Citius Healthcare Consulting

Elevating care at home with maximized HME reimbursement opportunities

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Abstract

This whitepaper explores the key factors influencing reimbursement for home medical equipment (HME). It analyses industry trends, best practices, and the impact of emerging technologies on the HME and durable medical equipment (DME) sectors.

The paper provides a comprehensive understanding of reimbursement intricacies crucial for embracing value-based care principles, leveraging advanced technologies, and positioning providers for long-term success in delivering high-quality, patient-centered care.

WHITEPAPER

Introduction

The cumulative effect of growth in geriatric populations, increasing prevalence of chronic illnesses, and rising healthcare costs have led to a surge in home-based care. In the U.S. alone, more than 3.0 million[1] have adopted the home healthcare model. Consequentially, the home medical equipment (HME) market size (expected to reach USD 67.21 billion by 2029)[2] is growing at an accelerated rate, offering convenience and personalized care to patients and transforming device manufacturers into providers who help in the self-management of diseases.

As the demand for HME rises, so does the need for effective reimbursement strategies, which are crucial for both patient access to necessary equipment and the financial viability of suppliers and device manufacturers. However, the reimbursement landscape for HME remains complex and continually evolving due to shifts in healthcare policies, pricing pressures, and the move toward value-based care.

Within the HME ecosystem, respiratory and diabetes therapies are among the most expensive, with challenges such as device non-adherence and patients with type 2 diabetes not achieving glycemic control right after diagnosis. In the U.S., diabetes care alone averages $16,752 per person per year.

These complexities in securing timely reimbursement can delay patient access to critical equipment and strain the operational resources of HME suppliers. To thrive in this environment, stakeholders need to stay informed about reimbursement trends, payer requirements, and best practices.

Trends defining the future of the HME market

The future of the HME market is shaped by shifting care models, technology integration, and evolving patient needs. The preference for home healthcare services is growing, driven by their convenience, familiarity, and efficiency. Industry leaders such as Abbott, Medtronic, Baxter, and Philips are setting the pace by prioritizing technological integration, enhancing patient outcomes, and reducing strain on healthcare providers. Key trends and developments include:

- **Shift to home-based care:** As care models evolve, an estimated $265 billion[3] in care services could shift from traditional clinical settings to the home by 2025. This transition underscores a broader movement towards patient-centered, location-flexible care.

- **Empowered patients and self-management:** With improved access to accurate health information, patients are becoming more engaged in self-managing chronic conditions. Medical device manufacturers increasingly serve as providers, offering tools that empower patients to take control of their health.
- **Value-based care (VBC) and innovative contracts:** To support the transition of all Medicare Fee-for-Service (FFS) beneficiaries to value-based care by 2030[4], HMEs are embracing value-based pricing and risk-sharing models. This aligns with the Centers for Medicare & Medicaid Services' (CMS) emphasis on incentivizing better patient outcomes.
- **Innovation fueled by technology and new entrants:** The influx of new players and technologies is accelerating innovation in the HME market. Notably, the FDA's framework for using real-world evidence (RWE)[5] in regulatory decisions is paving the way for more agile and data-driven development.
- **Device-as-a-service model:** Innovative contracting models with defined risk arrangements are being introduced to optimize the cost of care and clinical outcomes. Philips-Jackson has entered into an 11-year partnership in which Jackson will adopt patient monitoring devices for a per-patient fee. Jackson will pay only for the hours that the monitoring devices are used, while the devices themselves will remain Philips' property.
- **Digital health investments:** The digital health sector continues to expand, with startups raising $1.1 billion across 77 deals in Q1 2024 alone. These investments underscore the demand for digitally integrated healthcare solutions.
- **Heightened Cybersecurity awareness:** With healthcare among the most targeted sectors for cyberattacks, HME providers are ramping up cybersecurity efforts to protect patient data and ensure the resilience of connected medical devices.

These developments are driving HME providers to create innovative in-home healthcare solutions, even as they navigate challenges in adopting new care delivery models. As a result, the future of HME will be defined by a mix of technology-driven innovation, patient-centered care models, and robust infrastructure to support secure, efficient, and effective in-home healthcare.

