

The New Durable Medical Equipment Market: *How to Mitigate the Risks and Increase Your Rewards*

WHITE PAPER



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The medical equipment landscape is changing, and providing more opportunity – and risk – than you may have anticipated. Until recently, OEMs' post-sale operations were primarily, if not exclusively, focused on servicing institutional customers, i.e., keeping equipment in hospitals up and running. But now, thanks to an aging population, patient preference for home-based care and changes in the insurance industry, there's tremendous demand for personal durable medical equipment (DME).

In terms of overall medical equipment rentals, DME leads the pack. In the US, DME expenditures are expected to reach \$60.2B in 2020, up from \$46.5B in 2015¹. This clearly presents a great opportunity for medical equipment manufacturers. However, it also exposes you to a new set of challenges that are intrinsic to the home market – and that could dilute the benefits of targeting this customer base.

Let's take a look at those challenges and what you can do to mitigate them.

DME Expansion Challenges

Dealing with home-based DME consumers is much less straight-forward than institutional customers. In hospital and clinic situations, you know where your equipment will be used, who the purchasing and internal support professionals are and how to get in touch with them. Equally important, because hospital personnel work with OEMs on a regular basis, they understand your procedures and how to best interact with you.

In the home arena, there are a multitude of potential contacts and nothing is set in stone. The customer you're dealing with may be the patient, who is likely to be elderly and/or infirmed. It could also, at any given time, include the patient's spouse, parent, adult children or care taker. One person may help with patient care, while another handles insurance and financial matters. The one thing they likely have in common is they're not familiar with your equipment or service procedures.

The location where your DME product is used is also changeable. It could be the patient's residence or, if they visit or move in with relatives while recuperating or receiving special care, another person's home.

All this can lead to challenges that result in an inefficient service model and a hit to your profitability:

Revenue Recognition

It's not unusual for subscription-based equipment to be sitting in the home unactivated. This could be because patients don't know how to turn it on or are holding off doing so because they're not sure how to use it. In some cases, it's because they don't want it. They acquiesced when the doctor's office or caregiver pressed them to rent the device, but had no real intention of using it. The problem is, if they don't activate, you can't recognize the revenue.

Customer and Equipment Service

It's much more difficult and time-consuming to handle customer service inquiries when the person calling your service center is infirmed and, perhaps, doesn't fully understand or can't attend to the agent's questions or instructions. This is also complicated by the fact that you may need multiple people (i.e., patient, care giver, nurse) on the phone to effectively handle an issue.



The logistics of fixing equipment can also be tricky. It's not like institutional customers where you may have a dedicated technician who services your equipment on-site or, minimally, is available at a moment's notice. In the consumer DME model, you need to deal with the inherent complexities of at-home visits, like figuring out who the right person (or people) is to meet you at the site and getting on their calendar, or having technicians show up when patients or care givers said they'd be home but aren't.

Asset Retrieval

The last thing you want is a gap between the end of insurance reimbursement and the customer returning your device, since it means more equipment for you to build and/or store in inventory. However, getting equipment back from home users can be difficult.

For instance, they may not be inclined to return it quickly if the customer contact(s) believe the patient still needs it, think it will be a hassle to send back, or simply aren't motivated to do so. Hassle and motivation are also factors for customers who need to send back nonworking equipment after receiving replacement devices. When they do return DME, if they didn't include the original paperwork and RMA/order number, you won't know how to account for the equipment on the receiving end, i.e., which customer it's associated with, whether to restock or refurbish the DME, and more.

How to Mitigate the Risks

Although the challenges of servicing personal DME customers are significant, they're not at all insurmountable – especially if you build a model that adheres to three key principles: Know Your Customer, Educate and Be Continually Proactive.

Know Your Customer(s)

When onboarding each customer, make sure you understand where they will be using the equipment and who will be helping with each phase of the lifecycle, from activation and use through sunsetting and returns. Ask who they expect may be responsible for patient care, product issues and billing. Find out how long insurance coverage for the DME will last. Record all this information, as well as all contact data for all the possible parties.

