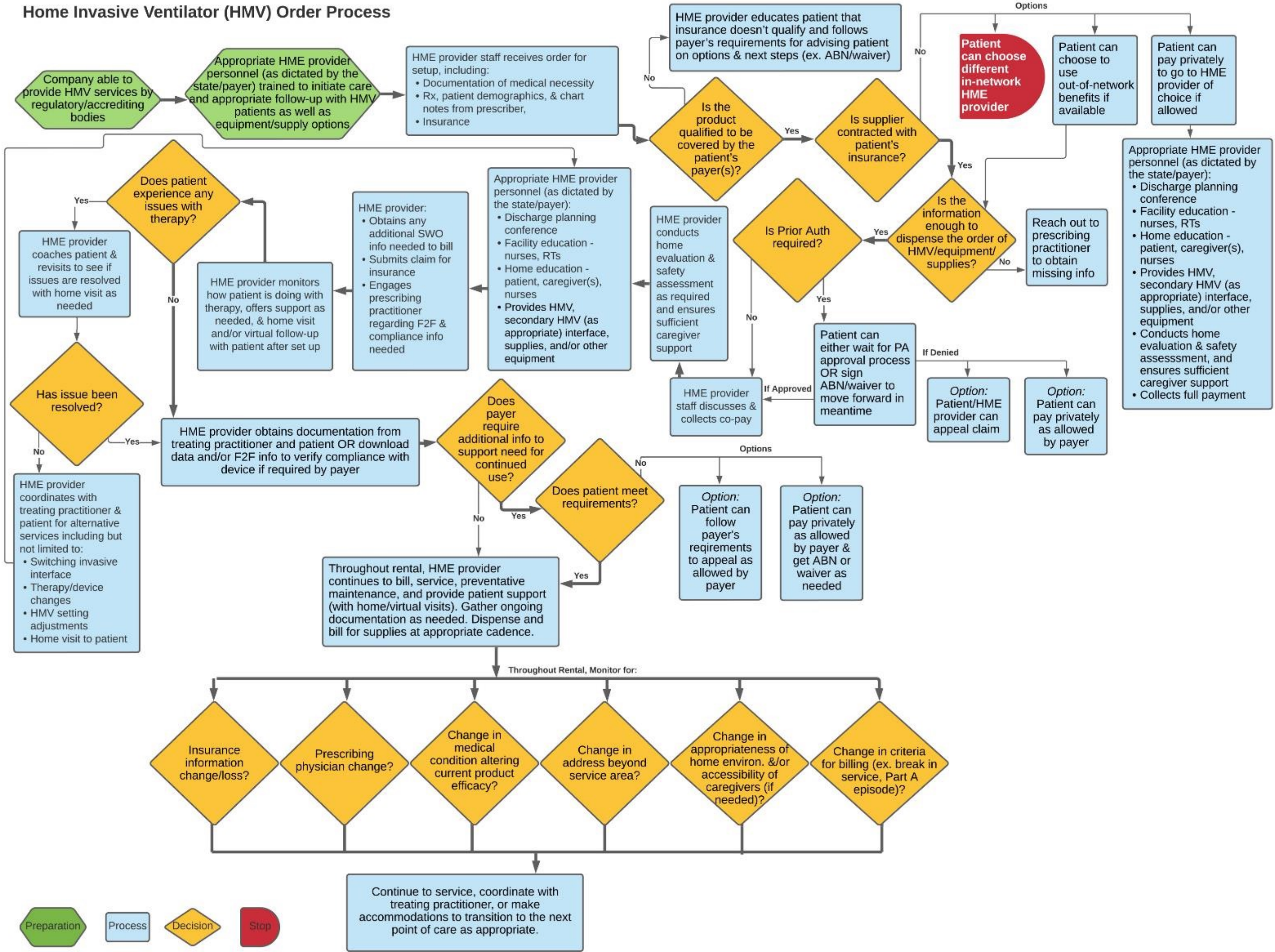
Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)

Life of an Order: Invasive Ventilator Ordering Process

Home Invasive Ventilator (HMV) Order Process

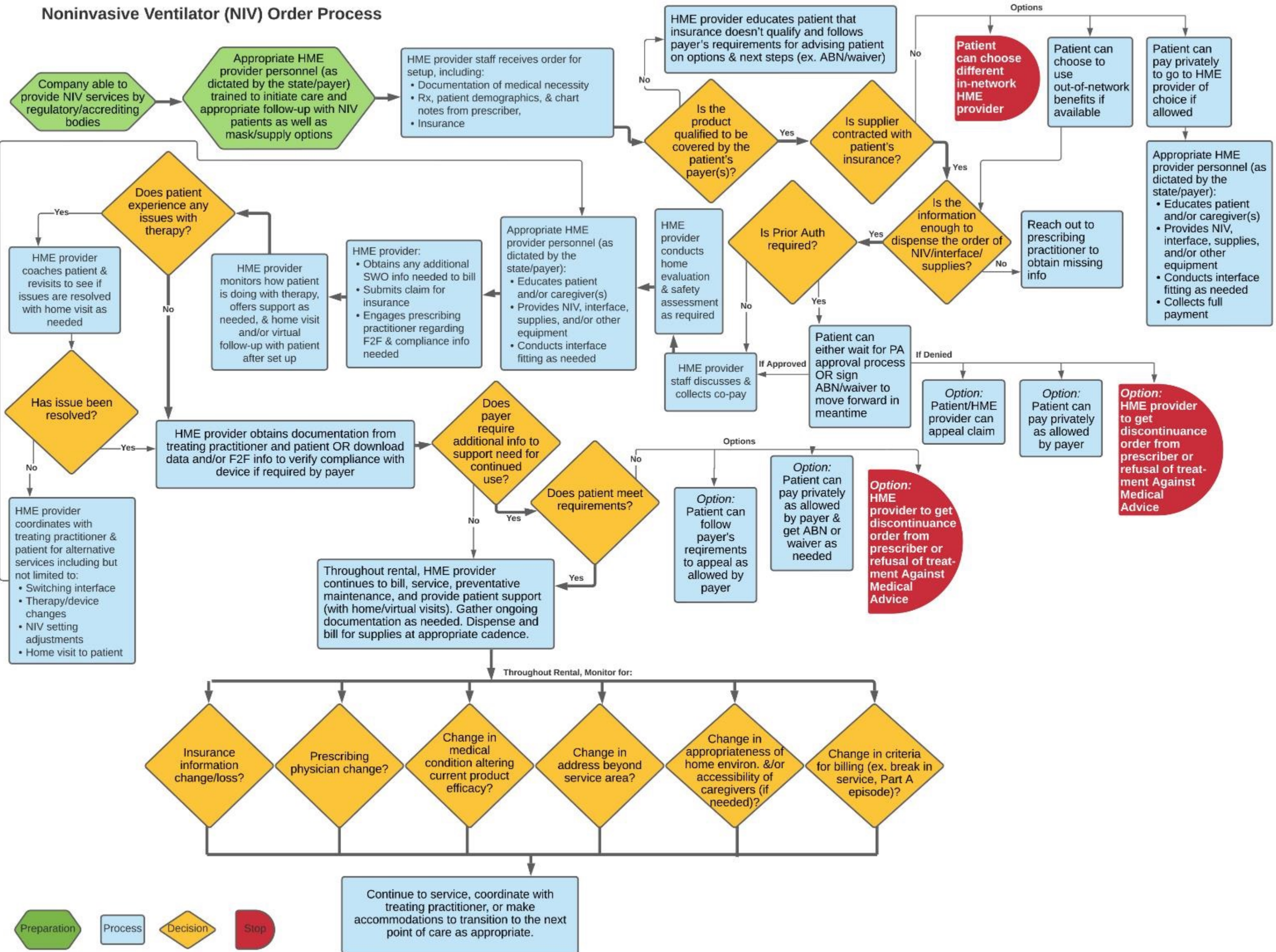


Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)

