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# HME News

THE BUSINESS NEWSPAPER FOR HOME MEDICAL EQUIPMENT PROVIDERS

DECEMBER 2014

## State of the Industry 2014



### The HME Market By The Numbers

# Bidding reverberates through data

**T**HERE WAS A big change to the HME industry in 2013: Round 2 of competitive bidding, which went into effect in 91 cities on July 1, 2013. It was associated with double-digit cuts to reimbursement for a wide range of home medical equipment.

With that for context, it's no surprise that a lot of the data points that we track in the State of the Industry Report show marked decreases for 2013.

When we look at BETOS (see p. 4), for example, we see fairly significant reductions in allowed charges for oxygen and supplies, wheelchairs, and other DME. The total allowed charges across product categories was \$5.3 billion in 2013 compared to \$8.1 billion in 2012.

For a product category like wheelchairs, the changes to reimbursement driven by competitive bidding were coupled with a demonstration project in seven states requiring prior authorizations starting July 1, 2013; and The Scooter Store, the largest provider of power wheelchairs, closing its doors in the fall of 2013.

When you look at allowed charges on a code level (see p. 6), there was a 56% decrease in allowed charges for K0823, the most popular standard power wheelchair. Total allowed charges were \$133,239,857 for this code in 2013.

This somewhat toxic environment probably has something to do with an overall decrease in the number of HME providers billing Medicare in 2013 (see p. 5). In years past, we've seen some bumps in the number of providers billing Medicare in the \$3 million to

\$10 million, and the \$10 million-plus categories. Not this year.

In addition to Round 2, CMS also pushed a mail-order program for diabetes supplies nationwide on July 1, 2013. As part of this program, CMS doled out contracts to less than 20 providers; reduced reimbursement, on average, by 72%; and set off a surge in M&A activity as providers jockeyed for contracts.

This change reverberated through several data points in the State of the Industry Report. If you look at the list of top providers in 2013 (see p. 11), you'll see the debut of Arriva Medical, one of the companies making the most acquisitions in the diabetes market amid all the change. You'll also see Liberty Medical, which filed for bankruptcy in February of 2013, dropped from No. 4 to No. 9.

Additionally, if you look at allowed charges on a code level (see p. 10), you'll see there was a 50% decrease in allowed charges for A4259, lancets, and a 42% decrease for A4253, blood glucose strips. There was an 85% increase in allowed charges for E0607, blood glucose monitors, which have not been included in the mail-order program.

It will be interesting to see if, in the next few years, as these changes become the new normal for the HME industry, the data starts to stabilize or, hopefully, move in the opposite direction.

Stay tuned.



—Elizabeth Beaulieu, Editor, HME News

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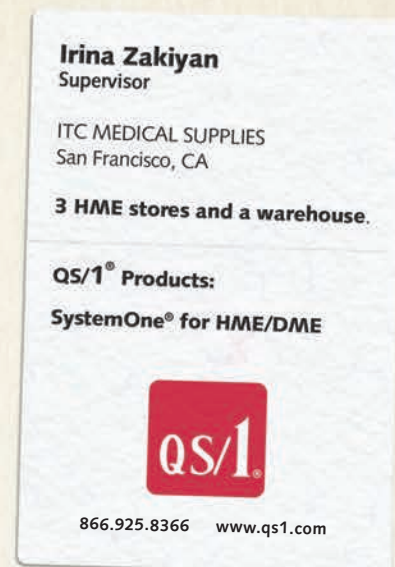


