



December 2022

Re: Current Market Environment for Durable Medical Equipment

To Whom it May Concern,

The American Association for Homecare (AAHomecare) has developed updated information about recent changes in the home medical equipment (HME) market due to supply chain, cost increases, and environmental changes from the current COVID-19 public health emergency (PHE). As is the case with most health care providers, the current pandemic has created numerous issues that have collectively resulted in significantly increased costs of doing business.

Medicare's 2023 durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) fee schedule includes a reimbursement increase adjustment ranging between 6.4% and 9.1% for HME due to the consumer price index for all urban consumers (CPI-U).<sup>1</sup> The annual inflation adjustment applied to HME items is intended to keep the payment rate on track with general price increases. This is a requirement passed by Congress recognizing the need for inflation adjustments for providers and suppliers. In addition to costs of purchasing an item from manufacturers, suppliers face increased labor costs, infrastructure costs, delivery costs, and other costs associated with taking care of their patients. This adjustment is applied in addition to the PHE-related higher payment rates mandated by Congress in the 2020 CARES Act. **Unfortunately, the cost of goods, labor, and shipping continue to increase throughout the pandemic and these adjustments are not enough to provide financial viability for many HME providers.**

HME suppliers have been engaged at the front lines of the ongoing pandemic ensuring patients can manage their short-term or chronic healthcare challenges in their homes. HME suppliers have played a vital part in not only keeping the most vulnerable patients out of the hospital setting but also ensuring that those recovering from COVID-19 can access home oxygen and ventilator services on an outpatient basis. These efforts have helped reduce the intense pressure on hospitals and clinicians during the pandemic.

As has been the case for other parts of the health care sector, the pandemic has contributed to the drastic cost increases HME suppliers have incurred. Equipment acquisition costs have risen dramatically due to reduced product availability and supply chain disruptions. The cost for personal protective equipment (PPE), vital to protecting patients and employees while providing services in a home-based setting, has also increased significantly. Largely due to the tight job market, staffing costs have increased due to the need to use contract staffing and pay retention bonuses to keep existing employees including Clinical Respiratory Therapists, Assistive Technology Professionals, and Technicians who may provide direct patient care in the home.

Additional examples of the current market environment that HME suppliers are facing include:

- Increased shipping costs occurred at all levels of the supply chain – ocean shipping costs are down from January 2022 highs, but still 2.2 times greater than pre-pandemic rates.<sup>2</sup>
- 95% of manufacturers cite increased raw material prices as a top source of inflation and 40% of manufacturers say inflationary pressures are worse today than six months ago.<sup>2</sup>

- Costs for raw materials utilized to manufacture HME, including plastics, metals, and microchips have also increased drastically, forcing every major manufacturer and distributor to implement price increases as well as additional freight charges, handling fees, and surcharges that have added 15% to 40% to overall costs in some instances.
- CPAP shortages, recalls, and increased costs are impacting product availability due to limited core components manufacturers require to produce equipment and supplies as well as the Philips recall of these devices.<sup>3</sup>
- Higher delivery costs, including gasoline prices are currently 46% higher than the average of the 6 preceding years (2016-21 vs. Nov. 2022, all grades).<sup>4</sup>

AAHomecare and our HME supplier members share your goal of being able to provide quality and timely equipment and services to your members and improving patient outcomes while lowering overall health care expenses. HME suppliers contain costs by serving your members in the home (the least expensive site of care) and allow patients to be discharged from hospitals, nursing homes and other health care facilities (the most expensive site of care) to continue their care in the home setting at far lower costs – for example, approximately \$4/day for home oxygen versus thousands of dollars per day in the hospital setting. HME is a critical component of the healthcare continuum requiring investment and a sound financial footing to preserve continued access to HME, which is vital for a successful Health Plan. **Without immediate intervention, it may become cost-prohibitive for suppliers to continue providing equipment and supplies to those who need them to safely manage their medical conditions.** A disruption in access could lead to adverse health outcomes and increase overall costs of care.

AAHomecare is the national association representing durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) suppliers, manufacturers, and other stakeholders in the homecare community. Our members are proud to be part of the continuum of care that assures that the families and individuals you cover receive cost effective, safe, and reliable home care products and services. Our members supply home oxygen therapy, ventilator services, complex rehabilitation technology (CRT) and many other medically necessary home medical equipment (HME) items and services that allow patients to be discharged from hospitals, nursing homes and other health care facilities to continue their care in the home setting.

Our HME members are happy to work with you to help determine optimal solutions for patients and HME providers alike. Please let us know if you would like further information about the current HME market situation. We are available to discuss and provide additional details as needed.

Cordially,

American Association for Homecare

- (1) CMS Claims Processing Update Change Request 13006 <https://www.cms.gov/files/document/r11722cp.pdf>
- (2) Health Industry Distributors Association, Persistent Cost Pressures on Medical Supply Chain. Accessed on December 12, 2022:  
[https://www.hida.org/distribution/resources/infographics/Persistent\\_Cost\\_Pressures\\_On\\_Medical\\_Supply\\_Chain.aspx](https://www.hida.org/distribution/resources/infographics/Persistent_Cost_Pressures_On_Medical_Supply_Chain.aspx)
- (3) <https://www.usa.philips.com/healthcare/e/sleep/communications/src-update>
- (4) [https://www.eia.gov/dnav/pet/pet\\_pri\\_gnd\\_dcus\\_nus\\_m.htm](https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_m.htm)