

HOW TO START A DME BUSINESS

Can I Make Money in DME?

This is one of the very first questions our new DME clients ask us. Our answer is yes, if...

1. You know what you are doing, or you have someone who can guide you through the ins and outs of running a DME business.; and
2. You have a way to generate referrals and referral sources; and
3. You commit to doing this business the right way: The Compliant way!

Make no mistake, there is a right way and a wrong way to operate a DME business. And the right way is doing so in a compliant, honorable, and ethical way.

But YES, you can make a bunch of money in this business.

That does not mean you will, but if you perfect the three bullet points above, you can make life changing money in this business.

DME, an abbreviation for Durable Medical Equipment, is a hot and fast, growing industry. Durable medical equipment are the medical devices used for improving the quality of the life of the patients. DME covers such as:

Personal Mobility Devices

1. Wheelchairs
 - b. Scooters
 - c. Walker and Rollators
 - d. Canes and Crutches
 - e. Door Openers
 - f. Other Devices
2. Bathroom Safety Devices and Medical Furniture
 - a. Commodes and Toilets
 - b. Mattress & Bedding Devices
3. Monitoring and Therapeutic Devices
 - a. Blood Sugar Monitors
 - b. Continuous Passive Motion (CPM)
 - c. Infusion Pumps
 - d. Nebulizers
 - e. Oxygen equipment
 - f. Continuous Positive Airway Pressure (CPAP)

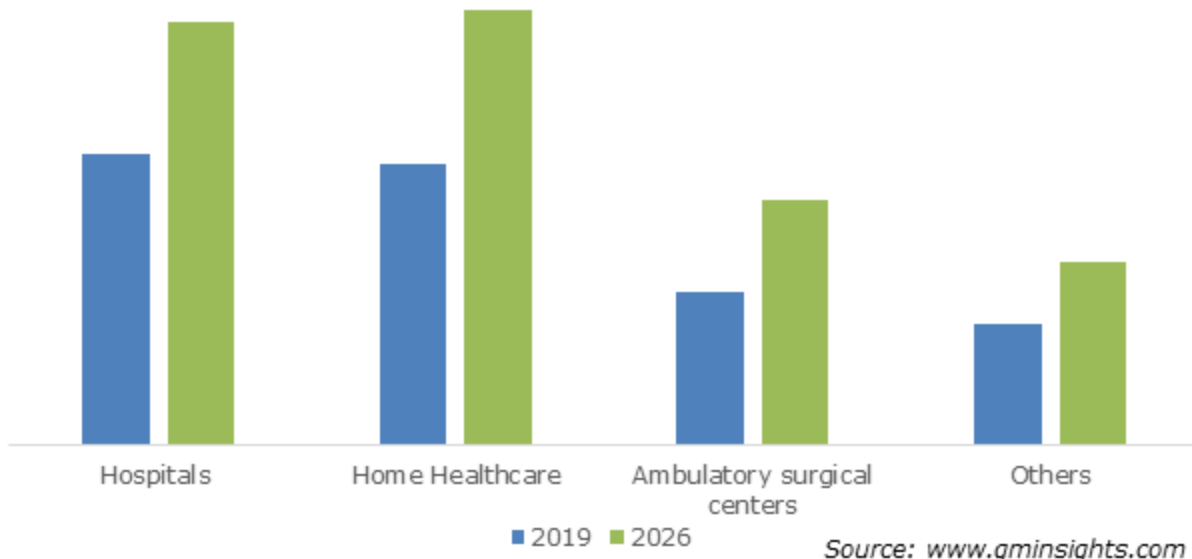
- g. Suction pumps
- h. Traction Equipment
- i. Others
 - i. Insulin pumps
 - ii. Ostomy bags and accessories
 - iii. Wound care products
 - iv. Cardiology Devices
 - v. Vital Signs Monitor
 - vi. Respiratory supplies
 - vii. Urinary supplies
 - viii. Diabetic supplies
 - ix. Incontinence products
 - x. Orthopedic braces and support
 - xi. Muscle stimulators

Fueling this growth are five main drivers.

1. Healthcare is as close as a recession proof business that you will find attracting many entrepreneurs; and
2. The 65 and older population, 52 million people in 2019 is expected to grow to 95 million by 2050: and
3. Chronic diseases such as rheumatoid arthritis and multiple sclerosis, as well as neurological diseases such as Parkinson's and epilepsy are expected to experience significant growth: and
4. With the ACA, more Americans are covered by insurance thanks to Medicaid enrollment growth: and
5. Growing usage of monitoring devices in healthcare industry will provide lucrative growth market opportunities for DME providers.