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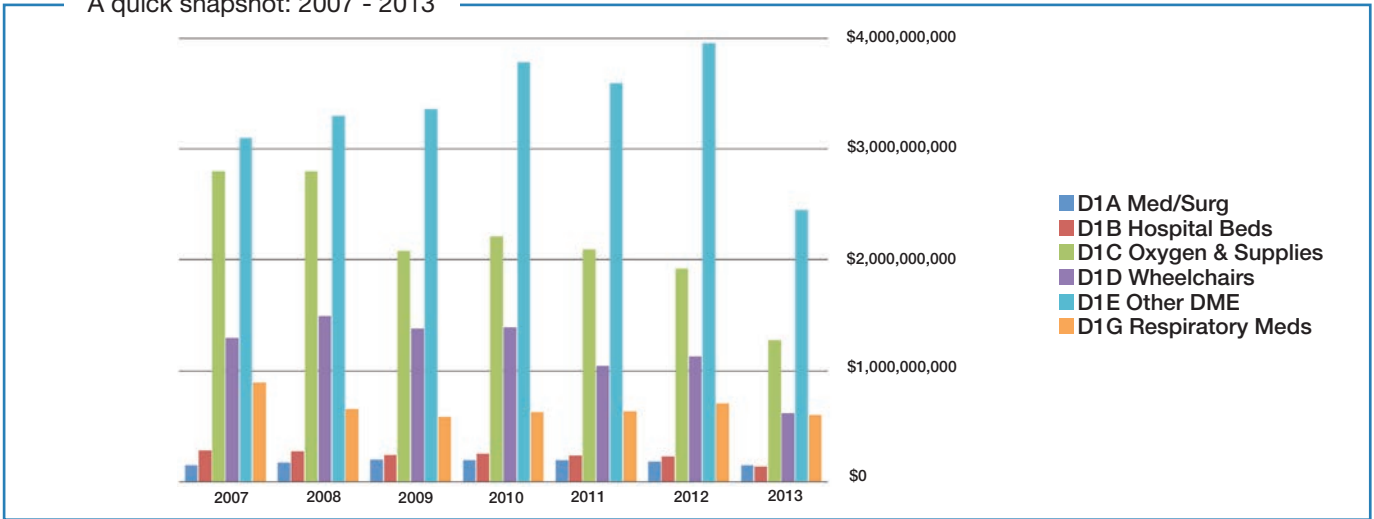
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## Medicare: DME growth by category

A quick snapshot: 2007 - 2013



**BETOS..Product..... 2007 ..... 2008.....2009 .....2010.....2011 .....2012 ..... 2013**

D1A.....Med/surg supplies...	152M	176M	202M	198M	198M	183M	153M
D1B.....Hospital beds.....	287M	276M	244M	255M	240M	230M	139M
D1C.....Oxygen and supplies..	2.8B	2.8B	2.0B	2.2B	2.1B	1.9B	1.3B
D1D.....Wheelchairs.....	1.3B	1.5B	1.4B	1.4B	1.05B	1.1B	622M
D1E.....Other DME.....	3.1B	3.3B	3.4B	3.8B	3.6B	3.9	2.5B
D1G.....Respiratory meds...	900M	657M	588M	629M	637M	709M	605M
<b>Total.....</b>	<b>8.5B</b>	<b>8.7B</b>	<b>7.9B</b>	<b>8.5B</b>	<b>7.8B</b>	<b>8.1B</b>	<b>5.3B</b>

Allowed Charges

### What is a BETOS bucket?

**BETOS STANDS FOR BERENSON-EGGERS TYPE OF SERVICE**, and it's the name of a coding system developed to analyze the growth in Medicare expenditures. The coding system covers all HCPCS codes; assigns a HCPCS code to only one BETOS bucket; consists of readily understood clinical categories that permit objective assignment; is stable over time; and is relatively immune to minor changes in technology or practice patterns.

