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## Home Health Care

### Staff training, product location key to business

By Amanda Baltazar

The home health care/durable medical equipment business is commanding a presence in drug stores, and products are now displayed front and center. Retailers are becoming aware of the huge demand for these products as the population ages and needs both the equipment to support mobility and independence, and the ability to manage diseases at home.

Many retailers are hiring and training employees to work in this department and are dedicating significant shelf space to it. Home health care/DME is typically located near the pharmacy because that's where many of these customers are headed. It also makes it easy to ask the pharmacist questions about the products.

Launching a home health care/DME department requires a significant investment in training and research, but it also has a significant gross margin attached to it, said John Ferrara, AmerisourceBergen corporate vice president of retail business development.

The wholesaler helps manage home health care offerings for its 2,700-plus independent Good Neighbor Pharmacies, through which it saw \$17.2 billion in sales of home health care products in 2006. It projects 12 percent growth every year for the next four years.

Good Neighbor Pharmacies merchandise these items either in their stores or, when

space permits, in a separate store or large room next to the pharmacy.

Discount Drug Mart started its home health care business in 2004 and now all of its stores offer it.

It's proving so popular that business increases by around 20 percent every month, noted Karen Houser, director of home health care.

Each store has a specialist to help customers. That employee has been specifically trained, and their duties include fittings for orthotics and mastectomy-related items, which take place in each store's private room.

However, it's not easy getting into this business, said Houser. The training is expensive, and the billing is difficult because the products are not as easily tracked as drugs. However, the company's imminent move to online billing is expected to help, she said.

New York drug chain Duane Reade not only has home health care endcaps near the pharmacy in each store, but it also has five showrooms across the city, with another four expected by year's end.

Home health is one of the chain's fastest-growing categories, said Bill Malave, manager of DME category management and operations.

"My philosophy is that I want to have a presence," he explained. "We want people to connect and see us as a destination to go for their health."

The 242-store chain has created a consolidated catalog showing all its DME products, has launched brochures to help people manage their own conditions (such as breast cancer,



Kerr Drug operates Kerr Healthcare Centers in 20 percent of its stores, and each center has a health care specialist who attends continuous training sessions.



"We continue to fine-tune our product mix and services."

Scott Porter,  
Kerr Drug

diabetes and blood pressure) at home and has a strong Web presence.

As part of its home health care offering, Duane Reade launched a Diabetes Resource Center in February as a direct result of the new competitive bidding program. "We're cutting reimbursement on diabetic supplies, so it becomes very difficult to have services," said Malave.

Through the Diabetes Resource Center the retailer offers free classes taught by pharmacists and certified diabetes educators. Patients and their family members can learn about their condition and be trained on how to monitor their glucose levels and how to understand their medications.

Roughly 20 percent of Kerr Drug's stores contain a Kerr Healthcare Center, and most new stores are equipped with them.

"We continue to fine-tune our product mix

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New York's Duane Reade has five home health care showrooms, with another four expected by year's end.

# Retailers wary of CMS competitive bidding plan

By Amanda Baltazar

The competitive bidding program being implemented by the Centers for Medicaid and Medicare Services is changing the landscape for retailers who sell home health care and DME products—and the number of these retailers is growing.

The consumers of durable medical equipment, prosthetics, orthotics and supplies will save around 26 percent, thanks to the latest round of a competitive bidding program launched by CMS, the government entity claimed.

“This new program means that Medicare beneficiaries will have access to some medical equipment and supplies at substantially lower prices than they are paying now,” said CMS acting administrator Kerry Weems.

“This program represents yet another way to use the competitive marketplace to bring the best possible and most efficient care and services to people with Medicare,” he added. “Because new accreditation and quality standard initiatives are being implemented in conjunction with the phase-in of competitive bidding, this program will provide assurance to beneficiaries that they are receiving high-quality medical equipment for home use.”