Furthermore, the United States DME industry, a \$180 billion industry in 2019 is expected to produce 6% CAGR from 2020-2026. What does this mean in dollars? Growing from \$180 billion in 2019 to almost \$281 billion in 2026.

Global Durable Medical Equipment Market, By End-use, 2019 & 2026 (USD million)



Due to the projected market growth, it should come as no surprise that merger and acquisition activity remains high in this business... paying multiples of 6x, 8x, 10x, and even 12x.

The biggest buyers recently have been large medical companies, manufacturers, and private equity. This is where making a good living converts into making life changing money.

I Hear We Should Avoid Medicare Billing

This is true and false.

You SHOULD avoid billing Medicare if you.

- Do not understand Medicare compliance requirements
 - When and how you can contact Medicare beneficiaries
 - What documentation you must have when speaking with Medicare beneficiaries (and how long you must maintain those records)
 - What products can be shipped on a verbal doctors order, which one's need to have a face to face medical appointment before shipping, which products need a fully compliant SWO (Standard Written Order), which ones requirement a Medicare specific form, and which one's need an ABN (Advanced Beneficiaries Notice)
 - Are not familiar with the Program Integrity Manual

- Are not familiar with your product line's LCD's and Policy articles
- Are not familiar with Medical record requirements
- Are not familiar with Fraud, Waste, and Abuse Training
- Are not familiar with HIPAA and privacy laws
- Do not plan on operating an ethical, compliant business

I am not here to scare you out of your dream of starting up a DME business, but Medicare and the state and federal governments are serious about removing fraud, waste, and abuse.

In fact, we have created a list with the major subject matters you should be proficient in your understanding before you dive into doing a DME:

1. Medicare Basic Overview
2. Becoming an Approved DME supplier
3. List of Accreditation Organizations (AO's)
4. Criminal Background Check Requirements
5. Top 8 Reason Why Applicants are Denied
6. Medicare Laws and Regulations, you need to know
7. Beneficiary Complaint Requirements
8. OIG Corporate Compliance Program Requirements
9. HIPAA Requirements
10. Mandatory Medicare Training Requirements
11. Medicare Documentation
12. Medicare Audits and the Audit Process
13. Medicare Billing Best Practices
14. What Does Medicare Pay for?
15. Medicare Beneficiary Contact Rules
16. Abbreviations, Commonly Used Terms and Definitions
17. Medicare Resource Library

Ignorance of the requirements is not a legal defense. Protect yourself by educating yourself...and of course, we at www.EliteAccreditation.org are here to help.

If you commit to running your business the right way and steer clear of fraud, waste, and abuse, then Medicare is one of, if not the best, payors in this business.

Medicare typically pays more than any other insurance company.

Medicare typically pays faster than any other insurance company.

Medicare is the easiest insurance company to learn payor guidelines.

Medicare typically does not require any pre-authorizations for many product lines.

Medicare produces a TON of data, material, and training resources to help you.

Personally, I think those that avoid Medicare are looking to cut corners, not desire to adhere to compliance, or may have intentions that are not in the best interests of the patients.

So How Do I Start a DME Business?

As with most things in this business the process is easy, but the execution can be very difficult.

The main four decisions that a potential DME business owner needs to determine **prior** to getting started are:

1. Business Entity Type: LLC, Inc, etc. and taxing structure
2. Business Location(s)- where, how many states do you plan to ship into
3. Referral Sources/Lead Generation- how will you create business.
 - a. Physician offices?
 - b. Facilities?
 - c. Purchase leads?
 - d. Existing contacts/network?
 - e. Other?
4. Product Line(s)- what products do you want to provide? A lot of this will depend on the answer(s) to who your referral sources are. Other considerations may be:
 - a. Does the product line require clinical expertise of staff?
 - i. Oxygen, CPAP, etc.
 - b. Is the product line a one and done type product?
 - i. Orthoses (bracing), wheelchair,
 - c. Is the product line consumable?
 - i. Diabetes, CGM, Urology, Wound Care, etc.
 - d. What is the product profit margins? Margins can range from less than 25% to 70%. Clearly the more the margin the more the profit.

At a high level, to start a DME business, you must complete the following four steps:

1. Create a business entity with a physical business location...cannot be a home-based business
2. Obtain an NPI
3. Obtain DMEPOS Accreditation from a Medicare approved agent
4. Obtain Medicare Licensing Approval

Doesn't sound that difficult right? Well as I said, the execution of these steps can be extremely difficult. In fact, the devil is in the detail.