SOURCE: CMS

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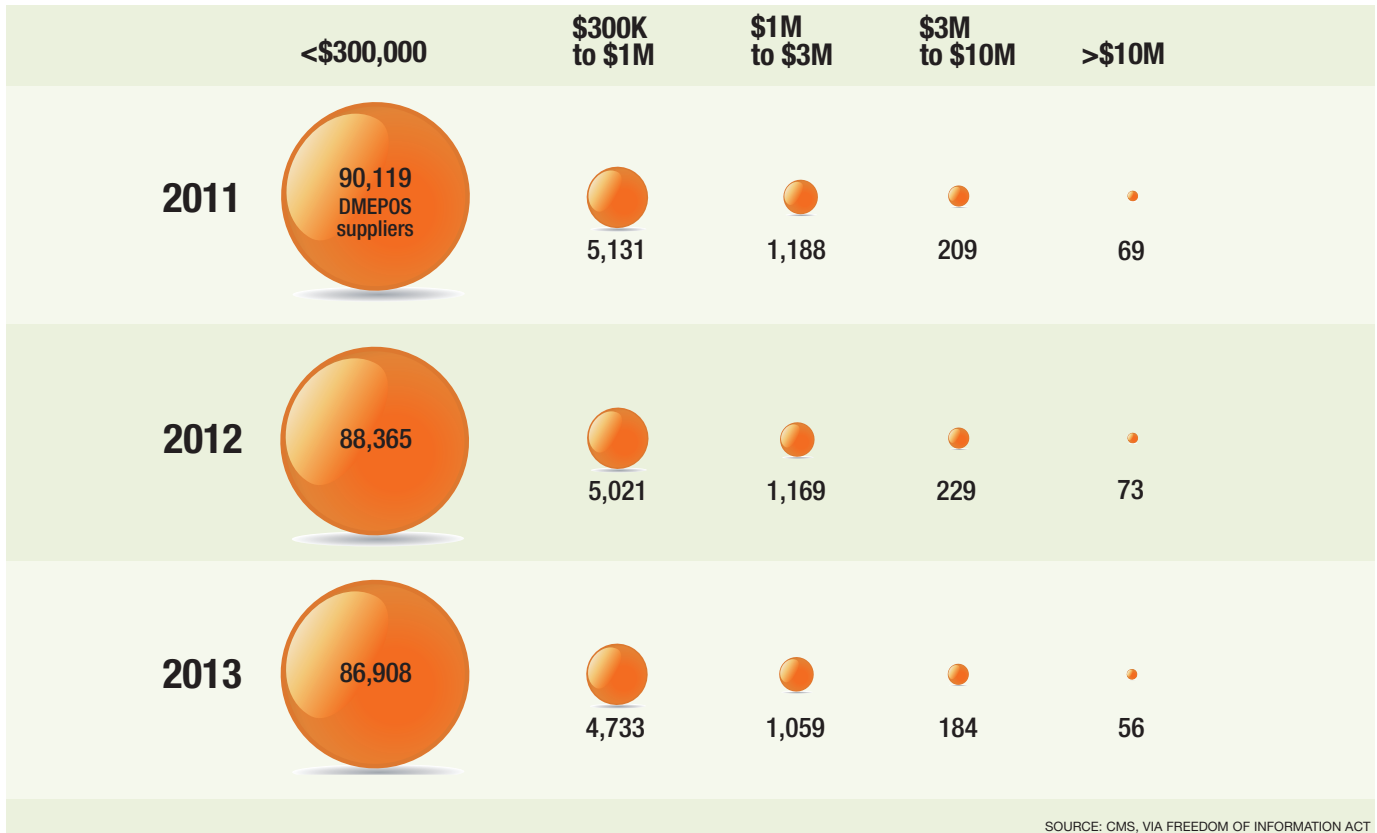


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## Medicare: Utilization for 2013, top HCPCS

### Respiratory

Rank	HCPCS	Product	Allowed Charges	Allowed Services	2013 Growth
3	E1390	Oxygen concentrator	\$1,403,398,730	8,910,003	-12.69%
22	J7626	Budesonide non-comp unit	\$233,526,242	44,381,510	8.75%
23	E0601	Cont airway pressure device	\$228,523,480	3,077,154	-4.93%
51	A7030	CPAP full face mask	\$125,367,587	783,449	-4.05%
52	J7605	Arformoterol non-comp unit	\$122,232,762	22,634,560	10.92%
54	A7034	Nasal application device	\$116,684,567	1,184,363	-8.54%
57	Q0513	Disp fee inhal drugs/30 days	\$113,261,428	3,433,965	-2.68%
64	E0431	Portable gaseous O2	\$103,860,274	3,802,633	-13.69%
72	E0470	RAD w/o backup non-inv intfc	\$95,137,733	551,323	-4.54%
83	E0562	Humidifier heated used w PAP	\$79,032,082	898,685	-10.56%
95	E0471	RAD w/backup non inv intrfc	\$67,849,901	160,245	9.97%
105	J7606	Formoterol fumarate, inh	\$63,348,994	10,767,071	17.31%
110	A7032	Replacement nasal cushion	\$58,837,548	1,760,427	1.78%
114	E0570	Nebulizer with compression	\$57,553,509	4,027,686	5.56%
115	E0463	Press supp vent invasive int	\$56,613,568	37,380	14.65%
127	E0443	Portable O2 contents, gas	\$50,590,288	692,802	-6.68%
137	A7037	Pos airway pressure tubing	\$47,028,296	1,455,683	-16.05%
145	A7035	Pos airway press headgear	\$43,276,059	1,364,653	-6.87%
167	J7620	Albuterol ipratrop non-comp	\$32,845,275	166,306,361	-27.12%
171	E0439	Stationary liquid O2	\$31,993,666	199,570	-31.77%
175	K0738	Portable gas oxygen system	\$31,145,191	639,378	-4.03%

