

# Decreasing Durable Medical Equipment Variation Yields Nearly \$1M in Additional Revenue



## HEALTHCARE ORGANIZATION

Integrated Delivery System

## PRODUCTS

- Health Catalyst® Data Operating System (DOS™) platform

## SERVICES

- Professional Services

## EXECUTIVE SUMMARY

Community Health Network identified that inconsistent oversight of durable medical equipment (DME), and process variation, were a likely source of waste and lost revenue. The health network sought a systemwide, data-driven process for the purchasing, dispensing, and billing of DME. A data platform and analytics applications were utilized to understand organizational performance, identify opportunities for improvement, and evaluate the impact of these changes on patient, financial, and organizational outcomes. Results include:

- Nearly \$1M in additional revenue, the result of standardizing DME, and a 5 percent increase in DME revenue for orthopedic bracing.

## DECREASING DURABLE MEDICAL EQUIPMENT EXPENSES

Supplies account for one-third of healthcare operational costs, with the U.S. national health expenditures for DME exceeding \$50 billion annually.<sup>1,2</sup> This creates an opportunity to ensure consistent and efficient DME procurement and distribution processes.

Ranked among the nation's most integrated healthcare systems, Indianapolis-based Community Health Network (CHNw) is Central Indiana's leader in providing convenient access to exceptional healthcare services.

## SUPPLY CHAIN VARIATION OPPORTUNITIES IDENTIFIED

CHNw lacked a standard process for procuring and dispensing DME. Individual orthopedic, neurology, and neurosurgery clinics purchased these supplies monthly, based upon physician preferences and patient needs, creating substantial variation in the type, price, source, and fitting of orthopedic bracing. The billing processes also varied among clinics, negatively impacting revenue.

Previously, we relied on our gut instincts. We knew we had an area of opportunity in the durable medical equipment process, yet we could not scale our improvement efforts without data and analytics.

Jon Fohrer  
Vice President Specialty Care  
Orthopedic and  
Surgical Sub-Specialties

Using data and analytics, we have standardized the durable medical equipment process, and now we are able to provide high quality orthopedic bracing across the network, while ensuring we purchase at the best price available and are appropriately reimbursed for the product.

Leianne Whitfield, RT  
Durable Medical Equipment  
Coordinator, Orthopedics/  
Community Home Health

Orders were placed once a month, making it difficult to account for seasonality and creating insufficient stock levels. In the acute care and emergency care setting, patients often waited extended periods of time for outside agencies to fit and supply orthopedic bracing, delaying their discharge.

CHNw leadership acknowledged inconsistent oversight of DME, and variation in processes were likely causing waste and lost revenue. However, the organization lacked the actionable data necessary to understand DME costs and reimbursement rates. The health system desired a systemwide, data-driven process for purchasing, dispensing, and billing of DME.

## DATA-DRIVEN INSIGHTS STANDARDIZE DME SUPPLY CHAIN MANAGEMENT

CHNw leadership tasked an improvement team with creating a standard DME workflow to reduce variation, enhance continuity of care, ensure bracing supplies are available when patients need them, and identify strategies to improve the purchasing, dispensing, and billing of orthopedic bracing. Physicians were engaged in standardizing bracing products, ensuring the best solutions were selected for optimal patient outcomes, and consolidating vendors to improve the purchase price of DME supplies.

CHNw implemented a single source workflow, managed by home health services, to purchase, stock, dispense, and bill for orthopedic bracing. The organization leverages the Health Catalyst® Data Operating System (DOS™) platform and a robust suite of analytics applications to understand organizational performance, identify improvement opportunities, and evaluate the impact of enhancement efforts on patient, financial, and organizational outcomes. The data platform combines input from multiple sources into one location, enabling near real-time access to gain insight into areas to target improvement efforts.

Using the data platform, CHNw can easily visualize DME information, including the number of patients receiving these supplies, brace type, inventory and distribution of DME, and the impact of related services on revenue. The DME data from the analytics platform helped the organization establish stock levels for its clinics and acute care units.

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It was great to see the different departments working together to meet a common goal to provide the best quality of care and realize revenue enhancement.”

Audrey Clancy, MBA  
Director of Finance  
Network Specialty Product Line

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Having leadership support, along with highly engaged physicians, really helped drive change across the network and was key to the success of the durable medical equipment improvement initiative. It has been very rewarding to see how this improvement work has decreased variation and positively impacted patients while also increasing revenue.”

MeChelle Vance, MBA, MSML,  
REEG/EPT, CNIM, CLTM  
Performance and Outcomes  
Manager Neuroscience/  
Orthopedics

Home health services stock each clinic with the needed DME. When physicians order equipment for their patients, the order is sent to the home health office, where the DME is billed, and additional stock ordered as appropriate. CHNw internalized DME services, eliminating delays associated with engaging an outside provider. Outpatient clinics are equipped to fit patients for DME, while patients in the emergency department and acute care setting are fitted for DME by CHNw physical therapists.

## RESULTS

Using this data-driven streamlined approach, CHNw increased revenue while maintaining high-quality patient outcomes and improving the timeliness of care.

- ▶ Nearly \$1M in additional revenue, the result of standardizing DME, and a 5 percent increase in DME revenue for orthopedic bracing.
- ▶ 45 percentage point increase in “in-network” orthopedic bracing.

## WHAT'S NEXT

CHNw is expanding the DME process across its network, further improving timely, consistent access to DME for its patients. ⚡

## REFERENCES

1. United States NHE: Durable Medical Equipment Expenditures (DME).(n.d.). CEIC. Retrieved from <https://www.ceicdata.com/en/united-states/national-health-expenditures/nhe-durable-medical-equipment-expenditures-dme>
2. Ellison, A. (2018). 3 ways to build a top-performing supply chain in and out of the hospital. *Becker's Hospital Review*. Retrieved from <https://www.beckershospitalreview.com/supply-chain/3-ways-to-build-a-top-performing-supply-chain-in-and-out-of-the-hospital.html>

## ABOUT HEALTH CATALYST

Health Catalyst is a leading provider of data and analytics technology and services to healthcare organizations, committed to being the catalyst for massive, measurable, data-informed healthcare improvement. Our customers leverage our cloud-based data platform—powered by data from more than 100 million patient records, and encompassing trillions of facts—as well as our analytics software and professional services expertise to make data-informed decisions and realize measurable clinical, financial, and operational improvements. We envision a future in which all healthcare decisions are data informed. Learn more at [www.healthcatalyst.com](http://www.healthcatalyst.com).

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