Remember, too, that the customer's support group and the equipment's location may change, especially if it's in use for an extended period. In some cases, the patient may be moved to a nursing home or, in unfortunate circumstances, may pass away while the equipment is in their possession. Be sure to reach out at different intervals to update contact lists and patient status so you're not, for instance, struggling to track down the equipment and the person who can return it when insurance coverage runs out.

Use Voice of Customer processes to capture, analyze and generate actions based on agents' verbatim notes from interactions with customers. They provide newfound visibility into customer viewpoints and often uncover issues that you didn't know exist—both of which are critical for servicing individual customers and for overall process improvement.

Educate

This customer base requires different, and far more, education than institutional customers. Because they're not as savvy and may have difficulty understanding instructions, your customer service team must be equipped with the skills and patience needed to interact with them.

Think of your agents as educators, and train them as such. Don't just expect DME customers to read instruction manuals or to remember what the hospital or rehab center told them before being discharged. Call the customer to assist with setup. Offer to walk

them through activating the product, when appropriate, and explain how to use it, even if they say they know how. Ask if it would be helpful for you to speak with anyone else to reinforce messages about usage and procedures.

It also makes sense, during this call, to ask if they are going to use the equipment or if they're having any second thoughts. That way, you can address and, hopefully, alleviate their concerns from the get-go. If they are adamant about not using it, you can use the same call to initiate the returns process. Because, bottom line, you either want revenue to flow from activation or devices to be returned so you can cycle them back into the pool.

Be Continually Proactive

Clearly, it's not enough to be proactive only at the onset of the customer engagement. There are too many variables along the way. That's why best practice is to reach out to appropriate parties at specific points throughout the customer lifecycle.

Product Health

In addition to checking that the patient and care team are stable at regular intervals, you want to make sure the equipment is still being used and functioning properly. One way to do this is by asking pointed questions of the customer. Another is by checking with the device itself. With DME products that are Internet of Things (IoT)-enabled, you can run machine log file-based failure predictability analysis to identify macro issues affecting equipment components. Using this as your basis, monitor the customer's product log files for potential and existing issues, and have alerts automatically notify your tech support team. This will enable you to take steps to fix potential problems in advance, whether updating firmware without having to notify or 'bother' the customer, or sending replacement parts before equipment has a chance to fail.

Repair Visits

When equipment does need to be fixed, pay careful attention when scheduling technician visits to make sure all required parties are available at the customer's site, and use all appropriate channels to confirm and remind them of the appointment.

Insurance Coverage

Keep on top on insurance coverage. As DMEs are nearing the end of the coverage period, check in to see if the customer may need an extension. For example, if it's a three-month term, contact the customer at the two-month mark. This incents them to begin the process of pursuing any additional coverage well in advance of reimbursement running out – and leaving you with no revenue and a product that's stranded at the customer's home.

Asset Recovery

The goal here is to remove the hassle and expedite retrieval. OnProcess' current benchmarks for medical equipment asset recovery, based on world-class OEM operations, are 83.1% for day 90 recovery, 22.3 days for return velocity, and 40.9 days of inventory. To achieve these kind of results, follow best practices such as:

- Use Propensity to Return analytics to create a scoring model that indicates who is more likely to return assets. Then, create strategies to segment customers based on how they should be approached, including best time of day to call, and develop tailored messages that meet the distinct needs of each group: those with high propensity to return, disengaged customers and those who are underserved. This enables you to achieve faster returns with less effort.
- Call the appropriate customer contact(s) before the coverage period ends to explain retrieval timing and steps, and confirm equipment location.
- Send shipping labels, packaging and RMA slips to the customer, and arrange for a pick-up.

To learn more about how to capitalize on the home-based DME opportunity while making it a good experience for your customers and a profitable service venture for your business, contact OnProcess at **508-623-0810** or visit **www.onprocess.com**.

¹ Source: CMS NHE estimates, company filings, and ThomsonOne