



Survey Results & Analysis
for
2013 HME Financial Benchmarking Survey

Executive Summary

This report contains a detailed statistical analysis of the results to the survey titled *2013 HME Financial Benchmarking Survey*. The results analysis includes answers from all respondents who took the survey in the 63 day period from Thursday, May 02, 2013 to Wednesday, July 03, 2013. 146 completed responses were received to the survey during this time.

Survey Results & Analysis

1) What is your primary business type?

Response	Percent
HME rental/sales (including oxygen)	64.5%
Rehabilitation Technology Supplier (complex rehab)	6.4%
Pharmacy with HME	9.2%
Hospital owned or affiliated HME	9.2%
Sleep specialty business	1.4%
Other (please specify)	9.2%

Other Responses:

HME - Medical Supply
HME Excluding Oxygen & Diabetic Supplies
Disposables, ostomy, urologicals, wound
DME
consumer power and repairs
TENS and muscle stims only
Manufacturing
Manufacturer and supplier to HME
HME, Rehab, Prosthetics & Orthotics
DME
HME No Oxygen
HME sales/ excluding oxygen
HME/DME NON-OXYGEN
Mobility access ability
HME rental/sales (no oxygen)
Supplies

2) What were the following for your latest fiscal year?

Net collectible revenues - rentals	Net collectible revenues - sales	Cost of sales	Operating expenses	Operating profit before interest & depreciation (EBITDA)
\$3,031,124	\$11,807,328	\$5,017,852	\$3,972,868	\$910,972

3) How many physical locations do you serve patients from?

Response	Percent
One	52.1%
Two	17.6%
Three	10.6%
Four	4.9%
Five or more	14.8%

4) Did your total collectible HME revenues for the latest fiscal year:

Response	Percent
Decline from the prior year	29.4%
Stay approximately the same as the prior year	14.7%
Grow 1% to 10% over the prior year	30.8%
Grow 11% to 20% over the prior year	14.0%
Grow more than 20% over the prior year	11.2%

5) Please provide your percentage of revenues by payer type for the latest fiscal year (must total 100%):

Medicare	Medicaid	Managed care	Other insurance	SNF/hospice	Patient paid
35.09%	15.77%	14.11%	17.24%	4.4%	13.48%

6) Which of the following payer types increased (as a percentage of your total revenues) in the latest fiscal year? (Select all that apply.)

Response	Percent
Medicare	27.4%
Medicaid	32.2%
Managed care	37.0%
Other insurance	37.7%
SNF/hospice	18.5%
Patient paid	37.0%

7) Please provide your percentage of net revenues by product line for the latest fiscal year (must total 100%):

Oxygen	Sleep	Bed and wheelchair rentals	Supplies (diabetic, ostomy, wound care, enteral, etc.)	Power mobility	Complex rehab	Patient paid retail sales, including ADLs (Aids to Daily Living)	Orthotics and prosthetics	Vents	Other
19.33%	17.34%	11.07%	13.04%	7.18%	4.85%	8.64%	5.0%	1.39%	12.15%

8) Which of the following product lines increased as a percentage of total revenues in the latest fiscal year? (Select all that apply.)

Response	Percent
Oxygen	29.5%
Sleep	41.8%
Bed and wheelchair rentals	24.0%
Supplies (diabetic, ostomy, wound care, enteral, etc.)	31.5%
Power mobility	9.6%
Complex rehab	11.0%
Patient paid retail sales	26.0%
Orthotics and prosthetics	13.7%
Vents	9.6%
Other (please specify)	14.4%

Other Responses:

none
Enteral Nutrition
NONE
other respiratory
uniforms
surgical

bracing
Nebulizers
retail
none
n/a
NPWT
Lifts
Pharmacy
Breast Pumps - Nebulizers
Support surfaces
INCONTINENT SUPPLY
nebulizers, breast pumps, compress socks
Incont supplies
Everything is increasing! We are only 3
lymphedema

9) Which product line grew the fastest in the latest fiscal year compared to the prior year? (Select only one.)

Response	Percent
Oxygen	5.3%
Sleep	29.3%
Bed and wheelchair rentals	5.3%
Supplies (diabetic, ostomy, wound care, enteral, etc)	15.0%
Power mobility	6.8%
Complex rehab	6.8%
Patient paid retail sales	9.8%
Orthotics and prosthetics	8.3%
Vents	5.3%
Other (please specify)	8.3%

Other Responses:

Incontinence supplies
none
wheelchair repairs
NONE
uniforms
retail
none
n/a
Lifts
Support surfaces
INCONTENT SUPPLY
Compression socks

10) Which product lines did you discontinue in the latest fiscal year, if any? (Select all that apply.)