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT

### Durable Medical Equipment

Rank	HCPCS	Product	Allowed Charges	Allowed Services	2013 Growth
35	E0260	Hosp bed semi-electr w/matt	\$155,152,135	1,561,101	-21.86%
91	G0283	Elec stim other than wound	\$71,628,888	6,597,916	-13.26%
101	E0143	Walker folding wheeled w/o s	\$66,248,036	710,620	-18.67%
103	L1832	KO adj jnt pos rigid support	\$64,781,202	103,805	37.37%
129	L5673	Socket insert w lock mech	\$49,965,818	73,494	-7.60%
149	E0277	Powered pres-redu air mattrs	\$39,571,612	81,208	-28.13%
156	L5700	Replace socket below knee	\$35,890,266	12,789	-2.18%
163	E0163	Commode chair with fixed arm	\$34,446,276	302,788	-13.79%
170	L8030	Breast prosthes w/o adhesive	\$32,008,479	102,164	-7.21%
179	L7900	Male vacuum erection system	\$29,772,204	60,085	-29.02%
191	E0630	Patient lift hydraulic	\$24,974,456	286,354	-5.02%

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT

### Mobility

Rank	HCPCS	Product	Allowed Charges	Allowed Services	2013 Growth
44	K0823	PWC gp 2 std cap chair	\$133,239,857	475,716	-56.20%
102	K0001	Standard wheelchair	\$66,107,898	1,525,359	-8.84%
116	K0003	Lightweight wheelchair	\$56,220,653	791,622	-15.72%
124	K0004	High strength ltwt whlchr	\$52,046,898	503,668	-18.46%
130	E1007	Pwr seat combo w/shear	\$49,869,990	6,180	-0.89%
169	K0861	PWC gp3 std mult pow opt s/b	\$32,786,913	6,585	-0.55%

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT

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## Medicare: Number of beneficiaries, suppliers, 2013

### ✓ E1390 O2 Concentrator

Jurisdiction	Beneficiaries	Suppliers
A	189,146	1,883
B	253,737	2,566
C	545,412	4,975
D	295,417	2,644
Nation*	1,283,712	7,491

### ✓ E0601 CPAP

Jurisdiction	Beneficiaries	Suppliers
A	91,040	1,491
B	121,070	2,188
C	235,324	4,567
D	129,182	2,311
Nation*	576,616	7,239

### ✓ E0260 Hospital Beds

Jurisdiction	Beneficiaries	Suppliers
A	77,573	1,848
B	69,499	2,121
C	135,743	4,563
D	46,856	2,266
Nation*	329,671	8,633

### ✓ A4253 Blood Glucose Strips

Jurisdiction	Beneficiaries	Suppliers
A	760,987	15,570
B	823,253	14,399
C	1,476,583	25,947
D	705,874	14,260
Nation*	3,766,707	51,396

