

A New Decade. A New Generation of HME Providers.

Nearly a decade after the first wave of Competitive Bidding hit the HME industry, AAHomecare takes a look at the way our industry has evolved and what our organization and our members are doing to come out stronger and more creative than ever before.

When Competitive Bidding first hit the scene with nine metro areas in 2010, HME providers were concerned about the health of their businesses and their patients. With such dramatic reimbursement cuts, how could patients in these areas continue to get access to the equipment and supplies they needed?

As CMS continued to expand into 100 additional Competitive Bid Areas and then onto the national scene, the impact was felt across the industry. Over time, thousands of HME providers decided it was no longer feasible to depend on servicing Medicare beneficiaries. Many either closed their doors or sold their businesses or patient populations to larger organizations.

THE BIG PICTURE

While the HME industry was struggling with its own challenges, the broader healthcare sector began its quest to respond to CMS' Triple Aim initiative under the Affordable Care Act (ACA) in March 2010. As physicians and hospitals received federal incentive payments to adopt electronic health record (EHR) systems and attest to Meaningful Use (now known as Promoting Interoperability (PI)), healthcare began to move from paper to digital environments. This allowed CMS to better track patient outcomes and transition to more

standardized payments for similar services. It also paved the way for the introduction of alternative payment models that focused on paying for value instead of volume, commonly known now as value-based purchasing.

The ACA also brought another 30 million lives into the system, many of which were the sickest of the sick who had not been able to afford health insurance in the past, according to many industry experts. This, in combination with the aging of the baby boomer generation that was adding approximately 10,000 eligible beneficiaries to Medicare every day¹, contributed to the chaos that was building across the industry as many projected Medicare would be bankrupt by the year 2023, unless the proposed changes were implemented quickly.

While these massive changes created havoc across the industry, they also created a path for post-acute care providers, including HME providers, to emerge as stewards of home care costs as hospitals and physicians realized the cost and care advantages of treating patients outside of their four walls. Making sure patients got the medical equipment they needed to adhere to their therapy and avoid costly complications soon became critical to every hospital or physician group business leader. There was finally a seat at the table for post-acute care providers.

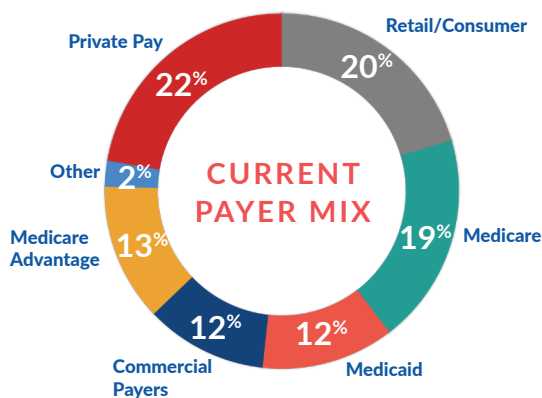
But were HME providers ready and able? Over the past 10 years, HME providers have responded in different ways. Struggling to adjust to the massive Medicare reimbursement cuts, suffocating audits, and changing regulatory issues, many went out of business or sold their businesses to larger providers. Those who remain are taking on a different attitude – one of empowerment and creativity.

STATE OF THE HME INDUSTRY

AAHomecare recently commissioned an online industry survey of 130 HME business leaders that revealed some significant changes that are occurring among providers. Qualitative phone interviews were also conducted with five senior executives from various HME organizations. Respondents represented a wide range of HME organizations in terms of size, number of locations, and product mix. Three key themes HME industry leaders shared in the survey include:

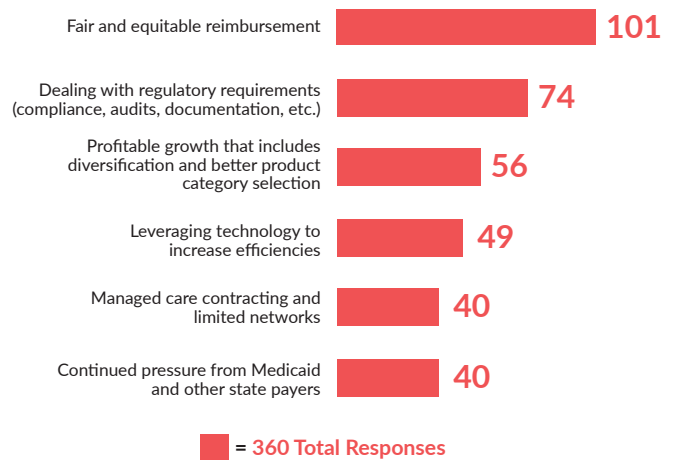
1. Payer Mix Changes Expected

While Medicare will likely continue to be a significant payer for HME providers, the survey indicated that HME leaders are expecting private pay and retail/consumers to see the biggest percentage increase over the next 12-24 months. Another 19% expect to continue to see strong growth in Medicare patient populations and 12% expect to see growth in Medicare Advantage and Medicaid business. Historically, Medicare beneficiaries comprised about 60-70% of a traditional HME provider's patient population.



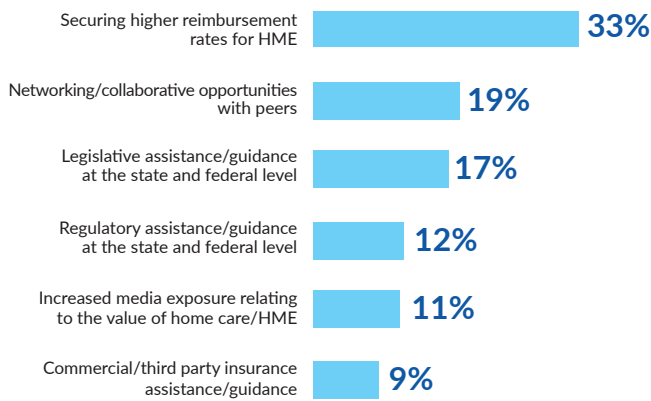
2. Primary Business Concerns for 2019

HME providers' top concerns have always been about reimbursement rates and rightfully so given the constant pressure from payers. When asked to rank their primary business concerns in 2019, regulatory requirements followed as a close second behind reimbursements. Other top concerns included the ability to grow profitably that includes diversification and better product category selection. Managed care contracting and technology also appeared as top concerns.



3. Biggest Benefit Expected from Membership in an Industry Association

HME providers are looking for industry associations to not only push for higher reimbursements and guide them on legislative issues, but also to help them network with each other and better communicate the true value they deliver to patients, payers and physicians. From the phone interviews conducted, a prominent theme of wanting assistance with changing the perception of the HME industry from equipment dealers to partners in care services and equipment came through. Respondents acknowledged that there are pockets of positive stories of individual providers and product manufacturers who are helping patients live happier and healthier lives and helping hospitals/physicians reduce costs. However, there is no central repository that can help everyone collaborate and share the positive impact stories with each other that could be used to help protect reimbursements.



In a nutshell, there is a new generation of HME providers emerging as the industry prepares to go into the next decade and CB Round 2021. Many providers are more active than ever before in AAHomecare councils and work group activities, and membership continues to grow higher than previous years.

The HME providers who have survived the past 10 years are taking control of their own destiny and establishing new strategies with referral sources, such as offering hospitals in-facility liaisons that help ensure patients get access to the equipment and services they need, when they need it.

One such provider is Dewey Roof, CEO of LifeH2H Solutions. Currently in pilot with a large health system, Roof and his team have created a program that not only helps oxygen patients get the equipment they need faster (cutting ordering time from 155 minutes to 37 minutes), but also reduces the hospital length of stay from 4.1 to 3.6 days, resulting in huge savings for the hospital. But what is most compelling about this program is its ability to reduce hospital readmissions by 47% for oxygen patients, which in turn saves the hospital millions in penalties and improves quality performance metrics. As the pilot program plays out, there is potential to expand the program, and the hospital savings, across multiple types of equipment and services.