Response	Percent
Oxygen	1.4%
Sleep	3.4%
Beds and wheelchair rentals	0.7%
Supplies (diabetic, ostomy, wound care, enteral, etc)	6.8%
Power mobility	8.2%
Complex rehab	4.1%
Patient paid retail sales	0.7%
Orthotics and prosthetics	2.1%
None	56.2%
Vents	3.4%
Other (please specify)	4.1%

Other Responses:

Medication
NONE
none
Medications
diabetic
CPAP supplies call
wound care
Diabetic

11) If you accepted a contract offer(s) from CMS as part of Round 2 of competitive bidding, what was the average reduction of the accepted bid(s) from your submitted bid(s)?

Response	Percent
0 to 10% less than I bid	25.5%
11-15% less than I bid	23.5%
16-20% less than I bid	11.8%
21-25% less than I bid	9.8%
25% + less than I bid	15.7%
The accepted bid was more than my submitted bid	13.7%

12) Of the contracts that you were offered in your current coverage area, what percentage did you accept?

49.16%

13) If you submitted bids and received contract offers outside your current coverage area, what % of those offers did you accept?

23.98%

14) How many full time equivalent employees (FTEs) do you have?

Intake/CSR	Billing/ collections	Respiratory therapist	Delivery tech	Marketing/ sales	Rehab Technology Supplier	Other
16.15	7.09	5.53	6.89	8.25	2.43	12.75

15) In which of these areas have you downsized due to current or future revenue reductions? (Select all that apply.)

Response	Percent
Intake/CSH	20.5%
Billing/collections	19.2%
Respiratory therapists	17.1%
Delivery techs	21.9%
Marketing/sales	17.1%
Rehab technology suppliers	4.1%
Other (please specify)	12.3%

Other Responses:

we haven't made any cuts yet
na
Pharmacist and Pharmacy Tech no longer employed

None
managment
Management
none
Management
none
None yet
SCANNER
none
None
Did not downsize
None
none
None
clerical
None

16) How are your sales employees compensated? (Select all that apply.)

Response	Percent
Salary only	32.9%
Salary plus commission based on new patients	26.7%
Salary plus commission based on collections	24.7%
Commission only	3.4%
Other (please specify)	7.5%

Other Responses:

Salary plus commission based on net rev

na
salary and percentage after cost removed
salary plus commission based on net revenue
hourly
Salary plus 0.5% of Gross profit of Territory Sales
none
hourly
Owner sells - salary and bonus
Salary plus incentive based on new referral development
variety of plans
Salary plus commission based on new equipment orders
Salary plus comm based on GP dollars
poorly

17) If you pay commission based on set-ups, how much do you pay per: (Enter responses with no commas or abbreviations, i.e. 100)

Oxygen set-up	CPAP/BiPAP set-up	Power mobility set-up	Complex rehab set-up
\$67.16	\$31.53	\$44.54	\$73.73

18) What are your average monthly oxygen set-ups per respiratory sales rep? (If not applicable, please leave blank.)

24.12

19) What are your average monthly sleep set-ups per respiratory sales rep? (If not applicable, please leave blank.)

30.16

20) On average, what percentage of your sales employees' total compensation is commission or incentive based?

25.64%

21) What was your total employee expense (including benefits) for the latest fiscal year? (Enter responses with no commas or abbreviations, i.e. 100000)

\$3,846,419

22) What was your total occupancy expense (including rents, insurance, property tax, utilities) for the latest fiscal year? (Enter responses with no commas or abbreviations, i.e. 100000)

\$833,368

23) Did your unit cost of comparable HME equipment (for rental & sales) purchased, by product:

	Increase in 2012	Decrease in 2012	Did not change in 2012
Oxygen	26.1%	25.0%	48.9%
Sleep	23.1%	42.9%	34.1
Beds and wheelchairs	33.0%	14.7%	52.3%
Supplies (diabetic, ostomy, wound care, enteral, etc)	33.3%	21.9%	44.8%
Power mobility	30.5%	14.6%	54.9%
Complex rehab	24.6%	8.2%	67.2%

24) Please describe your profitability for 2012 compared to 2011:

	Increased in 2012	Decreased in 2012	Did not change in 2012
Total Profit	41.2%	47.1%	11.8%
Profit as a percentage of revenue	36.3%	53.2%	10.5%

25) What percentage of ALLOWABLE revenues did you collect in 2012?

84.5%

26) What is your current days sales outstanding (DSO)?

Response	Percent
29 days or less	8.0%
30-45 days	25.5%
46-60 days	26.3%
61-75 days	19.0%
76-90 days	10.2%
91 days or more	10.9%

27) Compared to one year ago, your DSO has:

Response	Percent
Improved (decreased)	31.9%
Worsened (increased)	39.9%
Stayed the same	28.3%

28) How has your DSO been impacted by CMS audits during the last year?