### ✓ K0823 Power Chair

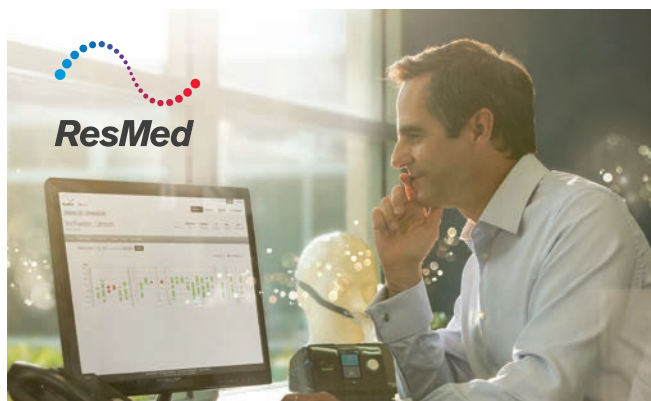
Jurisdiction	Beneficiaries	Suppliers
A	11,708	418
B	15,243	558
C	42,722	1,649
D	17,531	798
Nation*	87,204	2,999

### ✓ K0001 Standard Chair

Jurisdiction	Beneficiaries	Suppliers
A	56,198	2,077
B	56,879	2,380
C	125,242	4,824
D	64,003	2,601
Nation*	302,322	9,207

\*EDITOR'S NOTE: Why doesn't the number of suppliers from each category equal the total number of suppliers in the nation? Some suppliers work in more than one jurisdiction.

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT



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# Medicare: Utilization for 2013, top HCPCS

## Diabetes, Infusion & Supplies

Rank	HCPCS	Product	Allowed Charges	Allowed Services	2013 Growth
10	A4253	Blood glucose/reagent strips	\$753,293,520	32,475,657	-42.24%
41	E2402	Neg press wound therapy pump	\$140,658,249	100,459	-12.96%
55	A4351	Straight tip urine catheter	\$116,219,350	63,165,378	11.37%
60	B4035	Enteral feed supp pump per d	\$107,178,145	10,832,879	-23.03%
68	A5500	Diab shoe for density insert	\$98,792,361	1,439,812	-6.94%
77	B4197	Parenteral sol 74-100 gm pro	\$85,962,387	275,540	7.57%
87	A4352	Coude tip urinary catheter	\$76,559,849	11,902,063	23.15%
97	A5513	Multi den insert custom mold	\$67,409,013	1,615,590	-5.93%
98	A5512	Multi den insert direct form	\$67,197,469	2,404,002	-7.06%
99	A4259	Lancets per box	\$66,749,085	8,284,990	-50.73%
107	B4154	EF spec metabolic noninherit	\$62,412,190	59,951,698	-26.45%
112	B4150	EF complet w/intact nutrient	\$58,100,881	98,587,859	-20.86%
117	A4353	Intermittent urinary cath	\$55,721,808	7,416,363	0.80%
118	B4152	EF calorie dense >=1.5Kcal	\$55,664,332	115,783,176	-11.77%
139	E0607	Blood glucose monitor home	\$46,238,837	729,555	85.50%
144	E0784	Ext amb infusn pump insulin	\$43,300,398	118,725	11.37%
150	A4221	Maint drug infus cath per wk	\$39,145,528	1,610,600	8.05%
152	B4193	Parenteral sol 52-73 gm prot	\$37,919,657	147,746	0.56%
153	B4199	Parenteral sol > 100gm prote	\$37,742,280	105,634	5.28%
160	A6021	Collagen dressing <=16 sq in	\$34,735,653	1,529,043	3.12%
161	A4222	Infusion supplies with pump	\$34,558,883	704,505	4.15%
166	A4407	Ext wear ost skn barr <=4sq in	\$33,083,346	3,499,231	3.18%
178	A6550	Neg pres wound ther drsg set	\$29,915,775	1,184,307	-2.70%
186	E0781	External ambulatory infus pu	\$27,607,534	114,888	2.50%
189	B4034	Enter feed supkit syr by day	\$25,248,585	4,795,455	-15.66%
194	A4414	Ost sknbar w/o conv<=4 sq in	\$24,026,961	4,516,526	-3.95%

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT

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## Medicare: Top providers in 2013