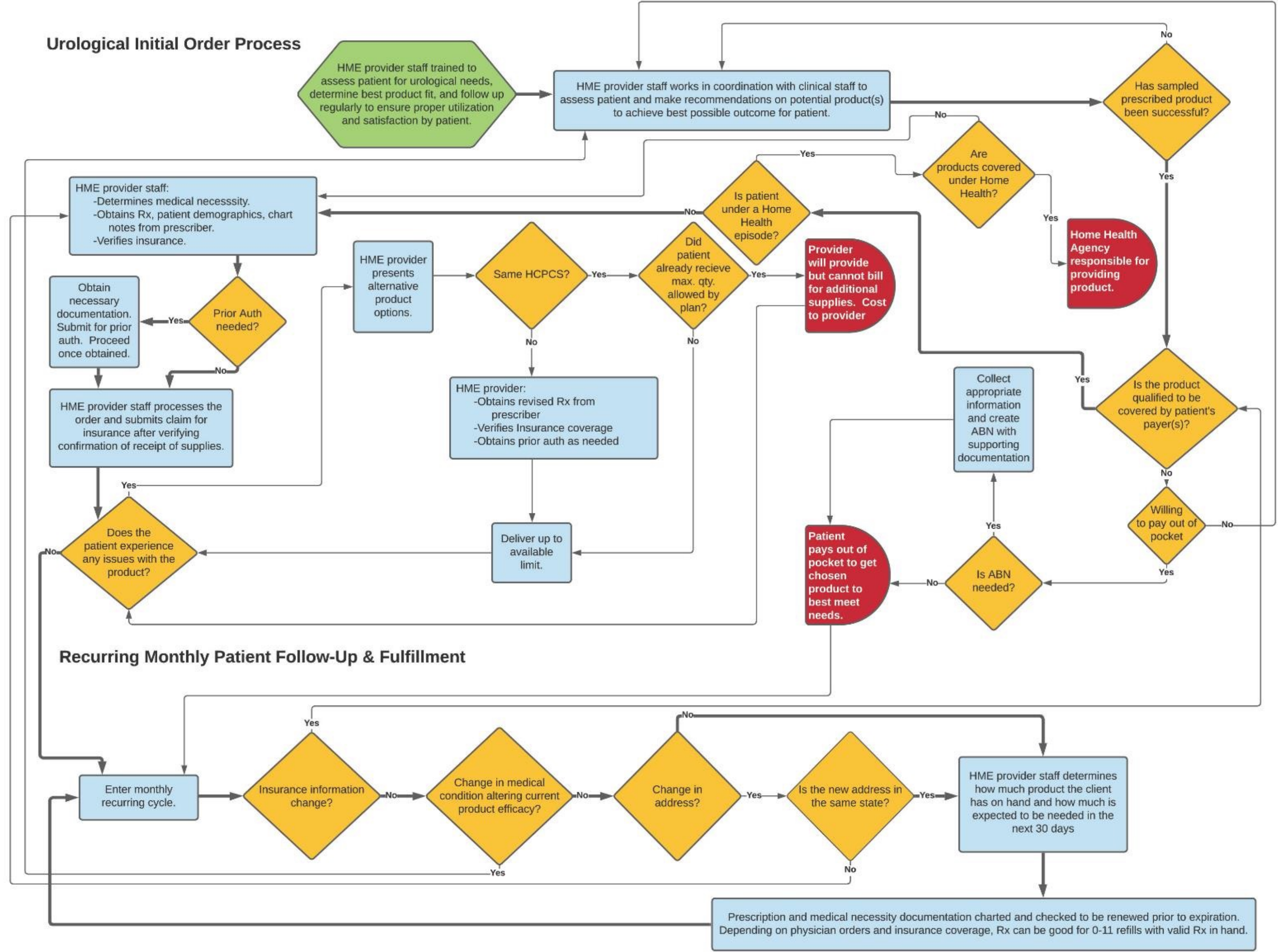
Life of an Order: Non-Invasive Ventilator Ordering Process



Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

- [HME Provider] Insights:**
- Typical # of hours to complete an order
 - Average # of calls to referral to get needed information
 - (other info as needed)

Life of an Order: Urological Supplies Ordering Process

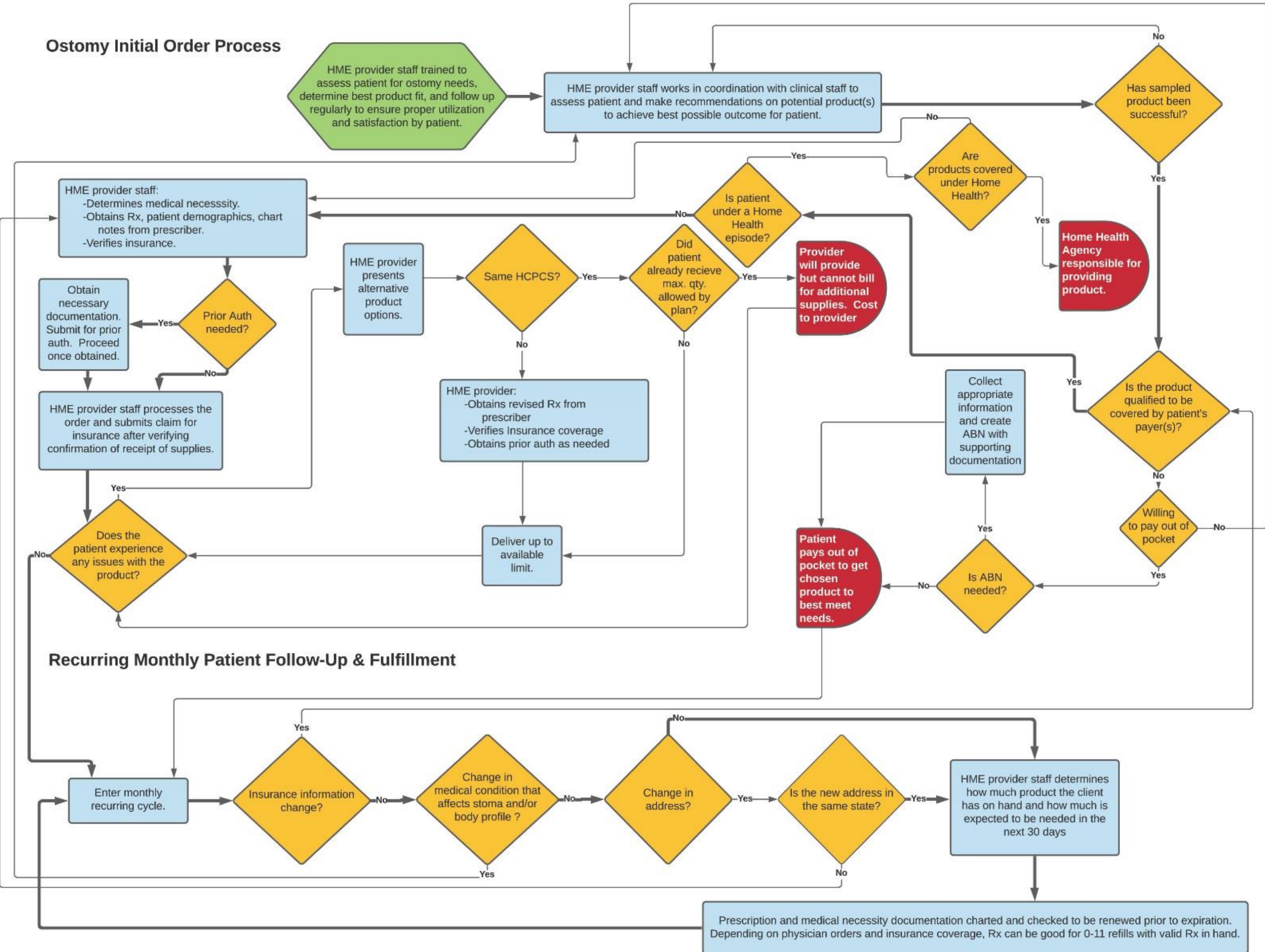


Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

- [HME Provider] Insights:**
- Typical # of hours to complete an order
 - Average # of calls to referral to get needed information
 - (other info as needed)



Life of an Order: Ostomy Ordering Process



Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

- [HME Provider] Insights:**
- Typical # of hours to complete an order
 - Average # of calls to referral to get needed information
 - (other info as needed)