Response	Percent
No impact	32.1%
Increased DSO by less than 5 days	19.0%
Increased DSO by 6-10 days	21.2%
Increased DSO by greater than 10 days	27.7%

29) What business functions do you routinely outsource? (Select all that apply.)

Response	Percent
Billing service	19.2%
Regulatory & compliance	4.1%
Collections	21.9%
Deliveries	7.5%
None	48.6%
Other (please specify)	8.2%

Other Responses:

payroll
self pay collections
warehousing
Patient Pay Statements
Patient Pay collections
Repairs and maintenance
LOX delivery
Shipping-supply fulfillment

Payroll service
payroll, tax filings
Patient follow up
IT, HR
TECHNOLOGY

30) What sources of capitalization did your company use in the last year? (Select all that apply.)

Response	Percent
Bank loans	19.9%
Bank line of credit	34.2%
Factoring A/R	2.7%
Equipment leases	26.7%
Private investors	3.4%
Shareholder loans	17.8%
Business cash flow	56.2%
Other (please specify)	2.1%

Other Responses:

Internal Financing
NONE
none

31) What is the primary strategic focus of your business for the next year?

Growth
Does this all matter the wonderful government is put us out of business after 20 years, so what do all of these numbers? mean nothing!! 20 some employees lose their lively hood and insurance what a SHAME.
Respiratory
Pediatric Medicaid and managed care
Concentrate on retail sales
Focus on growing commercial business
other pay sources
Complex Rehab, Orthotics, hiring sales associates in territories not in our CBA and new products
Do not know.
survive competitive bidding cuts
Non insurance, non CMS business.
Grow our respiratory/sleep revenue as much as possible for the next two years before competitive bid pricing takes effect for us.
to find and service products with higher reimbursement and lower cost
volume
Increase referrals from our parent hospital. Improve operational efficiencies. Improve retail sales performance.
try to remain in business
Increase retail sales
continue to focus on wheelchair repairs
survive
New niche sales and rehab
MORE PRIVATE PAY
new customers
survive
build on cpap resupply, other respiratory, new geographic market
Shift our focus from respiratory into Hospital Beds, Wound Care, disposable supplies and Orthotics (non competitive bid items). Also widen our payer base.
expand to more vertical supplier

Increase retail, new products for cash sales, Government contracts, Tricare
Survive
maintain current business and increase customer base
Teach dealers in this industry to sell at retail pricing
Geographic Expansion
Improve profitability
Move away from Medicare reimbursement
Do more of the same and continue to increase my customer base
Increase sleep business and focus on private pay insurance vs Medicare
reduce expenses
not applicable
diversification
Capturing greater percent of referrals from our referral sources
Improve technology to streamline business practices
subcontract for competitive bidding
promote more cash business to replace lost medicare income
RETAIL/ Increasing private pay sales
find a way to remain profitable under competitive bidding
Increase oxygen sales, increase cash sales and try to weather the pre-payment audit storm while hoping not to come under a CERT attack. In a VERY defensive mode and considering exit strategy. THANKS. CMS!!!
Reduce reliance on government and commercial payers. Diversify to more cash basis product lines and products that compliment our core.
Try to hold on!
Sell
volume
Reduce medicare business
Diversity from Medicare
We specialize in 2 areas: pain management and lymphedema. We are expanding our service area and adding more sales people.
decrease medicare dependance, diversify product, maintain a positive outlook within my organization despite CB
Cost control
move to a more retail model

Partnerships
Remain focused on core business development and strategic partnerships.
Retail sales with less dependence on Medicare
growth
Maximize profits in the home health industry (specifically, the delivery of supply-only orders), yet maintain a strict focus on DME to ensure a well-rounded business.
Clinical Sales
Subcontracting for Medicare bid winners, expanding retail sales
Close my business because Medicare is making it impossible to make a profit and they are raping the business owners in this industry.
Cash sales
Increase sales of Rehab and decrease expenses
Very simply, to stay alive. We are always searching for ways to increase revenue.
Sleep
Reduce dependence on Medicare
focus on billing and referrals of oxygen and cpap
Did not receive a contract. Increase sales o/s of CBA, downsize and focus on Orthotics and Complex Rehab
Get lean and mean while I diversify my revenue away from Medicare, Medicaid, and insurances.
Downsize and increase medicaid and other insurance sources. We plan to gladly move away from Medicare!
VOLUMES and Retail Sales
Try to keep my store open, did not receive a CMS contract, could put me out of business.
Top Line Growth
Begin Nashville location and competitive bidding.
With the time saved from not being a Medicare provider, will allow our company creativeness as we strive to increase compliance above our current 80 to 85%
Meet budget targets in conjunction with controlling expenses through focus on the optimization of patient care.
Growing sales through strategic partnerships with referring providers
Significant dilution of product and payer mix
Survive