Let's start with creating a business entity. Here is some additional details:

1. You must decide what type of legal structure... many choose an LLC, but you should discuss this with your attorney or accountant... and decide how you want the entity taxed. Sole-Proprietor, S-Corp, C-Corp?
2. File for an EIN with the IRS. This is your businesses social security number for the IRS.
3. Once you have your EIN and Articles of Incorporation, you need to open a Business Checking Account.
4. Secure a compliant physical business address. There are a handful of requirements that must be met such as minimum size, but one of the main one's is that it must be a true, physical address. It can NOT be a Regus type office.
5. Register with Secretary of State (home state), Foreign Qualification (Additional Shipping States)
6. Hire Registered Agent for any state you will ship but not have a physical address/staff
7. Obtain State, County, Sales Tax Licenses (May include a Fire Marshall Inspection)
8. Determine if state DME licenses are required.
9. Obtain Surety Bond
10. Obtain Liability Insurance

Now we are ready for the Accreditation Process.

1. Complete the application
2. File the paperwork and pay the deposit
3. Obtain Accreditation Agency Standards

4. Create policies and procedures manual: includes approx. Up to 331 standards depending on the product line(s)
5. Have your onsite inspection at your physical business location
6. Respond to standard deficiencies, if any, within 30 days
7. Become Accredited

Now for the Medicare Approval Process:

1. Pass an FBI background check.
2. Complete 855s Form... approximately 27-page application
 - a. They return the 855s if there are any mistakes
3. Have a Medicare onsite inspection
4. Correct any deficiencies
5. Obtain Your PTAN

Elite Accreditation Consultants are your experts that will handle the vast majority of this for you to get you accredited and license as quickly as possible. We have over 30 years of combined DME experience, not just as consultants, but as executives, business owners, clinicians, operating managers, compliance leaders, and product specialists.

We offer the following expert services:

- **DME Training**
 - Compliance Training
 - Medicare Compliance
 - Documentation Training
 - Product Training
 - Process Training
 - Fraud, Waste, and Abuse Training
 - HIPAA Training
 - Sales Training
 - Insurance Training
 - Medical Billing Training
- **DME Business Process Outsourcing** (our DME experts do the work, while you grow the business)

- Insurance Verification
- Documentation Verification
- DME Medical Billing
- Patient Collections
- Medical Records Outreach
- Compliance
- Medicare Audit Response Services
 - TPE, Cert, RAC, and UPIC Audit Specialist
- Payor Contracting: Medicaid, commercial payors
- **DME Business Planning Services**
 - Financial Planning
 - Business Planning
 - Staffing Modeling
 - Start-up Cost Projections
 - Revenue Growth Planning
- **DME Consulting Services**
 - Six-Sigma Process Optimization
 - DME Software Consulting
 - Cost of Goods Sold Optimization
 - Revenue Loss Analysis
 - Product and Geographical Expansion
 - HR & Staffing Guidance
 - SOP's
- **DME Marketing Services**
 - Website Development
 - Keyword Optimization
 - Search Engine Optimization
 - Obtain Listing with Google and Bing
 - Logo & Branding Services
 - Content Optimization

What Does It Cost to Start a DME Business?

This is somewhat of a loaded question because there are several variables that go into start-up costs. Things you want to consider are:

1. What product lines will you providing?
2. Do you plan on carrying inventory and shipping direct from your warehouse or drop shipping from the manufacturer or wholesaler?

3. How many employees do you plan of having/needng?
 - a. Wages, payroll taxes, equipment, workstations, phones, internet
4. How many states do you plan of shipping to?
5. What size location will you need? How many locations will you have?
6. What state/part of the country will you be operating from
 - a. Not all expenses cost the same. Cost of living impact.
7. How do you plan to market your business?
 - a. Knock of referral source doors?
 - b. Sales Reps in the Field?
 - c. Internet? Social Media? Print?
 - d. Buy DME leads?
 - e. Other?

Keep in mind, the accreditation and licensing process can take anywhere from 3 to 6 months.

Then we have the actual accreditation and licensing costs.

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|---|--------------------|
| 1. Cost to Create a Business Entity | \$500-\$1,000 |
| 2. Cost payable to Accreditation Agency | \$4,000-\$7,000 |
| a. Additional locations cost more | |
| 3. Medicare 855s Form | \$596.00 |
| 4. State, County, City Licensing | varies by location |

Typical cost of DME Consultant: \$5,000-\$10,000

Congrats on wanting to start your own DME business. This can be an exciting, rewarding, and lucrative career and we wish you an abundance of success. We look forward to your success and we are ready to help you turn your dreams into reality.