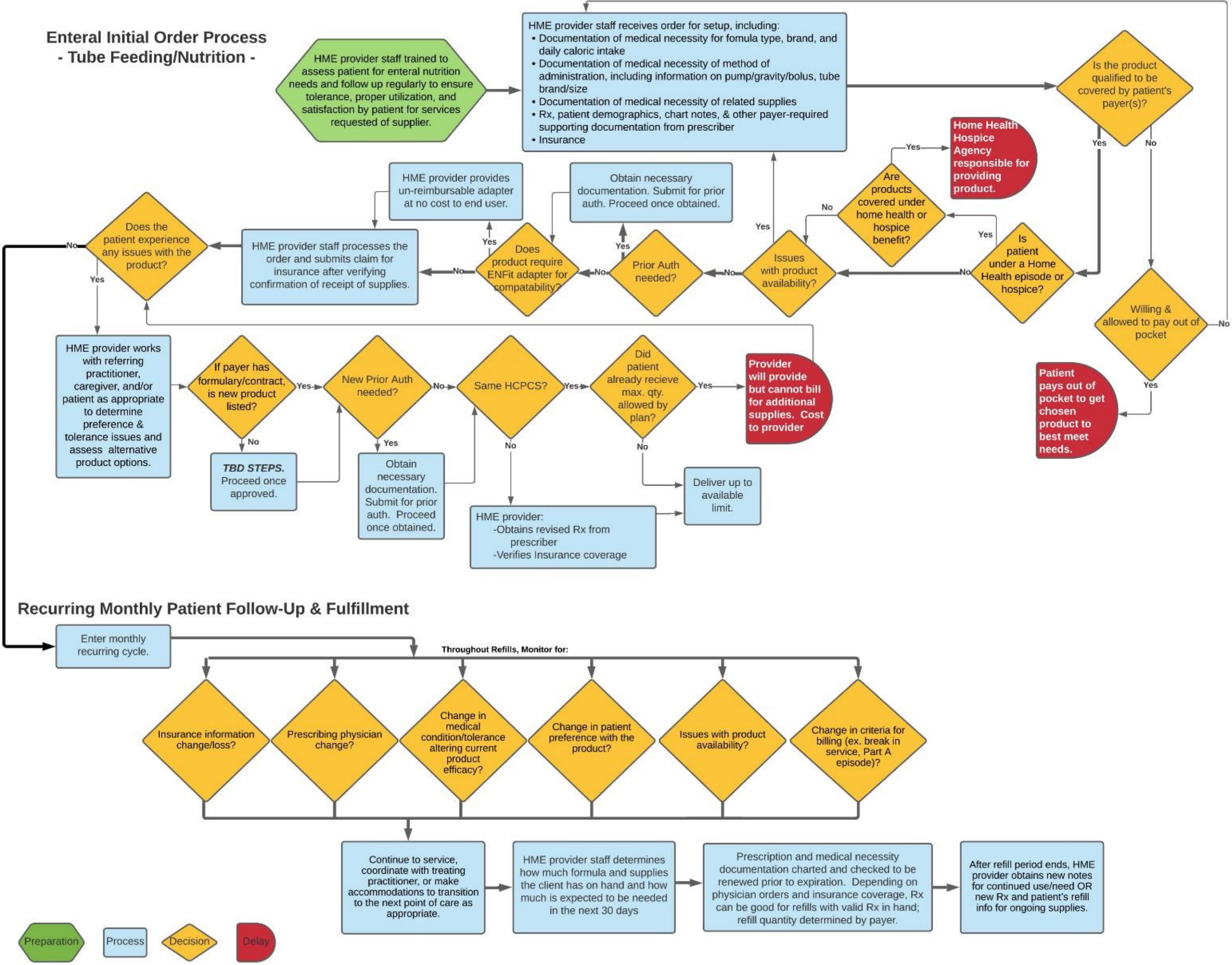


Life of an Order: Enteral Feeding/Nutrition Ordering Process

Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)

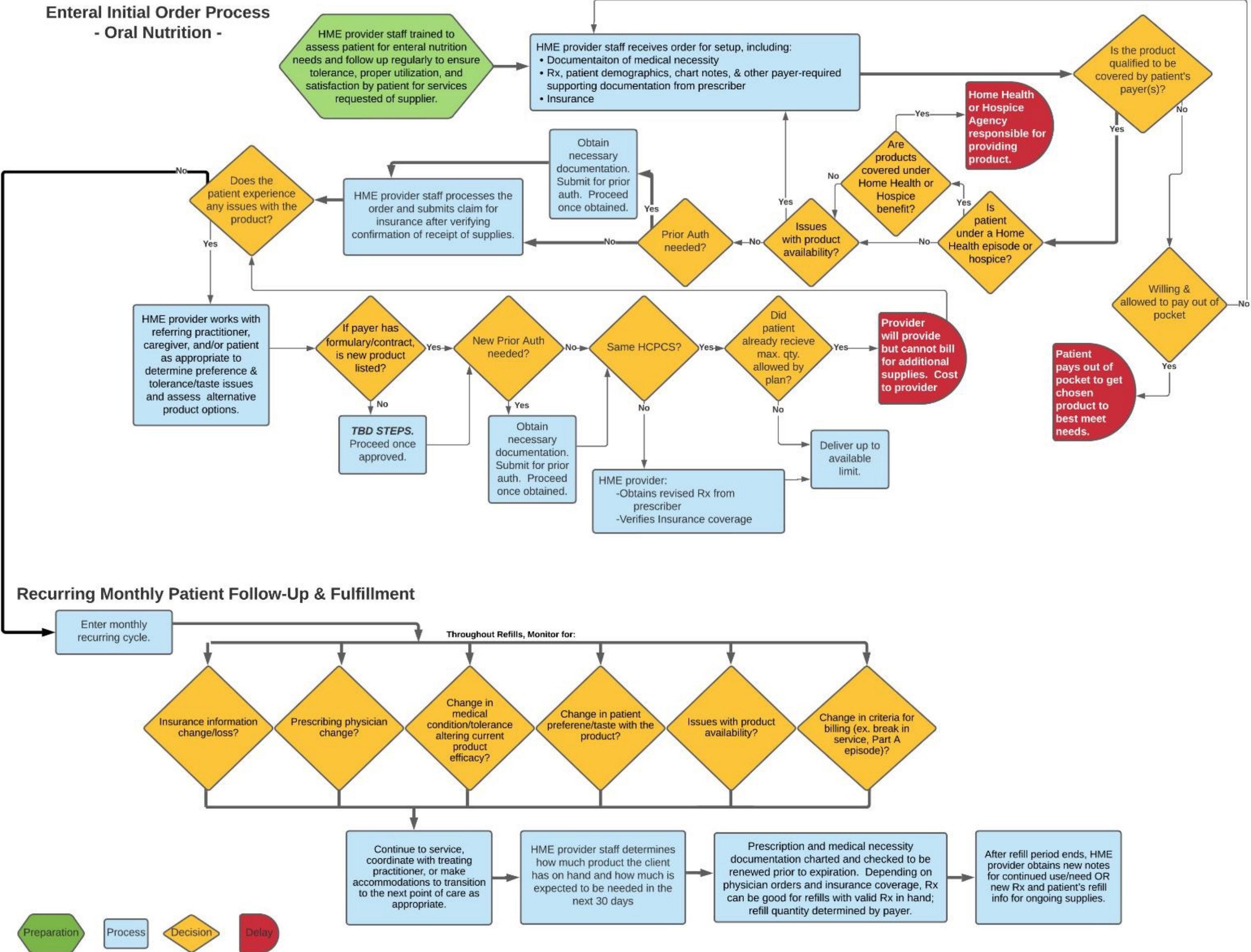


Life of an Order: Oral Enteral Nutrition Ordering Process

Unlike a cash/Amazon transaction, HME suppliers have multiple steps to comply with payer requirements to fulfill the order.

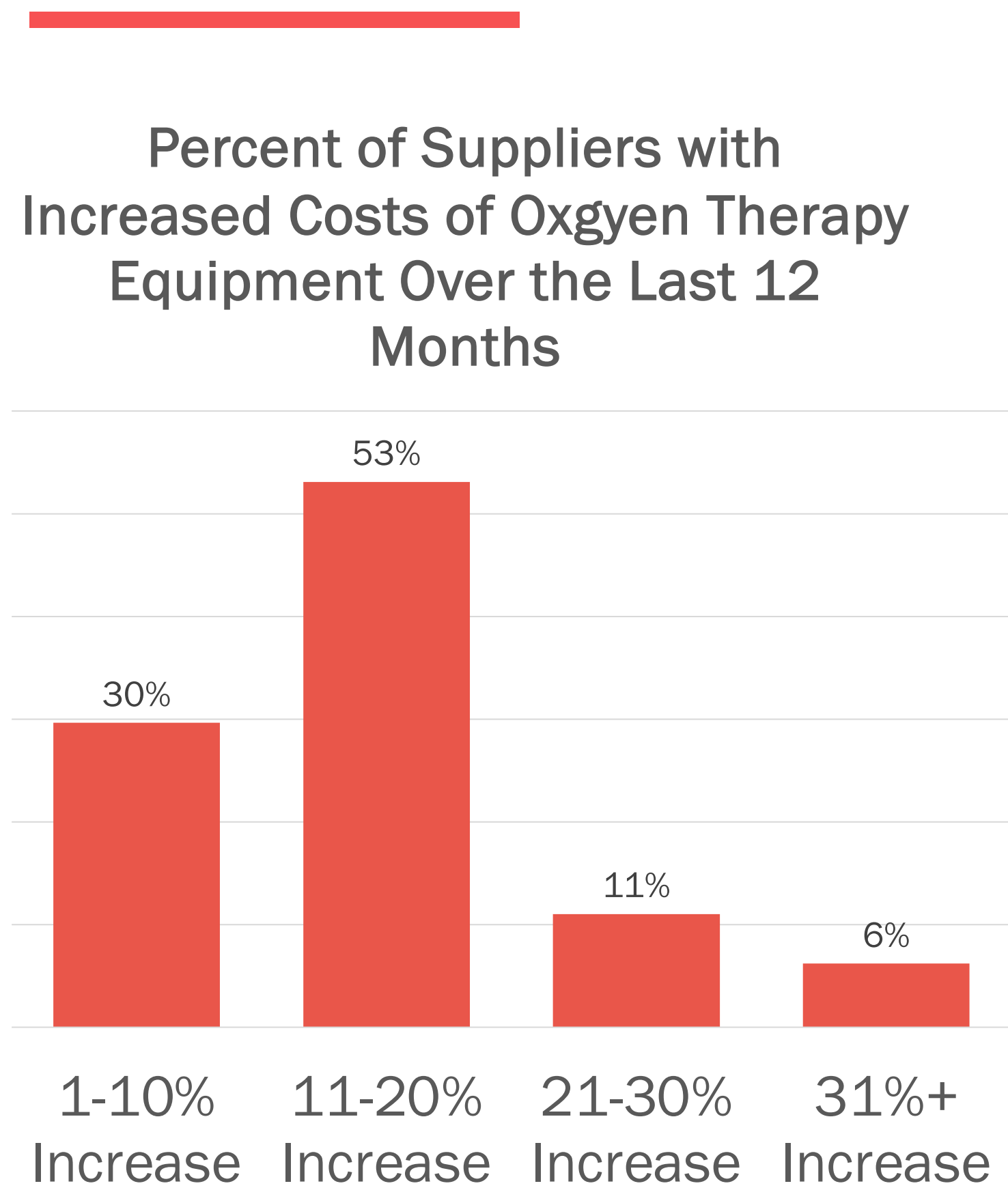
[HME Provider] Insights:

- Typical # of hours to complete an order
- Average # of calls to referral to get needed information
- (other info as needed)



Appendix : COG Increases from Infographics

Home Oxygen Therapy COG Increases

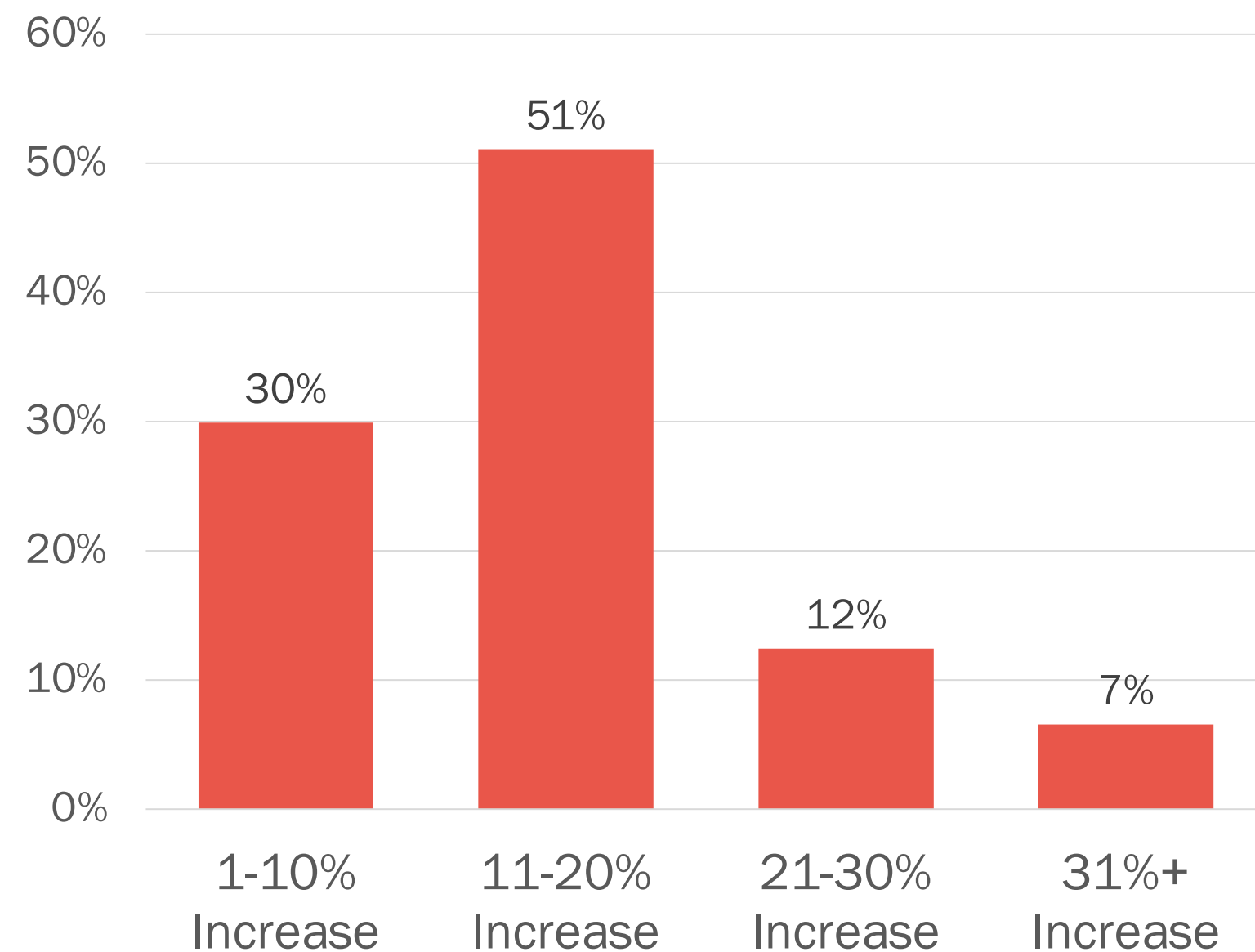


Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME O2 therapy providers indicated significant product cost increases; 64% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate enteral nutrition & supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

CPAP COG Increases

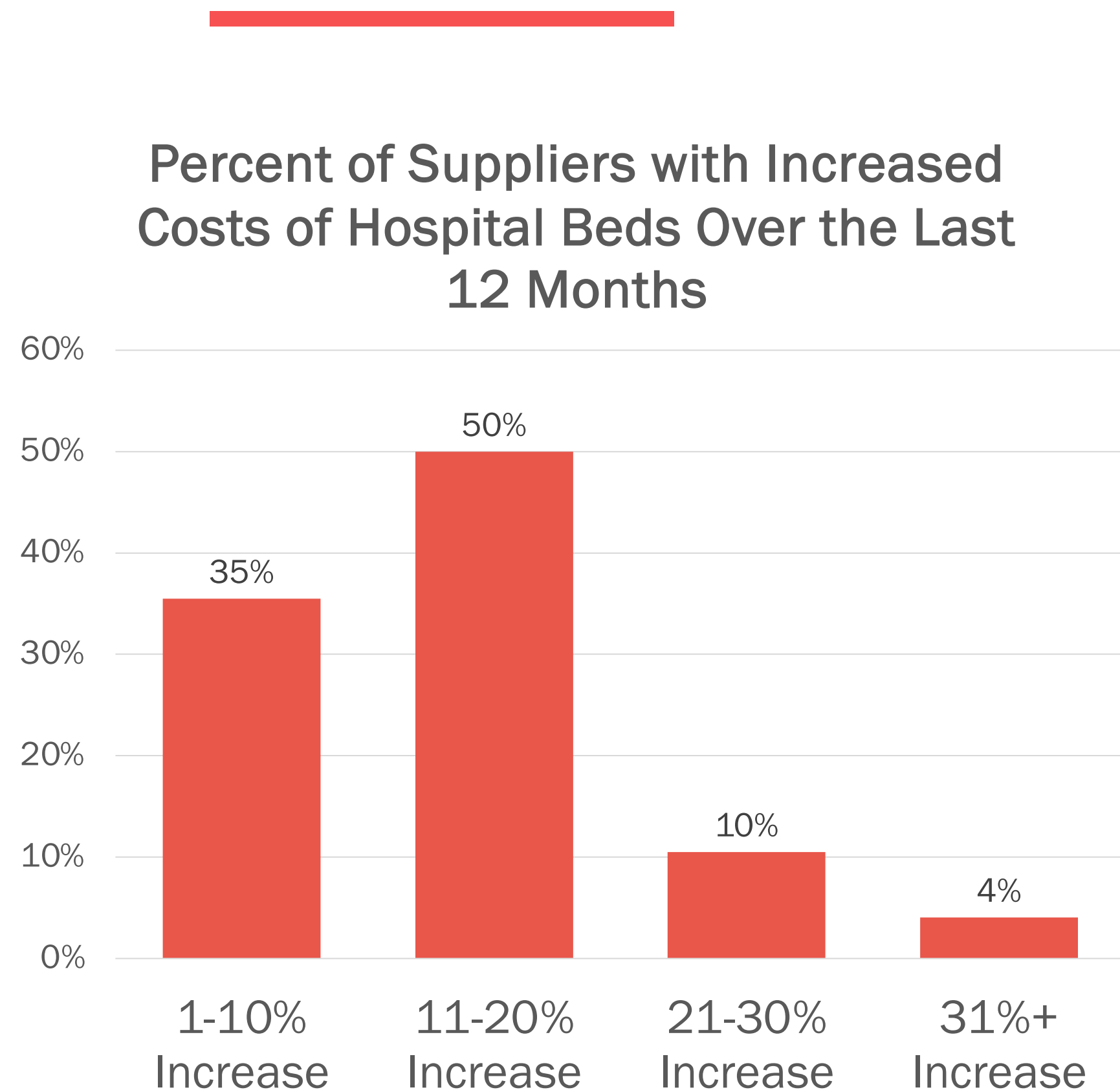
Percent of Suppliers with Increased Costs of CPAP Devices Over the Last 12 Months



Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME CPAP providers indicated significant product cost increases; 72% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate enteral nutrition & supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

