








DME Industry SWOT:
Hurdles Exist, But There's Reason for Optimism
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Session Objectives



-  Recognize industry's current-state strengths and weaknesses
-  Outline threats that may impact future industry progress
-  Highlight some of the DME industry's biggest opportunities for advancement moving forward.

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A little about me

- SVP of Strategy at VGM & Associates
- 16 years in healthcare as an analyst and strategist
 - 7+ prior years at VGM
 - ~8 years at a mid-sized Iowa-based health system
 - Less than one year back at VGM
- I'm extremely bullish on DME






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Leveraging SWOT

Strengths, weaknesses, and threats prepare us to capitalize on opportunities



Focus here is on growth and progress



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Industry Weaknesses



- Not top of mind in healthcare ecosystem
- Fixed income
- Limited leverage
- Perception



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Struggle to be seen as solution to problems we solve

- Do fine with case management, social workers, and even referring providers
- Haven't moved the needle with higher-level leaders in most healthcare organizations and payers




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Income tied to equipment and not service





- Having income solely tied to equipment creates limitations
 - More difficult to offset costs
 - Stifles innovation in providing services
- Stagnated by "supplier" designation at times



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Industry often lacks leverage

- Payers
- Provider network inclusion
 - ACOs
 - Bundled payments
 - Other innovative concepts
- Largely driven by difficulty in articulating value proposition
- Historical industry immaturity has been a barrier here




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Public and payer perception isn't ideal

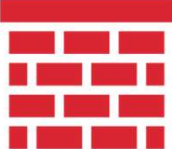


- The industry is often battling the skeletons of yesteryear
 - Fraud
 - Abuse
 - Payment rates




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Industry Strengths



- Mature industry
- Entrepreneurial industry
- Aligned with healthcare direction




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Industry has matured and is positioned for the future


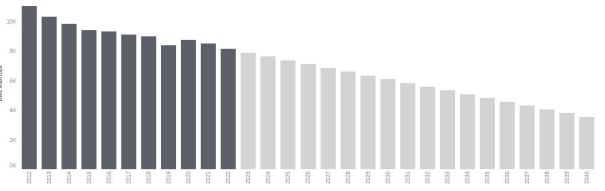
- Introduction** Consolidation driven by external forces
Expedited journey through industry lifecycle
- Growth** Much better positioned today to fend off future threats
- Maturity**
- Decline**

Industry went from ~10K unique companies to just over 6K companies from 2010 to 2020

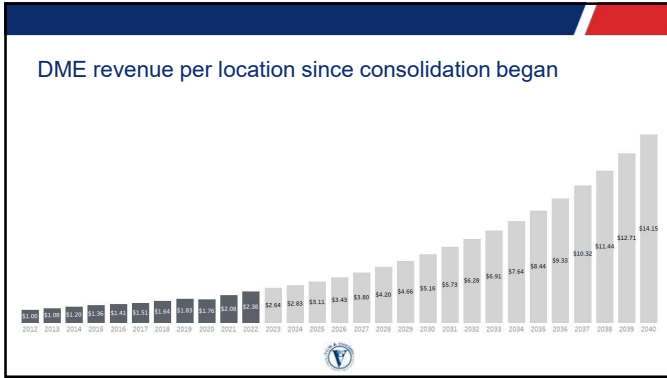


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Decline in locations isn't uncommon in any industry



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Innovative and entrepreneurial now more than ever

- Industry focused on growth
- Industry that's invested in technology and data
- Industry that's recognizes the need to evolve on behalf of referral sources

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Being an enabler of in-home care is more important than it's been historically

It's inherent, but being in the home is critical

- Aligns with patient preference
- Aligns with increasing incentive to keep patients home

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Industry Threats



- OIG/CMS
- MA and MCOs
 - Half of Medicare-eligible are now on MA
 - 60% in ten years
- Potential for emerging technologies



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OIG/CMS continue to be a lingering threat


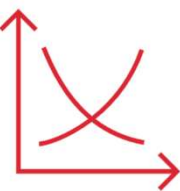
- OIG continues to perceive fraud, overpayment, and abuse
 - Intermittent urinary catheters
 - CNBC investigative report
 - Audits perceived as fraud and abuse
- CMS continues to hold power to re-implement competitive bidding
 - OIG has advised use in additional categories
 - CMS continues to contend it does not create access issues



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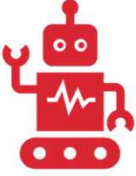
Medicaid MCOs and MA plans continue to grow

- Narrow networks
- Low payment rates
- Denials of essential services
- Worst of all...they continue to grow
 - Roughly half of all Medicare-eligible individuals are currently opting for MA plans




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Evergreen threat of emerging technologies



- Not a threat to industry but a threat to product categories
- Example would be apnea implants



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Now my favorite part...

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The DME industry has SO MUCH opportunity...

- Healthcare staffing challenges
- Evolving payment models
- Hospital at Home
- Emerging technologies



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Nurses are in short supply and the problem isn't going away



More than 100K nurses left the workforce during the first year of COVID
On top of normal retirement
 Most under age 35
 AHA study suggests another 610K will exit in the next five years



Nursing college enrollment is down, so supply is short

Projections are wide ranging, but most assume nursing supply will fall short of demand by north of 500K through 2030



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Why does the hospital nursing shortage matter?

- Patient safety
 - Unfavorable nurse/patient ratios
- Cost containment
 - Expensive traveling nurses
 - Poor throughput management
- Patient satisfaction
 - Delayed discharges are a major dissatisfier







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Why is this opportunity for DME?