AAHOMECARE IS RESPONDING

AAHomecare has been the voice of the HME industry in Washington since its inception, working with its members to influence federal legislative policy and regulatory requirements.

However, as HME providers are shifting payer and product mixes and transforming their businesses, AAHomecare is transforming its business services to meet the complex needs of its members.

In addition to the work being done at the federal level, AAHomecare has been making some significant strides with its payer relations team that is focused on state Medicaid, Managed Care Organizations (MCOs), and commercial payers. Led by VP of Payer Relations Laura Williard, AAHomecare recently expanded its payer relations team to include David Chandler as Director of Payer Relations.

Building on its successes throughout 2018, which included stopping or limiting Medicaid cuts in the wake of policy changes mandated by 2016 CURES legislation in 29 states, the team has continued to make progress by working with MCOs and other payer groups. See the full list of payer relations accomplishments and goals by visiting <https://bit.ly/2NXU5On>.



In March 2019, the Kentucky Legislature approved a bill that streamlines DME regulations and reimbursement policies for MCOs supporting the state's Medicaid program. According to Williard:

“The provisions of HB224 will put \$7 million dollars back into the pockets of Kentucky DME providers so they can continue to provide excellent care and keep patients in their homes. This also gives us momentum to build upon in working with other states to establish rate floors for DME.”

Willard and team worked tirelessly with policy makers to push for the passage of this legislation.

TN success

In Tennessee, the House and Senate unanimously passed legislation, HB 647, that protects Medicaid beneficiaries' access to specialized power wheelchairs, commonly referred to as Complex Rehab Technology (CRT), by establishing a separate benefit for CRT under the Medicaid program. Bill Mixon, Chief Executive Officer of National Seating & Mobility, a leading supplier of CRT products throughout the U.S, commented,

"Thanks to this legislation, the individuals and caregivers who depend on CRT can be assured that any budgetary or reimbursement changes covering these essential products will get the special deliberation they deserve."

AAHomecare provided additional assistance for the advocacy efforts of Tennessee stakeholders by supporting the legislation and plans to partner with suppliers and patient advocates to advance similar initiatives in other states.



AAHomecare is also updating its look and its voice in 2019 to better reflect today's HME industry and the positive energy that is emerging including a new logo and planned website update. To help the industry capture and communicate the powerfully positive impact HME providers have on patients and on healthcare cost containment, AAHomecare is also planning to launch a new HME Heroes campaign this fall. By serving as a national repository for positive stories that all providers can access and leverage during their own negotiations with payers and other healthcare providers, it is AAHomecare's intention to elevate the healthcare industry's awareness and perception of the value HME providers play in today's value-based care economy.

SAVINGS BY THE NUMBERS: PAYER RELATIONS UPDATE

\$36M

Put Back in Providers Pockets

\$26M

Recurring Annually

\$10M

Colorado CURES Delay

\$10M

Annually-Georgia Elimination of CURES Cuts

\$7M

Annually-Passage of KY HB224

\$4M

Annually-Missouri CURES Redistribution of Cuts, Additional \$500K in savings for state payback

\$4M

Annually-North Carolina Elimination of CURES Cuts

\$1M

Annually-Influence to pay for PAP Supplies with CURES Cuts

24 Additional states with rate cuts eliminated or minimized for 2018 with no estimate of ROI

For a full list of AAHomecare 2019 accomplishments to date, visit <https://bit.ly/2NXU5On>.

A NEW GENERATION OF HME PROVIDERS

A new generation of HME providers is emerging as the industry transitions from fee-for-service to value-based purchasing. AAHomecare is paving the way at both the federal and state level for those providers who want to seize the opportunity to diversify their business and grow their revenue.

In the next decade, we believe more patients will expect access to more care services and products in their homes, and more referring physicians will expect higher levels of accountability among their post-acute care partners. For HME providers who embrace this and are prepared to navigate the challenging waters ahead, there will be tremendous opportunity.

JOIN AAHOMECARE TODAY

to collaborate with other like-minded HME providers and industry innovators who are leading the HME industry into the next decade of opportunity.