



THE REMARKABLE OPPORTUNITY OF AN ORTHOTICS & DME ANCILLARY PROGRAM

Orthopedic providers are sometimes surprised to learn that in addition to improving patient continuity of care, orthotics & DME can be a significant source of ancillary revenue. While the value to patients of providing ancillary services in the orthopedic practice or department is commonly understood, an orthotics and DME service line is often the last program added, if it is added at all.

Consider this: capital outlay for X-ray and other diagnostic technology as an ancillary service can be quite expensive. A new digital X-ray machine can range anywhere from \$125,000-\$200,000, as well as several thousand dollars in facility upgrades to outfit an exam room. Conversely, setting up an orthotics & DME service is considerably less expensive. For example, an initial stocking order for a mid-size practice applying about 500 products monthly, costs approximately \$40,000, and only requires a small storage area to keep high volume products on hand.

While the cost for other ancillary services can be significant compared to that of an orthotics & DME service line, the revenue can be equally attractive. If you are willing to invest hundreds of thousands of dollars in other services, why wouldn't you consider a fraction of that investment with a similar return for your practice?

KEYS TO ORTHOTICS & DME REVENUE

Is an orthotics & DME service line right for you? A successful ancillary program is based on three things: patient volume, product selection and payer mix. Take a look at the following example.

An orthopedic group with 10 surgeons, each completing six ACL surgeries with post-op bracing on a monthly basis, can generate approximately \$290,160 annually, or \$29,016 per doctor. Even two-doctor practices can generate a fair amount of revenue.

MORE REASONS TO CONSIDER THIS ANCILLARY SERVICE

Implementing an orthotics & DME program not only generates revenue, but it provides a better experience for the patient. The clinician can stabilize the injury before the patient leaves the facility and make sure the brace fits correctly. It's convenient for the patient who doesn't have to make a trip to a separate facility or practitioner. The provider also has the ability to better control product costs. An orthotics & DME service is an integral part of providing patient-centered care across the orthopedic episode from hurt to healthy.

Real-World Revenue: Orthopedic Institute of Pennsylvania (OIP)

OIP includes 38 physicians across multiple locations and provides care to approximately 15,000 patients in central Pennsylvania each month. OIP partnered with Breg in 2007 to set up an orthotics & DME program. In 2015, OIP generated \$2.5 million from its orthotics & DME ancillary program, equating to \$65,789 per physician, per year. Read the case study at Breg.com/cases

Challenge Meeting OIP program compliance needs, managing OIP contracts in specific systems from four insurance plans.

Solution Working with Breg helped to stay on top of billing requirements.

Results OIP's program has generated \$2.5 million in ancillary revenue. The system allows OIP to manage all contracts, manage all billing, track compliance and track all billing information. OIP's program has generated \$2.5 million in ancillary revenue. The system allows OIP to manage all contracts, manage all billing, track compliance and track all billing information.

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Provider Considerations

The potential business value of an orthotics & DME program varies widely and is dependent on the facilities' utilization patterns and payer contracts. Following are general guidelines to consider.

Patient volume is dependent on the type of facility, subspecialties offered and referrals, which in turn drives the number and type of devices kept in inventory. One of the easiest ways to determine amount of product to keep on hand is to create an average 30-day usage requirement based on a 1-3 month utilization report. Depending on space, inventory and restocking, many providers keep 15, 30 or more days stocked on location or in a nearby facility.

Product selection requires striking a balance between product quality and price. Providers are advised to carry a selection of high quality products while remaining cost conscious. Lower quality products can provide a poor patient experience, put more burden on the provider if the product fails and can raise questions in the patient's mind if a similar, low quality product can be found at a retail store or online for a lower cost. Patients often confuse the quality of products offered at discount retail locations and the value practices provide through patient education balanced with the right product dispensed at the right time. Whether or not to use products from one manufacturer or from a variety of manufacturers is at the discretion of the provider.

Payer mix refers to the percentage of revenue coming from private insurance (commercial payers like Aetna and Blue Cross) vs. government insurance (Medicare and Medicaid) vs. self-paying patients. The mix matters because the Centers for Medicare & Medicaid Services (CMS) is the single largest payer for health care in the U.S. with nearly 90 million covered lives.⁴ This point is often confused with products dispensed for orthopedics. Often, the government payer mix is 20% or less of a practice volume. This volume is important though, as commercial payers typically pay less for orthotics & DME than Medicare. Profitability can depend on a payer's adherence to fee schedules, denial rates, payment turnaround times and hassle factors (payer responsiveness to questions and appeals, for example).



HOW BREG CAN HELP

As with any ancillary service, orthotics & DME can provide orthopedic practitioners with a significant revenue stream. Before establishing this ancillary service line, providers must perform the proper analysis and understand the components of a successful orthotics & DME program.

The Breg Impact Consulting team works with you and your staff to set up and maintain an in-office bracing and supplies program tailored to your specific needs, processes and protocols. Team members have worked in clinical settings and have used Breg Impact Consulting in their own practices. With real-life experiences, they know what it takes to implement a viable, profitable program.

Whether the profit is used to offset growing costs, distributed among partners, invested back in the business or used to grow your mission – it's up to you.

TAKE THE NEXT STEP

Contact your Breg Sales Representative, or call 800-321-0607 and ask for a Business Analysis to see if an orthotics & DME ancillary program is the right strategic fit. The analysis is free of charge, and will provide you with a pro-forma estimate of the practice benefits and how much revenue your orthotics & DME program can expect to generate.

⁴ "CMS Roadmaps for the Traditional Fee-for-Service (FFS) Program: Overview." https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/QualityInitiativesGenInfo/downloads/RoadmapOverview_OEA_1-16.pdf Accessed 12/28/2016.



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