- Leverage data points to demonstrate measurable value and improve relationships with referral sources
 - Reduce LOS through timely delivery
 - Reduce census through reduced admissions/readmissions
 - Reduced ED census through decreased visits and timely discharge






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Payment models continue to evolve

- Healthcare reform started the evolution to applying financial risk and quality requirements to providers
- Creates financial incentive for providers and institutions to place emphasis on:
 - Patient outcomes
 - Reduced healthcare utilization
 - Patient satisfaction
 - Preventative care




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Greater than 60% of all healthcare dollars are tied to value to some degree


	No Risk	FFS w/ Risk	APMs built on FFS	Full Risk
Medicare	10.2%	48.9%	36.5%	4.4%
Medicare Advantage	39.5%	6.9%	36.4%	17.2%
Medicaid	66.1%	10.6%	17.4%	5.9%
Commercial	55.7%	14.2%	27.6%	2.5%
Overall	39.1%	25.1%	30.7%	5.1%

**Distribution as of 2018*




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Why is this opportunity for DME?



- DME's strongest value propositions are now aligned with referral source reimbursement programs more than every before
 - Speed to delivery to reduce LOS
 - Reduced readmissions, admissions, and ED visits
- Health systems have more incentive than ever to align with preferred DMEs



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Hospital-at-home programs have momentum

Up to 30% of inpatient stays could become hospital-at-home stays in long run

HOME-BASED CARE SHIFTS
required medical admissions are shifting from the hospital to the home setting

Drivers:

- Policy and regulation:** Reauthorized through CMS' Inpatient Care at Home Program rules
- Purchaser preference:** Technology to enable remote visits and determine patient eligibility
- Innovation:** AI arrangements between health systems and vendors
- Provider acceptance:** AI arrangements between health systems and vendors

Percentage of inpatient volume that could shift to hospital at home:

Current	0%	Potential	30%
Target	10%	Projection	20%

Key takeaways:

- There will be concentrated shifts for select admission types, including for pneumonia, cellulitis, congestive heart failure, COPD, and UTI conditions.
- Program success and sustainability challenges may limit near-term growth potential and require health systems to seek out partners.
- Business case will depend on long-term maintenance prospects, need for capacity expansion, and ability to achieve positive clinical outcomes.

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Patients are cared for in the home through a systemic approach

- Hospitalist or specialist telemedicine (video) visits
- In-home visits from nurse
- Telemonitoring devices
- Home medical equipment

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DME are imperative to the success of hospital-to-home programs

- Hospital at home requires equipment in the home that otherwise would be used in the hospital
 - Home oxygen, hospital beds, mobility devices, etc.
 - One would expect DME arrangements to be like current hospice environment
- Focus of hospital at home is largely on chronically ill
 - Traditionally long-term DME patients
- Emphasis is reducing readmissions, SNF stays, ED visits, etc., opening door for DMEs
 - Favors data-driven DMEs who can demonstrate reduced hospital utilization and improved outcomes

Key takeaways:

- There will be concentrated shifts for select admission types, including for pneumonia, cellulitis, congestive heart failure, COPD, and UTI conditions.

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Why is this opportunity for DME?


- Hospital-at-home programs will be heavily reliant on DME
 - Contractual arrangements are a must
- Focus is on population that turns into long-term DME-patient relationships





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Emerging technologies are perpetual opportunities for growth

- CGMs are a recent example
- Payment models for institutional care create greater incentive for innovation
 - ESRD dialysis care is rapidly moving home, as an example
- Payment models look to push patients to the home and technology advances will be necessary
- Necessity breeds innovation
- If I had a crystal ball, I wouldn't be here, but it'll continue to happen at an even faster pace

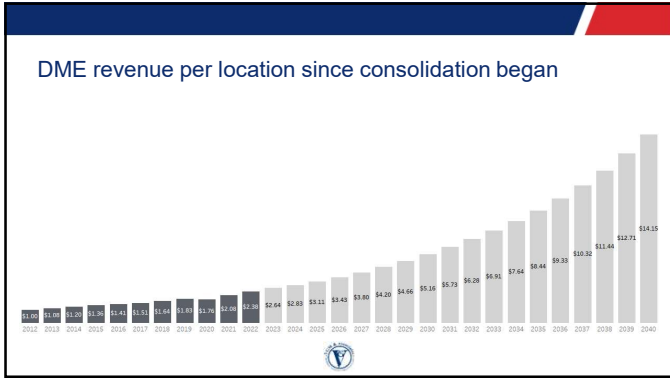


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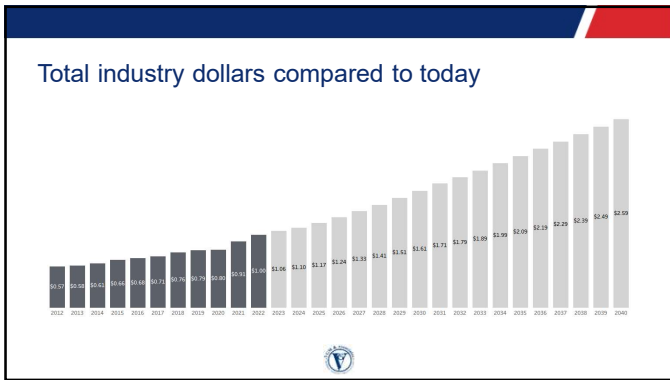


And it all funnels to this...

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