Underlying challenges in the HME ecosystem

CMS is setting a goal to move all Medicare FFS beneficiaries to VBC by 2030, meaning HME providers will start tracking outcomes beyond the equipment. Access to life-sustaining medical equipment is hindered by bureaucratic red tape and financial limitations, impacting both HME providers and patients. These challenges lead to low reimbursement rates, affecting provider viability and the accessibility of essential medical equipment.

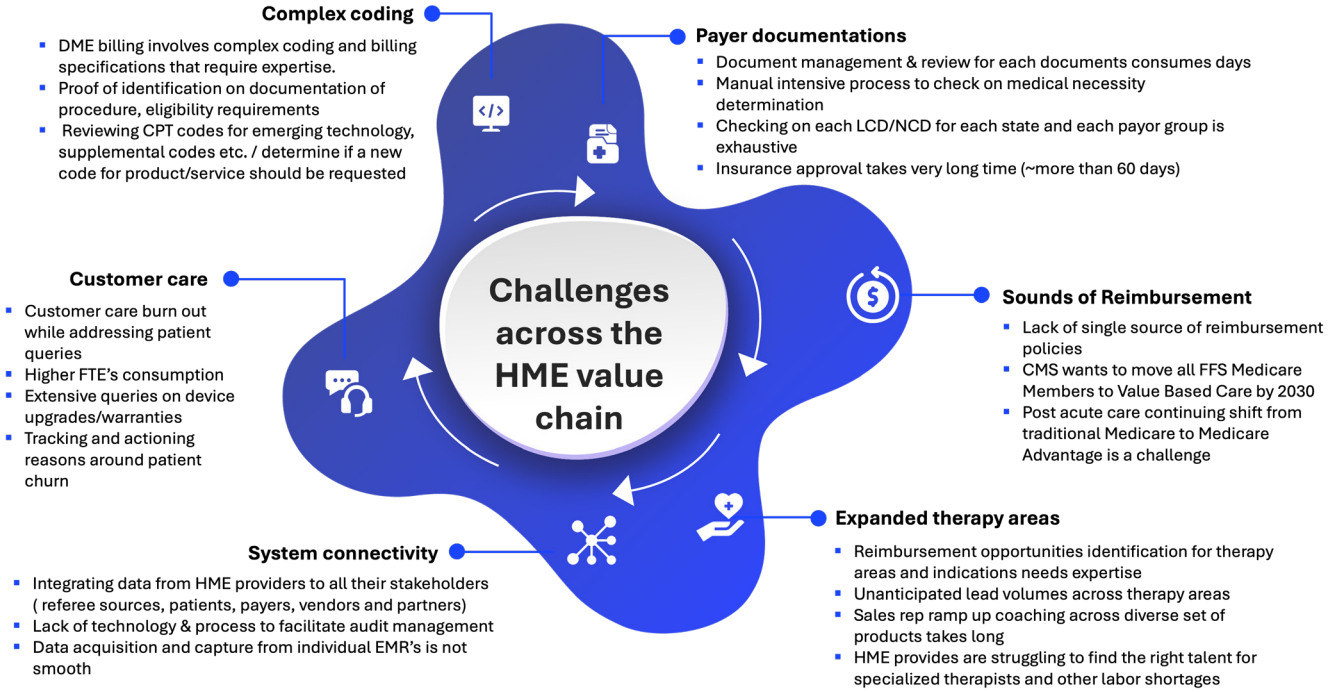

Exhibit 1 - HME provider challenges

- **Lack of real-time processes:** Many HME providers still rely on paper-based processes for prescription verification, device supply, claims submission, and more. The manual handling can be time-consuming and prone to errors, leading to delays in order fulfillment and increased administrative costs. For example, a patient with COPD may face life-threatening delays in accessing a home oxygen concentrator due to the provider spending hours on paperwork, which diverts resources from patient care and increases costs.
- **Patient non-adherence:** Even with the best equipment, patients may not use devices as prescribed. Reasons can include discomfort, lack of understanding, or financial constraints.

When patients fail to use their devices regularly, it becomes difficult for providers to justify the reimbursement to insurance companies, ultimately leading to financial losses.