Phase one of the program took place in Florida and Texas, and at the beginning of this year, CMS announced a second phase, involving 70 metropolitan areas—initially Charlotte, N.C.; Cincinnati; Cleveland; Dallas; Kansas City, Mo.; Miami; Orlando, Fla.; Pittsburgh; Riverside, Calif.; and San Juan, Puerto Rico.

The bid evaluation process ensures that there will be a sufficient number of suppliers to meet the needs of the beneficiaries living in the competitive bidding areas, said CMS. Suppliers whose bids are within the winning range will receive contracts to become Medicare contract suppliers.

CMS has been pleased with the first round of

“Medicare beneficiaries will have access to some medical equipment and supplies at substantially lower prices than they are paying now.”

Kerry Weems, CMS

bidding. “We are satisfied that the program attracted a sufficient number of qualified bidders for each item, and in each competitive bidding area, to create vigorous competition for contracts and that, as a result, beneficiaries will have access to high-quality goods at lower prices than they or the taxpayer would have paid under the traditional DME fee schedule,” said CMS spokeswoman Ellen Griffith.

Winning suppliers, she said, were selected based on considerations of quality and price. “We looked at a number of factors, including cost, volume (essentially the number of claims

for a particular item of DME) and opportunity for savings from competitively bid prices,” Griffith explained.

Despite the gung ho attitude from CMS, there is less joy in the industry.

“Competitive bidding is never popular with the industry whose products or services are subjected to bidding or to any other regulatory change that is designed to improve quality while cutting costs,” said Griffith. “Nonetheless, Congress has mandated that we conduct this program to try to bring the benefits of market competition into the Medicare program.”

The only entity that benefits from this program is CMS, noted Karen Houser, director of home health care for Discount Drug Mart. Retailers are being forced to agree to lower reimbursement rates, and consumers are left with fewer stores in which they can buy those products.

A major city, she pointed out, could see the number of stores selling DME drop from close to 200 to around a dozen.

This is because retailers (as well as suppliers) need to meet quality standards that CMS has established, as well as receive accreditation from one of 10 organizations chosen by Medicare. Any retailer, in fact, that wishes to sell DME equipment will have to submit a bid to CMS, stating at what price it is willing to sell the products.

However, Discount Drug Mart was one of the lucky ones. The retailer, which operates 67 stores in Ohio, gained CMS accreditation for the sale of DME products at its retail locations earlier this year.

## Staff training, product location key

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and services,” said Scott Porter, category manager of DME and home health care.

Each center has a health care specialist, who attends continuous training sessions. The company often brings manufacturers to those sessions to go over the key selling points of new items.

Kerr also spends time learning about local needs through health fairs and clinics, and by marketing to local businesses and health care providers, said Porter.

Wisconsin-based Aurora Pharmacy is focusing on fine-tuning its home health care in 12 stores, although that number is likely to increase.

Each location is staffed with a dedicated home health care specialist who works with customers and develops relationships and referrals with providers in the community.

Aurora has also established a home health care coordinator who manages product, service, sales and marketing with the home health care hub stores.

The product assortments in each store are

created with input from physicians, said Bill Frodl, director of retail sales and marketing, “so that we could try to provide one-stop shopping for our patients. Anything we can do to make care simpler and easier for patients is our priority.”

The opportunity for the retailer is to engage the consumer early on so they can be partners in treating the condition, said Curt Behrens, president of P2B, the sales and marketing company behind Etac home health aids. “This creates a retail affinity where the customer sees the retailer as the place to go for these products.”

Retailers should let consumers know they’re seriously involved in DME, he said. “They should also create an interactive merchandising display to allow customers to be part of the product,” Behrens added.

Retailers also need to devote more space to this important category because they have not kept up with needs. There’s a gap in the market in

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One way Duane Reade has been able to position itself as a destination for home health care and durable medical equipment is through a strong Web presence.

terms of the quality of the products, he explained.

“We think there’s an opportunity to introduce premium products that are equally stylish with a design edge and are functional at the same time,” he said.