Rank	Company	Allowed Charges	Rank	Company	Allowed Charges	Rank	Company	Allowed Charges
1	Lincare, Inc.	\$717,642,142.52	35	Amber Enterprises, Inc.	\$34,995,199.68	69	PRN Medical Services, LLC.	\$15,364,203.78
2	Accredo Health Group, Inc.	\$416,013,340.41	36	Advanced Home Care, Inc.	\$33,259,314.72	70	Binson's Hospital Supplies, Inc.	\$14,712,333.58
3	Apria Healthcare, LLC	\$304,695,916.25	37	Curascript, Inc.	\$32,879,627.29	71	Roberts Home Medical, Inc.	\$14,678,323.68
4	Lincare Pharmacy Services, Inc.	\$226,267,875.26	38	United States Medical Supply, Inc.	\$30,760,865.12	72	Biorx, LLC.	\$14,617,626.43
5	Walgreen Co.	\$189,269,346.66	39	Comprehensive Decubitus Therapy, Inc.	\$29,578,432.46	73	Minimed Distribution, Corporation	\$14,514,695.33
6	KCI USA, Inc.	\$146,081,525.79	40	Wright & Filippis, Inc.	\$29,211,379.52	74	Advanced Care Scripts, Inc.	\$14,039,308.43
7	Arriva Medical, LLC.	\$141,821,158.62	41	Diamedix Healthcare, LLC.	\$27,247,872.10	75	Advanced Respiratory, Inc.	\$14,033,832.36
8	DEGC Enterprises (U.S.), Inc.	\$105,066,033.86	42	Centrad Healthcare, LLC.	\$25,334,380.51	76	Sterling Medical Services, LLC.	\$13,097,278.01
9	Liberty Medical Supply, Inc.	\$101,876,985.54	43	Norco, Inc.	\$24,795,567.50	77	MP Totalcare Services, Inc.	\$12,979,305.48
10	Hanger Prosthetics & Orthotics, Inc.	\$101,257,847.05	44	Medical Services of America, Inc.	\$24,762,813.30	78	Medenvios Healthcare, Inc.	\$12,941,432.23
11	Zoll Lifecor Corporation.	\$99,228,712.57	45	Diplomat Pharmacy, Inc.	\$23,600,253.97	79	Prism Medical Products, LLC.	\$12,680,384.07
12	Med4home, Inc.	\$83,739,764.24	46	EBI, LLC.	\$23,440,736.68	80	MP Totalcare Medical, Inc.	\$12,582,590.70
13	Coram Alternate Site Services, Inc.	\$70,702,742.31	47	Procare Pharmacy Direct, LLC.	\$23,265,100.93	81	Enteral Products, LLC.	\$12,498,128.73
14	American Homepatient, Inc.	\$70,463,146.48	48	Health Care Solutions At Home, Inc.	\$23,198,149.02	82	Barnes Healthcare of FL, LLC.	\$12,482,272.14
15	Byram Healthcare Centers, Inc.	\$69,601,097.11	49	Inogen, Inc.	\$23,104,229.87	83	Landauer Metropolitan, Inc.	\$12,409,830.98
16	Procare Pharmacy LLC.	\$64,956,534.01	50	A-Z Diabetes Care Club, LLC.	\$22,090,737.68	84	Responsive Home Health Care, Inc.	\$12,327,766.40
17	Option Care Enterprises, Inc.	\$64,680,717.35	51	Pulmo-Dose, Inc.	\$21,455,710.97	85	All American Medical Supplies, LLC.	\$12,307,542.19
18	Hanger Prosthetics & Orthotics East, Inc.	\$63,202,798.70	52	Optumrx, Inc.	\$20,591,697.70	86	Home Medical Systems, Inc.	\$11,858,492.31
19	Caremark, LLC.	\$62,334,341.99	53	EMPI, Inc.	\$19,863,765.99	87	Medical Direct Club, LLC.	\$11,812,439.72
20	US Healthcare Supply, LLC.	\$58,596,607.05	54	Lifecare Solutions, Inc.	\$19,659,548.43	88	CareInc Medical Equip. & Supply Co., LLC.	\$11,764,543.10
21	Liberator Medical Supply, Inc.	\$55,666,862.77	55	US Med, Inc.	\$19,513,663.64	89	Biologics, Inc.	\$11,739,592.65
22	RGH Enterprises, Inc.	\$54,372,442.62	56	Wal-Mart Stores, Inc.	\$19,062,902.83	90	Cystic Fibrosis Services, Inc.	\$11,636,824.46
23	Gordian Medical, Inc.	\$53,415,665.79	57	National Seating & Mobility, Inc.	\$19,020,808.19	91	Dynavox Systems, LLC.	\$11,631,630.96
24	Med-Care Diabetic And Medical Supplies.	\$51,286,733.57	58	Bioventus, LLC.	\$18,904,510.42	92	Aerocare Holdings, Inc.	\$11,616,260.40
25	United Seating And Mobility, LLC.	\$50,155,577.42	59	National Rehab Equipment, Inc.	\$18,607,533.33	93	Rotech Oxygen and Medical Equip., Inc.	\$11,206,263.77
26	Hoveround Corporation.	\$47,330,454.06	60	Dynasplint Systems, Inc.	\$18,231,874.89	94	Mayo Foundation for Medical Edu. & Res.	\$11,109,816.24
27	Hanger Prosthetics & Orthotics West, Inc.	\$46,866,494.02	61	Airway Oxygen Inc.	\$18,141,534.25	95	Infusion Partners, LLC.	\$10,877,518.52
28	Orthofix, Inc.	\$42,729,310.98	62	Walgreens Mail Service, Inc.	\$17,698,986.51	96	Provider Plus, Inc.	\$10,716,267.28
29	Wal-Mart Stores East, Lp.	\$40,905,780.50	63	Critical Care Systems, Inc.	\$17,470,938.37	97	International Rehabilitative Sciences, Inc.	\$10,684,974.89
30	180 Medical, Inc.	\$40,813,530.81	64	Home Infusion Solutions, LLC.	\$16,017,832.84	98	Verus Healthcare, LLC.	\$10,084,210.69
31	DJO, LLC.	\$39,299,753.98	65	Infusystem, Inc.	\$15,976,070.71	99	Cair Medical, Inc.	\$10,079,371.22
32	Braden Partners, Lp.	\$37,594,492.77	66	Com. Surgical Supply of Toms River, Inc.	\$15,975,864.82	100	Avella Of Sacramento, Inc.	\$10,000,739.15
33	Mckesson Medical-Surgical Medimart Inc.	\$37,277,075.20	67	Founders Healthcare, LLC.	\$15,650,344.84			
34	American Homepatient, Inc.	\$35,153,492.97	68	CVS Pharmacy, Inc.	\$15,580,758.16			