- **Limited market for specialized therapy equipment:** HME providers often receive fewer inquiries for specialized therapy equipment, such as those used in behavioral and mental health. The limited market can make it challenging to maintain a steady supply of these devices and generate sufficient revenue to cover the costs associated with their procurement and maintenance.
- **Complex reimbursement agreements and documentation:** Different device categories may have specific reimbursement agreements, coverage requirements, and documentation. This can be administratively burdensome for HME providers, as they must navigate multiple sets of rules and regulations. Incorrect documentation or misunderstandings of complex agreements can lead to claim denials or processing delays, resulting in lost revenue and increased administrative costs associated with appeals and resubmissions.
- **Complex coding and billing specifications:** The complexity of coding and billing specifications also plays a crucial role in HME reimbursement. Coding errors can result in claim denials or underpayments, requiring additional time and resources to correct. Staying up-to-date with the constantly evolving coding system can be challenging and time-consuming, diverting resources away from patient care and reimbursement efforts.
- **Customer care burnout:** The reimbursement process's complexities can increase patient inquiries, straining customer care teams and leading to burnout. Patients often call multiple times about their claims or insurance coverage, which can stress representatives and affect service quality. Disheartened patients may turn to other providers, resulting in lost revenue.

Opportunities around HME reimbursements

HME providers are uniquely positioned to seize opportunities for growth by focusing on maximizing reimbursements by using cutting-edge healthcare technologies. This can help them align with value-based care initiatives and patient-centered models, accelerate innovation, and build strategic partnerships.

Collaborating with payers to deliver value-backed care

As digitization transforms healthcare, collaboration between HME providers and payers can drive the development of strategies that deliver value-backed care. When payers and providers work together, high-demand services like remote patient monitoring (RPM), durable medical equipment (DME) management, and in-home therapy can be managed more effectively. By aligning on shared goals—such as improving patient outcomes, reducing hospital readmissions, and optimizing long-term care—HMEs can not only enhance care quality but also unlock additional reimbursement opportunities.

Through such collaborations, HME providers can implement scalable, data-driven solutions to track and report clinical improvements, which are crucial to meeting value-based care benchmarks. Digitally enabled services, such as connected devices for respiratory support, mobility assistance, or chronic disease management, can integrate seamlessly with payer systems to ensure more accurate, timely reimbursements.

Driving value-based care through managed service offerings and Medical Device-as-a-Service (MDaaS)

Value-based care focuses on rewarding providers for the quality of care rather than the quantity of services rendered. HME providers can play a vital role in this model by offering MDaaS, where patients are supplied with advanced, connected medical equipment that is continuously monitored for performance and usage. Managed service offerings can also include preventive maintenance, training, and on-call support, reducing complications for both patients and providers.

Additionally, these services allow HME providers to shift from a transactional equipment sale model to a subscription-based, service-oriented model. This shift not only improves patient care but also provides a steady revenue stream tied to measurable patient outcomes.

RPM technologies allow for continuous tracking of patients' clinical parameters, such as blood pressure, oxygen levels, and glucose levels, in real time. With advanced RPM solutions integrated into HME offerings, providers can closely monitor patient adherence and respond proactively to any signs of deterioration.

This not only enhances patient safety but also reduces the need for emergency interventions and hospitalizations.

The ability to demonstrate improved patient adherence and outcomes through data collected by RPM devices helps HMEs meet the stringent requirements of value-based reimbursement models, thus securing better compensation for their services.

Addressing holistic patient needs: Clinical, Behavioral, and Social Determinants of Health (SDoH)

For HME providers, expanding equipment offerings means not only addressing clinical needs but also recognizing and responding to behavioral and social determinants of health (SDoH). Factors such as housing stability, income, education, and access to transportation can significantly impact patient adherence and overall health outcomes. With the adoption of a more holistic approach and integrating solutions that address SDoH, HMEs can improve patient engagement and reduce health disparities.

For instance, home respiratory devices integrated with behavioral health monitoring systems could help track and promote adherence to breathing exercises in patients with chronic obstructive pulmonary disease (COPD). Similarly, mobility solutions for elderly or disabled patients can be bundled with services that address SDoH, such as transportation to medical appointments or assistance with home modifications.

This patient-centered, outcomes-focused approach aligns closely with the goals of value-based care and drives more substantial reimbursement outcomes.

Optimizing HME reimbursement opportunities

At Citius Healthcare Consulting, our goal is not just to streamline HME reimbursement processes but to fundamentally transform how HME providers manage operations and leverage emerging technology solutions and innovative practices.