Hospital Bed COG Increases

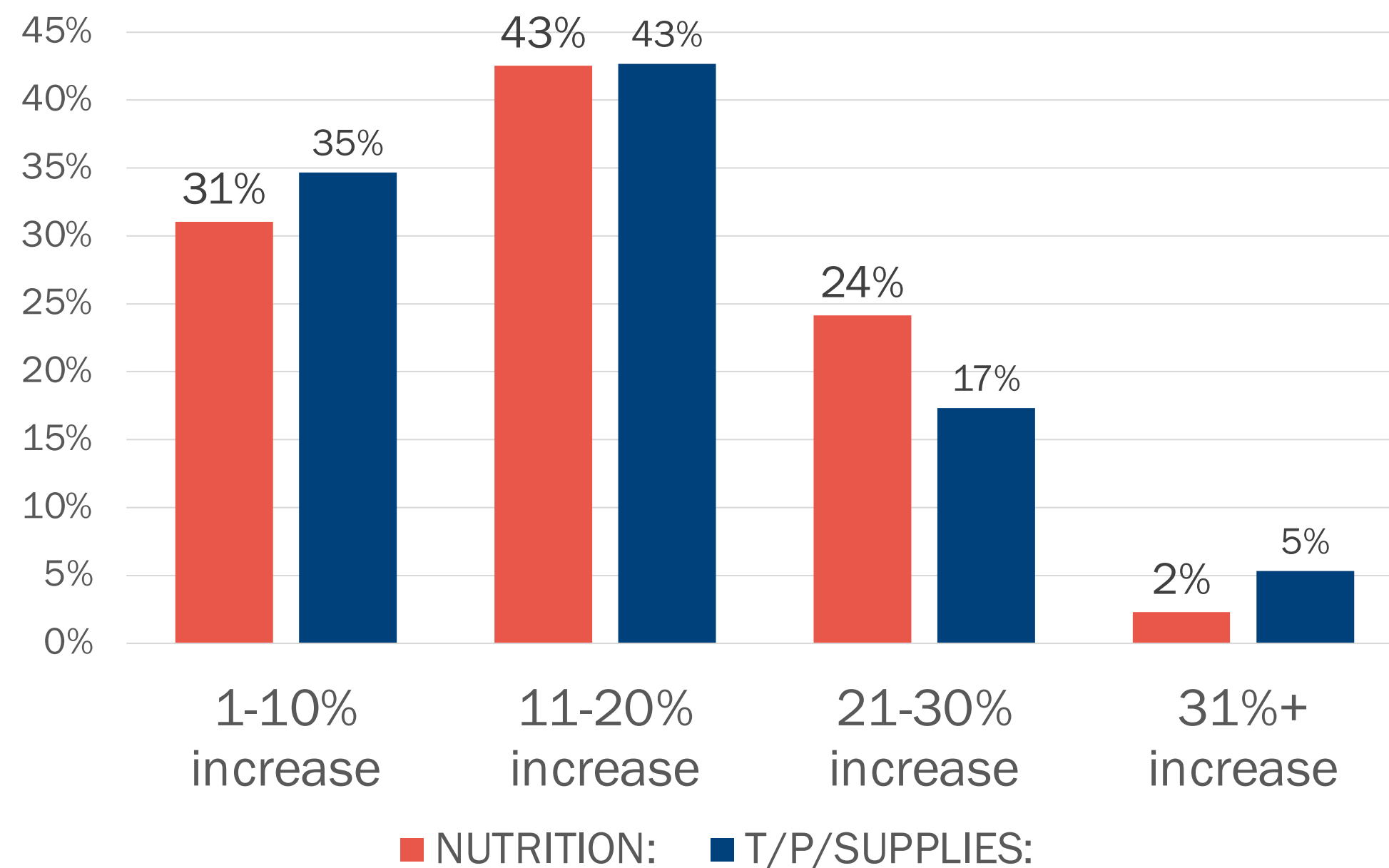


Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME hospital bed providers indicated significant product cost increases; 57% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate enteral nutrition & supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

Enteral Nutrition, Tubes, Pumps, & Supplies COG Increases

Percent of Suppliers with Increased Costs of Enteral Nutrition Products Over the Last 12 Months

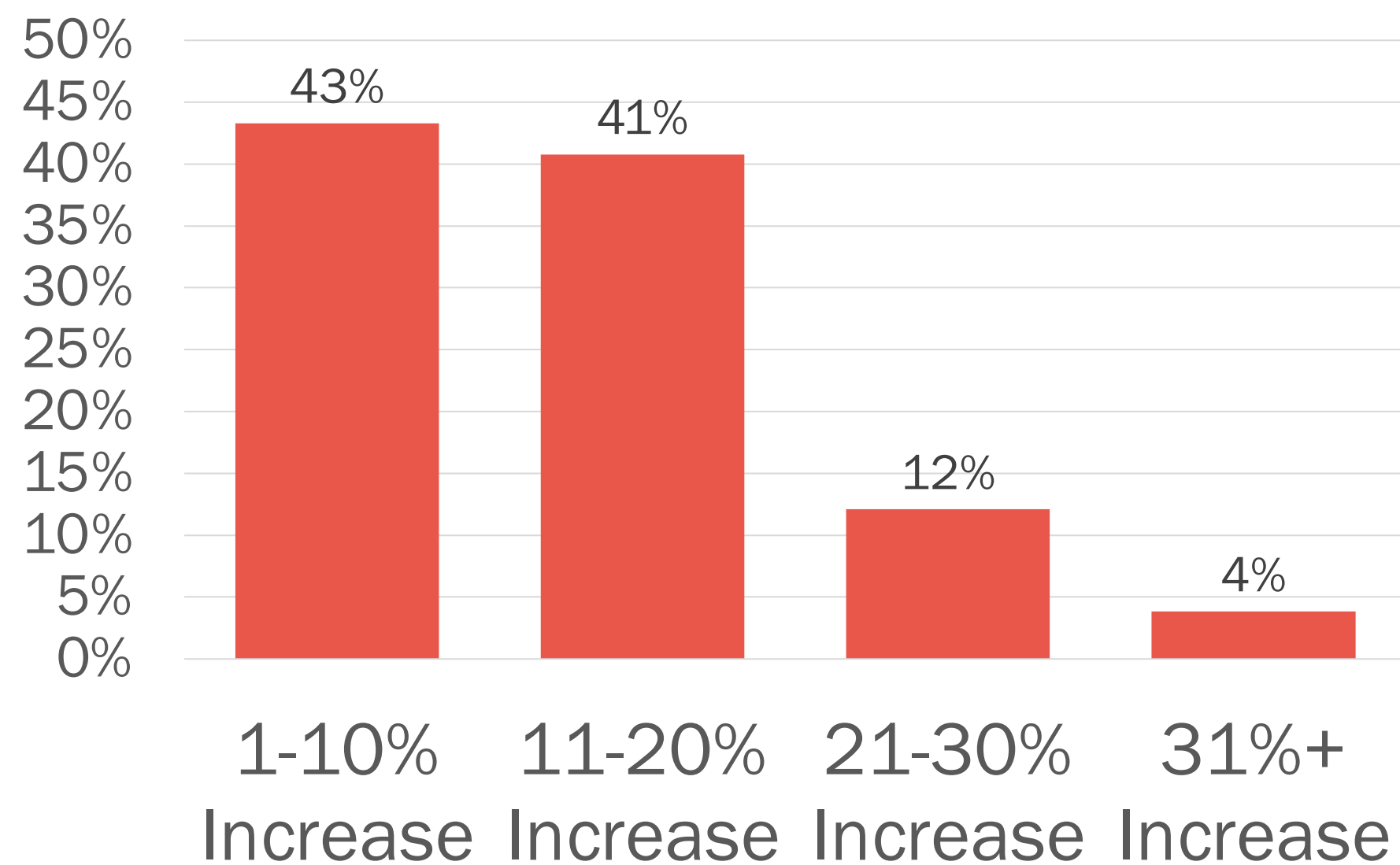


Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME enteral nutrition providers indicated significant product cost increases; 75% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate enteral nutrition & supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

Urology and Ostomy Supplies COG Increases

Percent of Suppliers with Increased Costs of Ostomy/Urological Products Over the Last 12 Months



Challenges with Cost of Good Increases

- Supply chain constraints and access to raw materials during and after the pandemic have accelerated increases in cost of goods far above normal inflation.
- A 2023 nationwide survey of HME ostomy/urological providers indicated significant product cost increases; 61% also reported that their manufacturers/distributors have projected additional price increases this year.
- When the HME provider is limited by reimbursement, it may become cost-prohibitive to provide the most clinically appropriate ostomy and urological supplies to those who need them and/or force the HME provider to seek out less costly alternatives which may not be the ideal solution for the end user.

HME Provider COGs View

PURPOSE: To help illustrate a historical perspective of the acquisition cost of items. Cost of items reflects the direct cost of the item across spans of time.