SOURCE: CMS, VIA FREEDOM OF INFORMATION ACT

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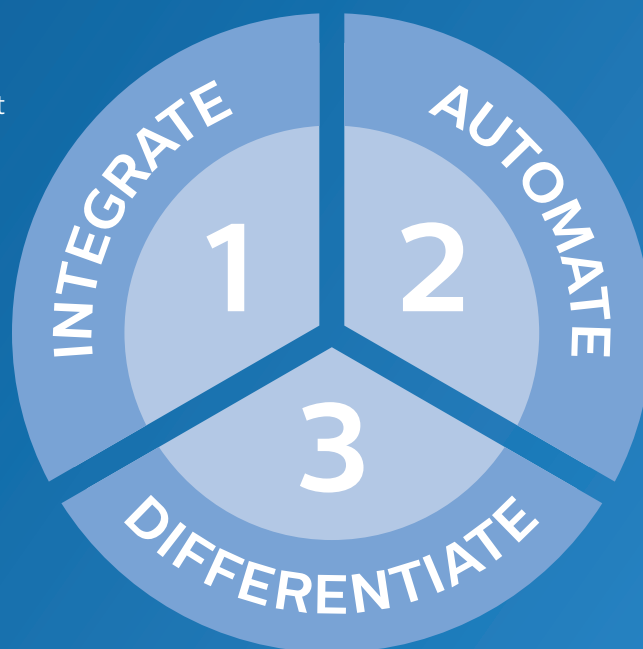
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