By breaking down reimbursement optimization into strategic phases, we help HME providers achieve a holistic transformation of their reimbursement cycles. From deep-rooted problem identification and workflow re-engineering to technology upgrades and predictive analytics, this approach ensures sustained financial health and improved operational outcomes, positioning HME providers for long-term success in a complex reimbursement landscape.

Exhibit 2 - Phased approach to devices reimbursement optimization

Phase 1: In-depth problem assessment

Objective: Conduct a deep, multi-faceted diagnostic of the HME provider's operations to uncover systemic inefficiencies and untapped revenue opportunities.

Key components:

- **Data collection:** Gathering detailed information about the medical device provider's workflows, equipment usage, and billing processes.
- **Key problem identification:** Identifying inefficiencies in documentation, billing, or compliance. Highlighting challenges such as:
  - Underutilized value levers of device usage.
  - Discrepancies in insurance claims.
  - Missed opportunities in capturing revenue for specific medical devices.

Outcome: A detailed understanding of operational inefficiencies, underutilized opportunities in device billing, and the technology shortfalls that hinder claims management. This phase sets the stage for strategic improvements in both process and technology.

Phase 2: Defining critical assessment elements

Objective: Translate the insights from Phase 1 into actionable assessment elements that focus on revenue recovery and claims optimization. Develop a data-driven approach to tracking reimbursement performance and making decisions.

Key components:

- **Reimbursement tracking:** Developing metrics and reports to track the lifecycle of claims, from submission to reimbursement.
- **Missed revenue analysis:** Analyzing historical claims data to identify patterns of denials, partial payments, or unpaid claims. This could include:
  - Claims that were not fully reimbursed due to documentation issues.
  - Revenue sources that have not been leveraged properly, such as unbilled equipment or services.
- **Solution identification:** Crafting a set of solutions that could include automation tools, improved claims management software, or policy changes to ensure timely reimbursement.

Outcome: A set of clear, actionable assessment elements and solutions designed to optimize reimbursement opportunities, maximize revenue, and mitigate future denials.

Phase 3: Optimizing value and outcomes

Objective: Implement targeted improvements to the reimbursement process, ensuring long-term financial sustainability and maximizing the value of HME devices. Leverage data and process improvements to drive both operational and financial outcomes.

Key components:

- **Maximizing value levers for device usage:** DeEnhancing the usage of device-related value levers, ensuring proper coding and documentation that maximizes reimbursement rates.
- **Operational efficiency enhancements:** Streamlining workflows with technology and automation to reduce manual errors in claims submission and improve turnaround times.
- **Compliance and regulatory adherence:** Instituting more robust practices to avoid denials and reduce rework by ensuring compliance with payor policies upfront.

Outcome: A fully optimized reimbursement system that enhances both operational efficiency and financial performance, while significantly reducing the volume of denied or delayed claims.

Way forward

The future of healthcare lies at the intersection of technology and home-based care. As medical equipment manufacturers and technology companies forge strategic partnerships, they have an unprecedented opportunity to revolutionize the healthcare landscape. By leveraging insights-driven frameworks, these collaborations can ensure that HME reimbursement aligns with the delivery of value-based care at home. This not only benefits patients by providing them with the necessary support and tools to manage their health effectively but also addresses the pressing challenges of cost containment and quality improvement within the healthcare system. The time is ripe for a paradigm shift that prioritizes patient-centric care, enabled by innovative technologies and optimized reimbursement models.

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Citius Healthcare Consulting

Citius Healthcare Consulting is a trusted partner in navigating the complexities of Healthcare and Life Sciences. As a transformative force, we empower organizations to overcome their critical business and technology challenges, driving sustainable growth.

By merging the management consulting expertise of what was formerly FluidEdge Consulting, with the digital healthcare capabilities of CitiusTech, our goal is to empower healthcare organizations with solutions that address their most critical challenges. Leveraging our deep domain knowledge and CitiusTech's cutting-edge HealthTech and Life Sciences innovations, Citius Healthcare Consulting strives to deliver impactful outcomes that enhance patient care and drive operational efficiency.

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- Proven track record: Over 1,200 global projects delivered
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