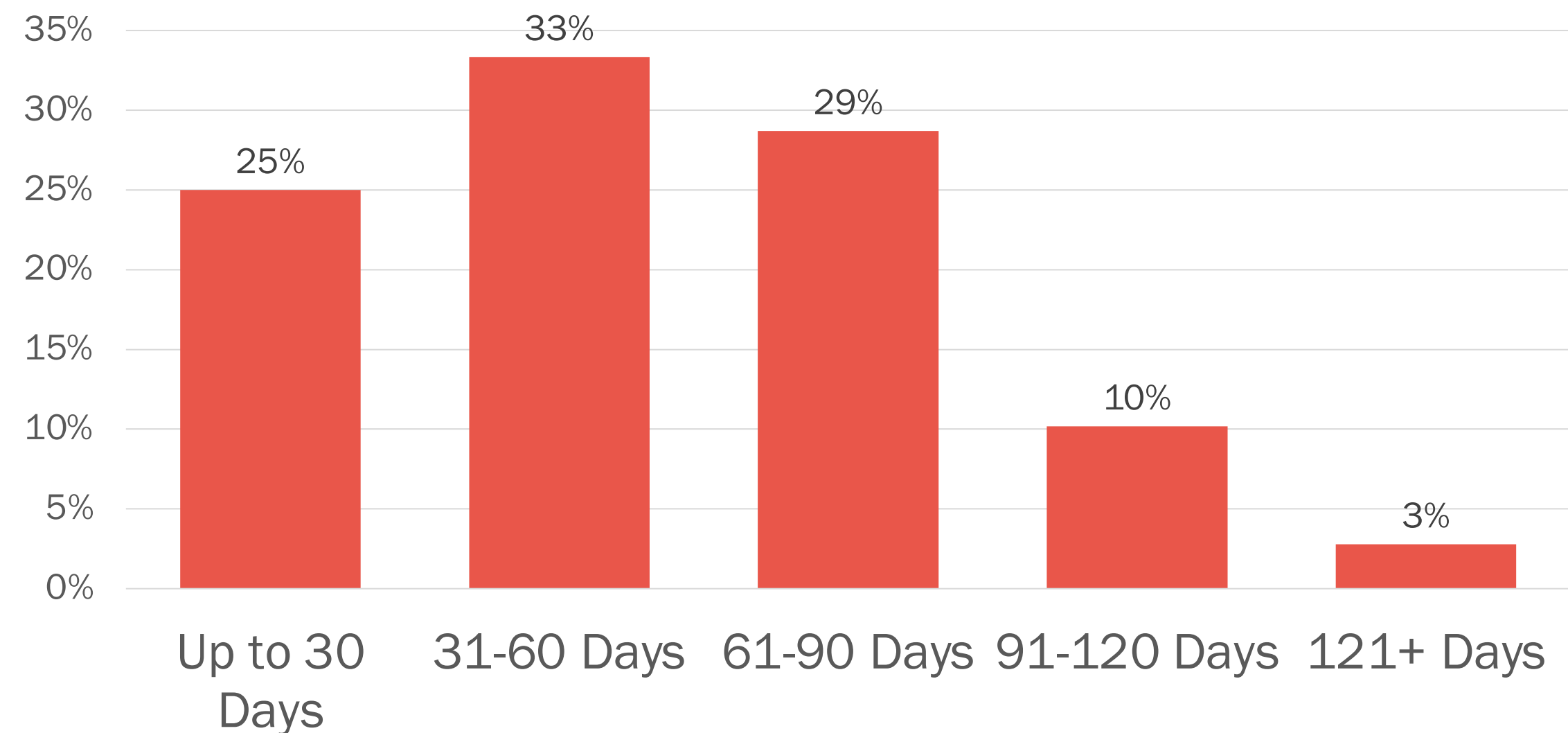
TIP: Columns can be removed dependent on availability of data and HME Provider preference; may choose to only share the % increase and/or modify the lookback period.

HCPCS:	Dec 2019	Jul 2021	Current
AVG Cost of the Product			
% Cost of the Product Increase			
Fee Schedule			
% Fee Schedule Increase			

**call out if fee schedule increases were only caused by annual inflation increase*

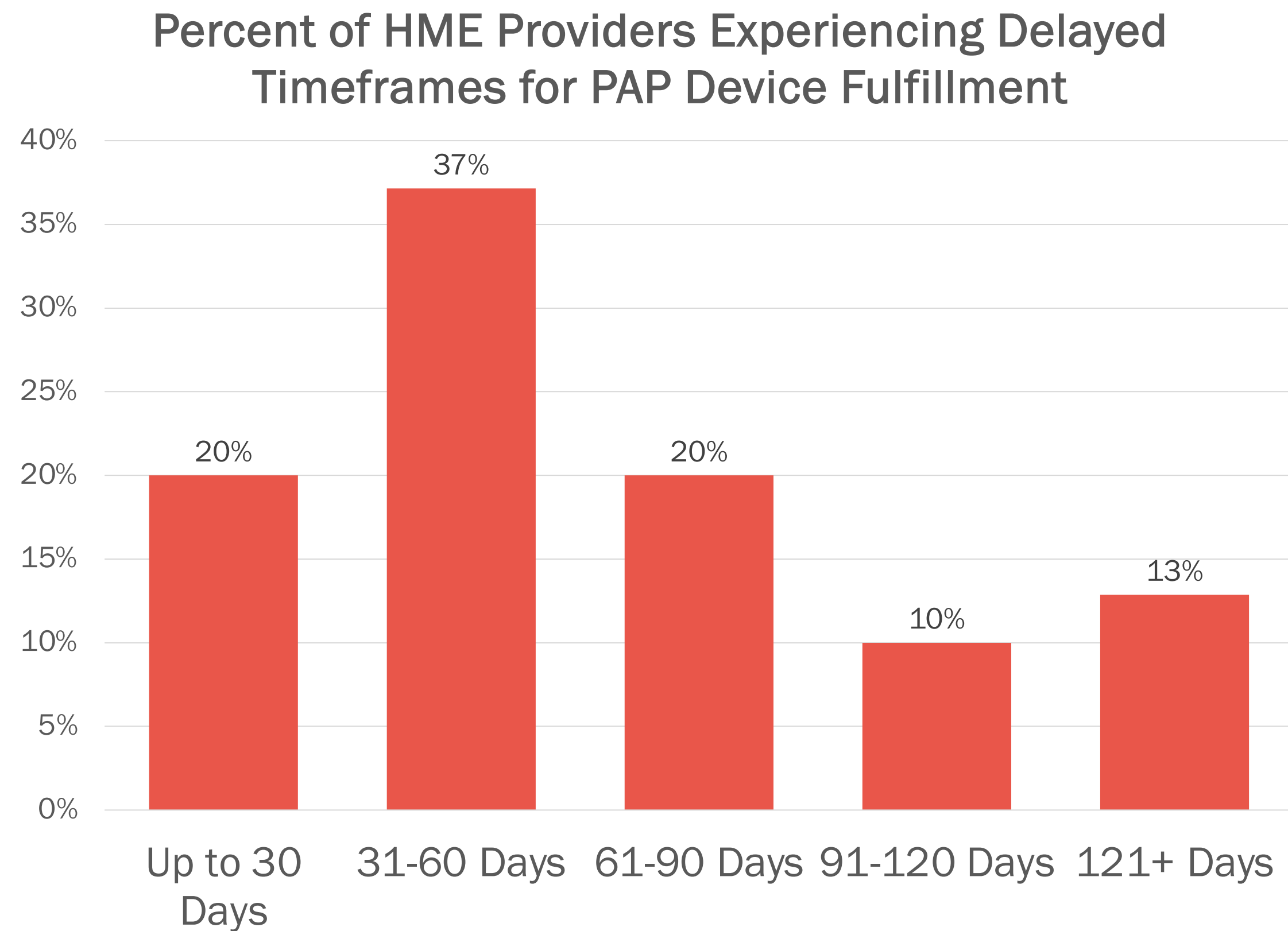
Supply Chain Constraints: Oxygen Equipment

Percent of HME Providers Experiencing Delayed Timeframes for O2 Equipment Fulfillment



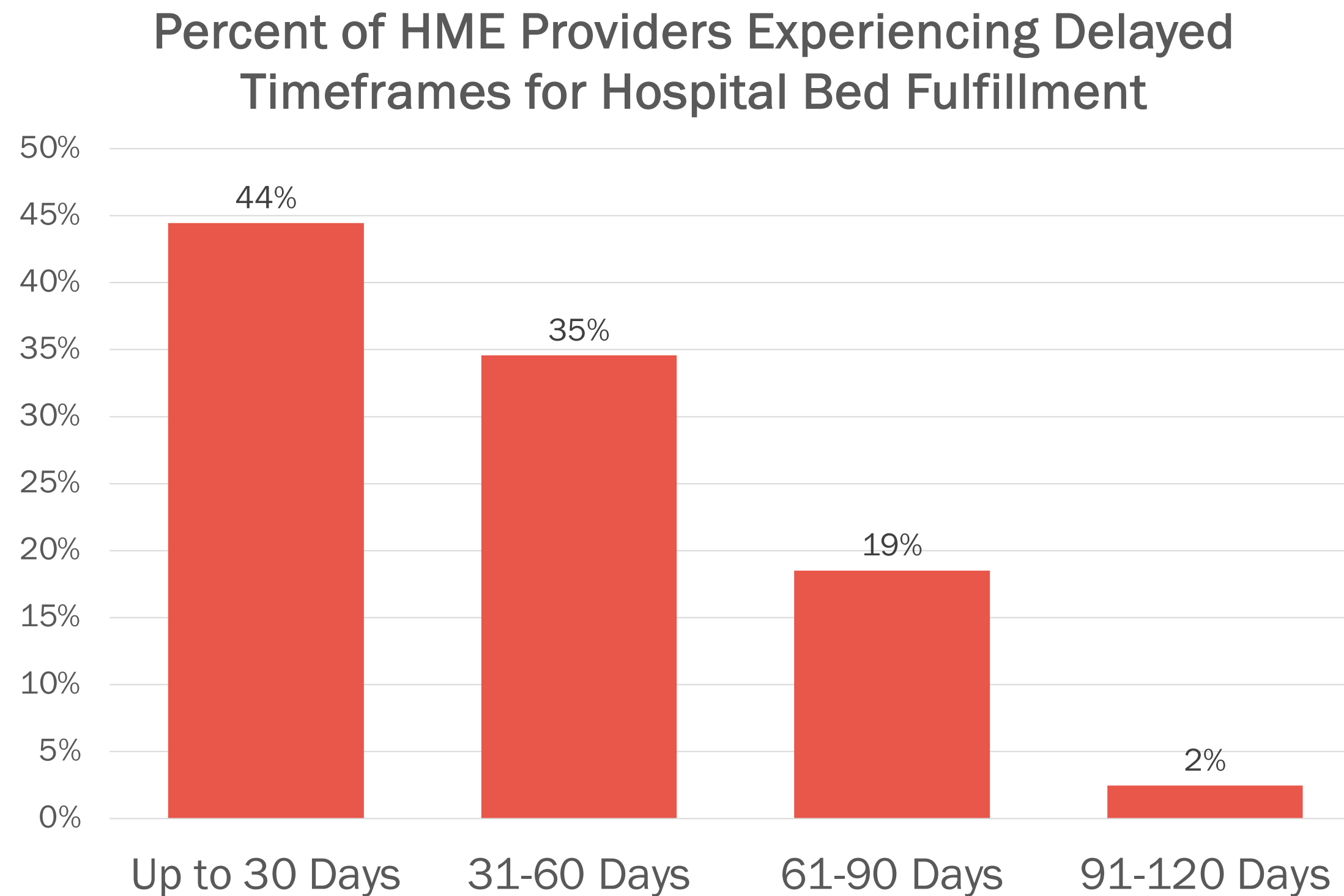
- **68%** of HME providers of home oxygen therapy equipment experienced a supply chain disruption in the last 12 months
- **HME Provider Direct Stats** (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