Expand locations, decrease Medicare %, More retail.
Pay off debt
Growth in retail product lines
stay in business
RETAIL MORE.
Growth within our existing product lines and market place
cash sales, CPAP, Diabetic Shoes/Insoles
to find alternative sources of revenue from non insurance sources
Cash Sales
Payor diversification, grow complex RT, grow retail
Lower operating costs, streamline processes.
As a result of being acquired, expanding operations into a new larger health system
To increase retail sales not covered by insurance and to do more cross-selling and up-selling with current customers. We are also looking for better pricing and shipping costs.
Continue the expansion of the existing product line revenues, to replace the discontinuation of power mobility and complex rehab due to sale of those business activities at the end of 2011.
efficiencies both tech and procedural
Increase the number of insurance contracts. Added non-invasive ventilation.
Complex Respiratory
Complex Rehab, orthotics, anything outside of competitive bid.
increase revenue through a more aggressive marketing program
Oxygen first, then Retail
RETAIL
keep doors open
Improving patient health outcomes
Grow retail, decrease operating expense, grow sleep
To increase private sales and promote lower cost alternatives to Medicare patients. I am anticipating high frustration and lack of accessibility. Patients will be willing to pay out of pocket to receive product in a timely manner. Will try and ride out the wave until Medicare comes to it's senses and opens up competitive bidding to everyone.
stay alive.....moving away from Medicare billing and going more towards

Medicaid patients only.
to stay in business
Attain a fine line of maximizing growth, profits, and cash flow.
Cut cost again .
Respiratory
to make money and stay in business
Our focus is to pay our bills and hopefully watch CB fall apart - HME is no longer a viable business.
Increasing acute care set-ups (including ventilator, tracheostomy, and infusion) and sleep set-ups.
Expand on relationships with three local hospitals in close proximity to our store, increase insurance billings and expand products to build cash sales
Growth through acquisitions.
business development
maintain or increase revenues reduce costs where can
Moving away from servicing Medicare patients, audit preparedness, and growing retail.
Try to get new contracts with insurance companies
Increase business to business relationships, adding comfort items to retail locations in addition to regular retail items - redesign of branches, insole OTC program, enhance operational processes that support immediate PAP therapy initiation, automate and optimize process of PAP supplies, optimize on patient co-pays with auto payment procedures, enhance bar coding process and streamline of bar coding, inventory, and ordering process, decrease bad debt to less than 8%, take back out sourced billing by next FY, grow and enhance ventilator revenue, delivery processes of all DME, oxygen and liquid oxygen streamlined to self fill stations within our company.
Diversify product and services offerings cash to ins ratio 80% to 20% decrease overhead and labor cost

32) Please indicate which of the following business categories apply to your company: (Select one option only.)

Response	Percent
Oxygen/sleep	49.6%
Complex Rehab	9.4%
Both Oxygen/sleep and Complex Rehab	14.4%
None of the above	26.6%

33) What was your oxygen patient census as of January 1, 2013, by payer?

Medicare	Medicaid	Managed care	Other insurance	SNF/hospice	Patient paid
326.99	59.24	131.17	112.20	24.26	14.34

34) What was your oxygen patient census as of January 1, 2013, by modality?

Stationary concentrator only	Stationary concentrator & gaseous portability	Stationary concentrator & liquid portability	Stationary liquid only	Stationary liquid & liquid portability	Portable concentrator	Home transfilling system
261.25	307.70	23.05	27.13	20.81	49.10	93.02

35) Please provide your percentage of net sleep revenues by product line for the latest fiscal year (must total 100%):

Sales and rental of equipment	Sales of supplies
56.55%	43.45%

36) Do you outsource sleep services in either of these areas?

	Yes	No
Product fulfillment	31.7%	68.3%
Compliance/reorder call	32.5%	67.5%

37) What is your average monthly allowed/collectible revenue per Rehab Technology Supplier?

Response	Percent
Less than \$40,000	26.7%
\$40,000 - \$60,000	36.7%
\$60,001 - \$80,000	23.3%
More than \$80,000	13.3%

38) How many monthly evaluations do your Rehab Technology Suppliers complete, on average?

Response	Percent
Less than 20	50.0%
20 - 30	46.7%
31 - 40	0.0%
More than 40	3.3%

39) What is your month-end work in process as a percentage of annual revenue (in dollars)?

Response	Percent
Less than 10%	26.7%
10 – 15%	43.3%
16 – 20%	16.7%
More than 20%	13.3%

40) On average, how much time does it take from evaluation to delivery?

Response	Percent
Less than 30 days	12.9%
30 – 60 days	54.8%
61 – 90 days	29.0%
More than 90 days	3.2%