

Monitoring Your HME Profitability

Maximizing your efforts with the right data

By Michelle Tohill

“You can’t manage what you don’t measure.” This is an old business adage that rings true for most companies, including HME businesses in today’s economy.

With profit margins dwindling for HME, it is becoming more and more vital to meticulously track every reimbursement and overall inventory. Years ago, estimating stock and surmising the percentage of reimbursements may have been sufficient, but now, if you are not thoroughly tracking every item in your inventory, you are not reaching your maximum profitability.

What to Monitor

1 A/R (Accounts Receivable) » Keeping track of your accounts receivable seems like a no-brainer, but you would be surprised how many businesses let it slip. With the sophisticated software options available today, accessing A/R data at any time should be quick, easy and clear. Make sure your outstanding A/R, DSO, bad debt reserve, aging accounts and denials are being paid properly and on time. Setting benchmarks and measuring performance assists HME providers in making future advances.

You should also be checking claims that are about to expire. Missing

deadlines is inexcusable given the software options available with built-in reminders. The majority of denied claims are due to negligence and minor errors. Train your employees to spot these, and reiterate that there should never be any late claims. Providers should always have a 0 percent rate of denial because of late filings.

2 Inventory » Make sure you keep sitting inventory to a minimum in order to reduce costs. Knowing the amount of inventory in your warehouse will enable you to make necessary adjustments (such as just-in-time ordering and drop-shipping) so that you can reduce overhead storage costs. Tracking inventory involves a combination of barcoding products, automated purchasing and reporting.

Managing inventory levels involves striking a balance between having the correct products on the shelf and not having too much. You must also be able to efficiently replenish frequently ordered stock when necessary. Find ways to work with distributors,

manufacturers and vendors to make future improvements to stock replenishment. Utilizing automated inventory monitoring also ensures your business can supply accurate inventory figures whenever needed, such as during tax season.

3 Product profits » Make sure you have accurate data regarding what products are making the most money for your business—this information should drive your strategy. Often, HME businesses can get so sidlined by sheer customer demand that they lose sight of what is truly profitable. When you know what items or services are at the high end of your profit margin, you will know where to devote the most resources.

Also consider customer feedback and satisfaction. Are customers happy with the products they have received from you? If so, promote these products. If not, find out why certain products are not being received well and how to improve the patient experience with these products in the future. Advanced



technology now makes it possible for patients to track their therapy compliance while using your products. This information can be useful in making later recommendations.

4 Managing overhead » For many HME providers, inventory represents the largest component of overhead. However, salaries, benefits, deliveries and training resources also produce a large number of expenses. Employee costs can be greatly reduced through technology. New advances in technology allow you to eliminate employees performing some of the more tedious and monotonous tasks such as data entry.

HME businesses can also diminish employee training and management via the correct applied technology. The correct software can make training employees much more efficient and streamlined. When systems are built into your software the correct way, your employees will automatically do what you need them to, rather than you having to train them on protocols.

Quality software can increase management efficiency as well. Reports can quickly be generated on a per-employee basis so that you can monitor performance and manage directly to each employee's strengths and weaknesses rather than implement company-wide management programs. Managers can quickly identify what is working and what is not, and make adjustments more efficiently.

5 Field staff » Many providers have little knowledge about what their drivers are doing in the field. With the abundance of new technology available, HME providers should now be able to track their delivery drivers. Providers can monitor deliveries and observe the locations and activities of drivers with the correct applications. This information can assist you in identifying areas that need improvement in the future.

Advances in technology also allow field employees to collect documentation and notes while they are out making deliveries. This can help to streamline the delivery process and increase reimbursements. It also helps to diminish human error.

Managing a profitable HME business is not easy, but knowing what to key in on and making sure to utilize the software tools available to your business will give you a chance to maximize your profit margins. **HC**

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