Supply Chain Constraints: CPAP Devices



- **90%** of HME providers of CPAP devices experienced a supply chain disruption in the last 12 months
- **HME Provider Direct Stats** (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

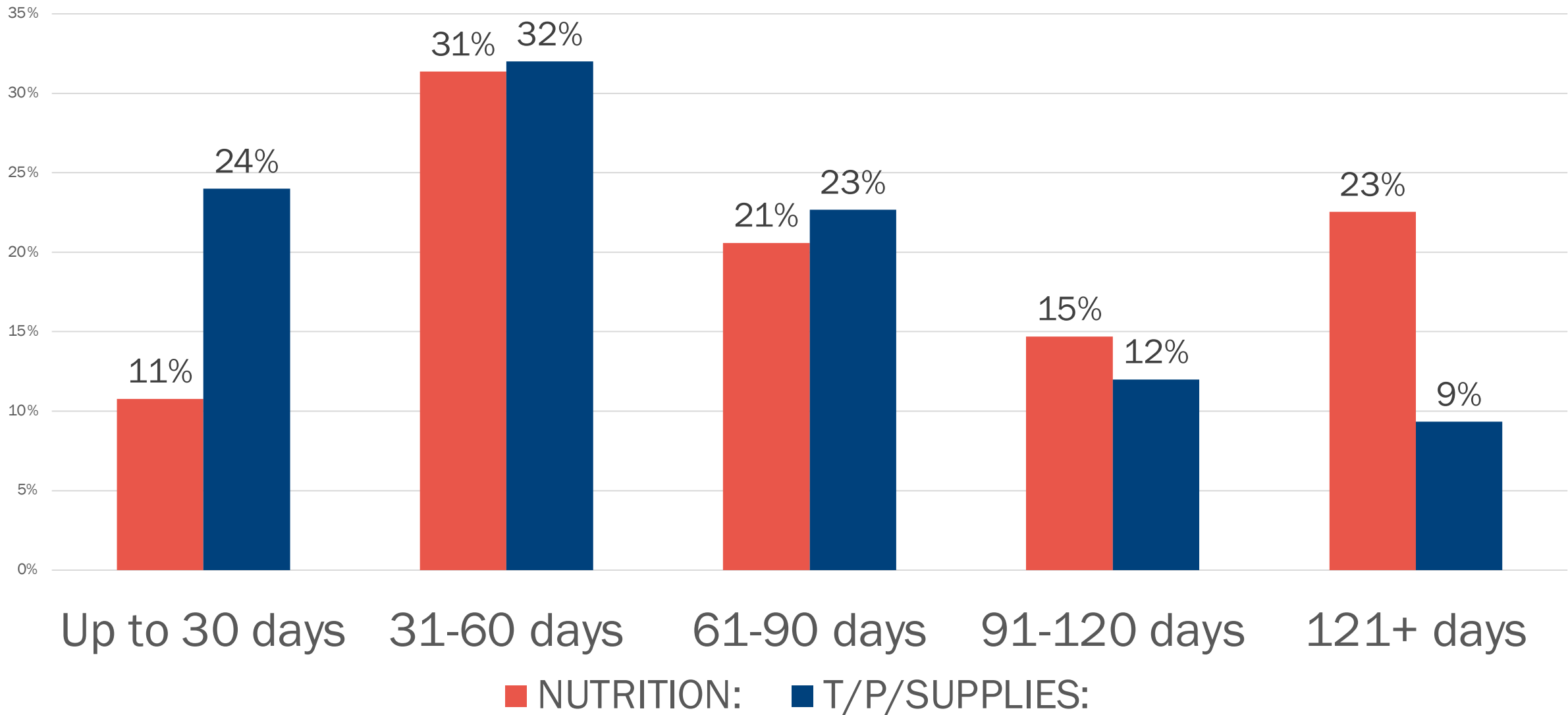
Supply Chain Constraints: Hospital Bed



- 56% of HME providers of hospital beds experienced a supply chain disruption in the last 12 months
- HME Provider Direct Stats (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

Supply Chain Constraints: Enteral Nutrition, Tubes, Pumps & Supplies

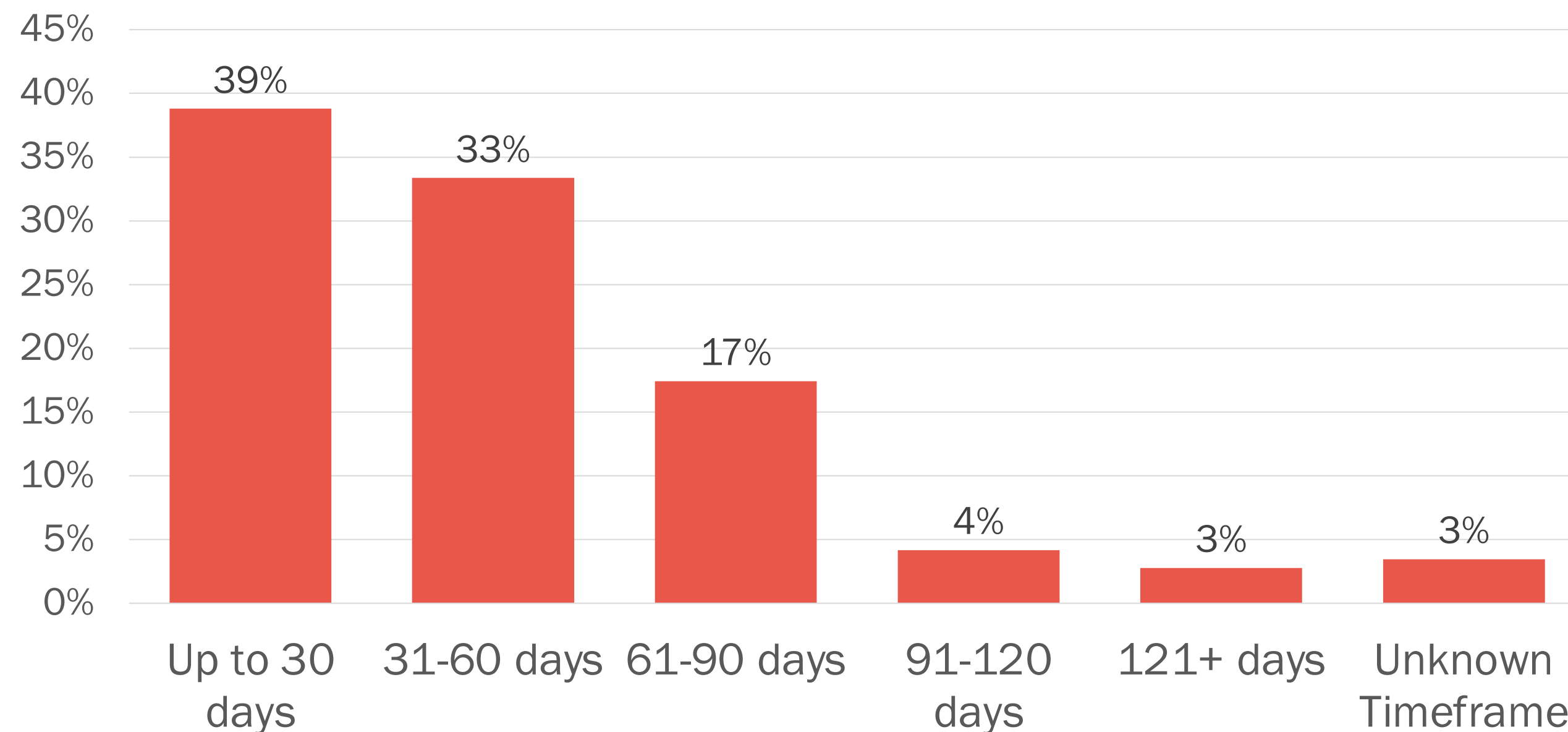
Percent of HME Providers Experiencing Delayed Timeframes for Enteral Nutrition & Supplies Order Fulfillment



- 100% of HME providers of enteral nutrition & supplies experienced a supply chain disruption in the last 12 months
- HME Provider Direct Stats (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

Supply Chain Constraints: Ostomy/Urology Supplies

Percent of HME Providers Experiencing Delayed Timeframes for Ost/Uro Order Fulfillment



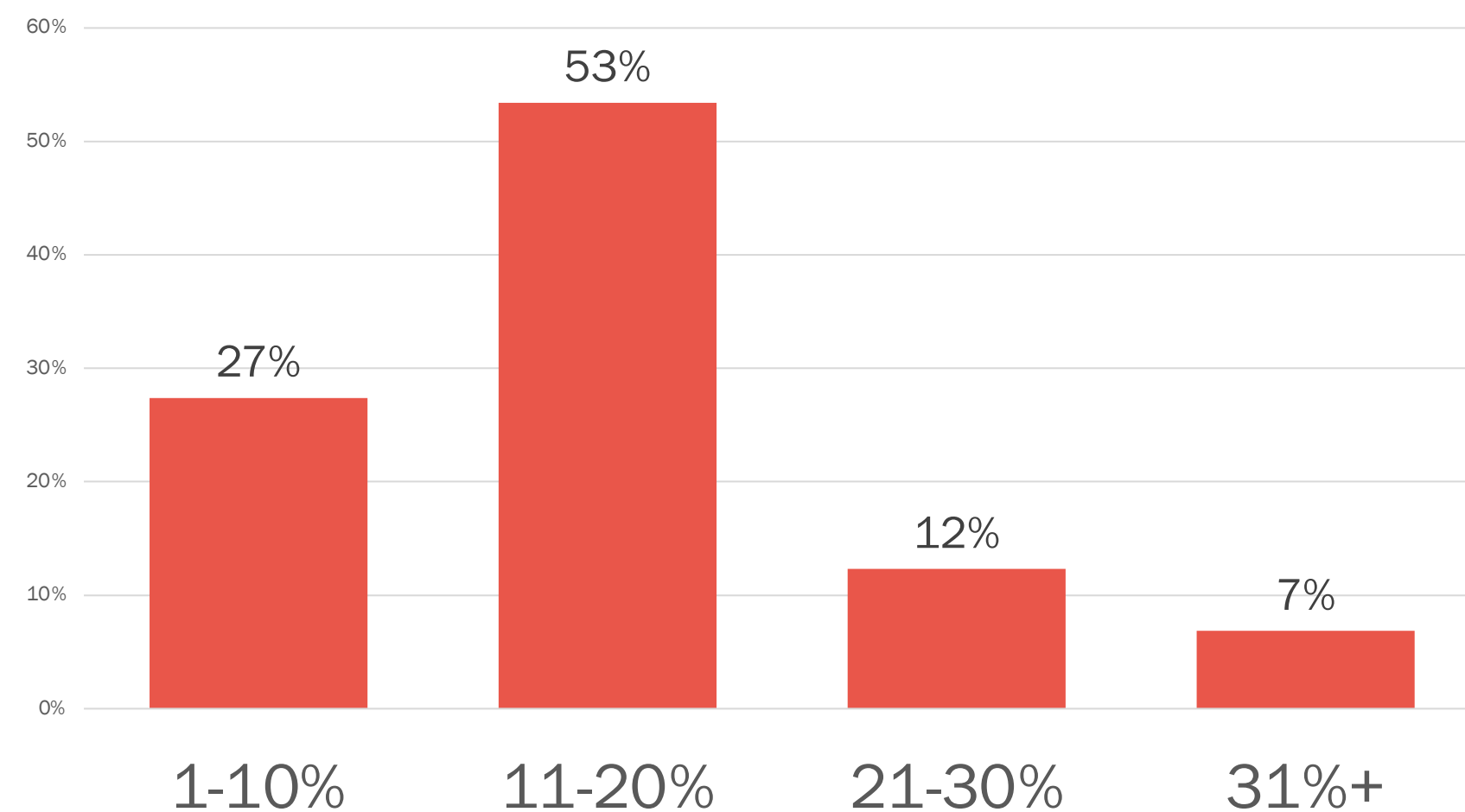
- **84%** of HME providers of ostomy/urological supplies experienced a supply chain disruption in the last 12 months
- **HME Provider Direct Stats** (if helpful to include in addition to Industry stats, such as backorders, order cancellations, double shipments to fulfill order, etc)

Appendix : Labor Cost Increases

Increase in Enteral Nutrition Companies' Labor Costs



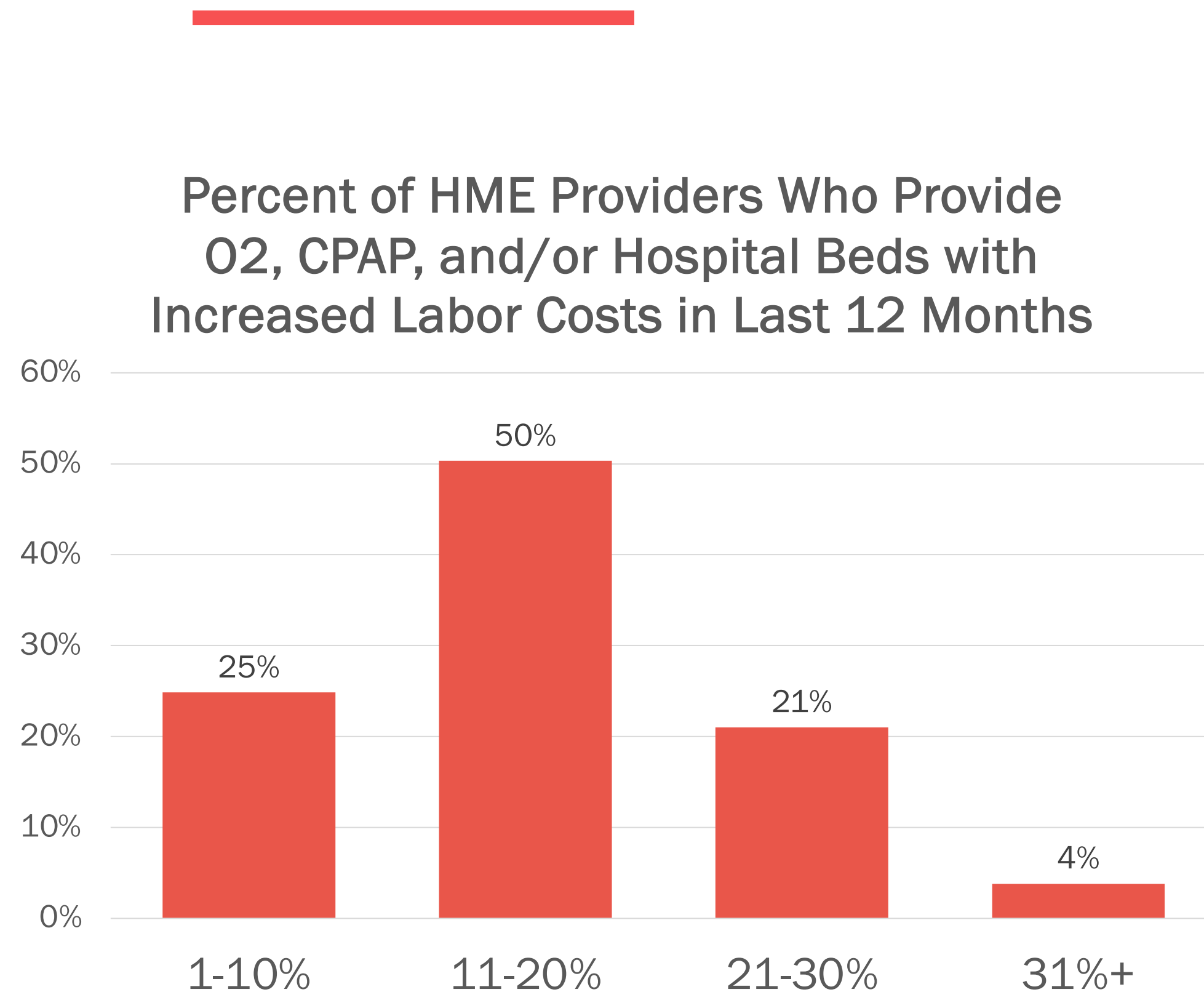
Percent of HME Providers Who Provide Enteral Nutrition & Supplies with Increased Labor Costs in Last 12 Months



Sources of Increased Labor Expenses:

- Staying competitive from a wage perspective within the market and also accounting for inflationary cost-of-living adjustments.
- Personnel time required to fulfill orders and submit claims due to sourcing alternative products, obtaining information needed from prescriber, etc.
- Extensive training required for new staff, taking 6+ months on average.
- Staffing shortages leading to overtime payment and staff burnout.

Increase in HME Companies' Labor Costs



Sources of Increased Labor Expenses:

- Staying competitive from a wage perspective within the market and also accounting for inflationary cost-of-living adjustments.
- Personnel time required to fulfill orders and submit claims due to sourcing alternative products, obtaining information needed from prescriber, etc.
- Extensive training required for new staff, taking 6+ months on average.
- Staffing shortages leading to overtime payment and staff burnout.