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The Medical Equipment Corner

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Proper Pricing Methodology for your Life Care Plan

In the last issue of this journal, I wrote an initial article on how to first ascertain what level of medical equipment our client should have (either more standard versus the need for complex rehab) and various factors that go into that part of the choice. That article started to also note the disparity in pricing, especially over a life span of a client, if the wrong choice of equipment is chosen in the beginning. This article will start to focus on pricing methodology, where these incorrect choices can get more exaggerated, and worse, if done incorrectly, the accuracy of your life care plan can be questioned.

I have been reviewing life care plans for well over 15 years, and in that time I have seen life care planners use the most ballpark methods for pricing of the equipment recommended. Before I start, you might want to consider for yourself, just how do you come up with the prices that you eventually publish in your individual plan. Do you use the following?

- Do you have your own reference material that you use as a basis for pricing?
- Are you calling a medical equipment dealer for all prices?
- Are you looking up individual prices over the Internet?
- Do you use a pre-packaged software for life care planners?
- Do you utilize Medicare or other public funding allowance coding as a price basis?

I have seen issues with each of these methods and will discuss the issue as well as other more accurate standards to consider instead.

If you have your own reference materials, I would venture to guess much of them are outdated as you are reading this. I have an extensive set of both current catalogs and price lists direct from manufacturers, and the work in keeping this up to date is daunting. As all major manufacturers display their products online, this job has been made easier, but I have found cases of life care planners offering equipment that is part of their past reference that is no longer available on the open market.

One instance I reviewed several years ago was the recommendation of an IBOT power wheelchair. This amazing product was unique in being the first power wheelchair that could actually allow an individual to climb up and down steps! Unfortunately the plan recommendation came several months after the manufacturer of the product stopped production due to lack of sales. This lack of current information not only affected the choice of power chair for the plan but was the planner's basis for not looking at other mobility options to deal with the steps in the client's home.

Calling a medical equipment supplier has been one of the time honored ways of getting prices for the products you are recommending. It was through a phone call like this how I first found out about the life care planning industry. It was also how I understood that, in making these phone calls, life care planners many times were asking incorrect questions to sometimes the wrong people. Not all medical equipment suppliers specialize in the same area. If you are trying to get pricing on respiratory equipment from someone who never works with clients with ventilators, I will venture to guess your pricing may not be accurate. Likewise, many smaller dealers who have more of a retail surgical supply business never truly help evaluate or sell a complex power chair with alternative drive switches that allow the user to drive and recline their chair only through their head movements. They may be able to give you a somewhat roundabout figure—these chairs retail for over $25,000.

You must make sure the supplier you are requesting pricing from is familiar with the equipment you are recommending. Only a small percentage of suppliers sell and install stair glides or outdoor wheelchair lifts, so it is necessary to search those more specialized dealers for more accurate figures.

What price should you be asking for? In my previous chapters in both Roger Weed and Susan Riddick-Grisham's textbooks, I recommended using the manufacturers' suggested list price (MSLP) as the most accurate basis for a life care plan. The reasoning for this has not changed since their original editions in 1999. A life care plan will ultimately set up a certain amount of money to be used, based on the recommendations in the plan. If your costs are based on discounted pricing, or on prices from a vendor far from your client's geographic area, or prices based on allowable of public funding such as Medicare, there is a very good chance your client will have to pay a significantly higher price from their local supplier.

What about the use of the Internet? The Internet can be an excellent source for some pricing, but certainly not everything. More importantly, use it with caution and reservation. If you are pricing some standard supplies, such as adult diapers or gauze pads, obtaining some average figures from notable Internet sites can be appropriate. I would recommend that you do not rely on just one in this case; take an average from perhaps three different sites. The reason here is, again, the large amount of discounts on the Internet. Discounts may be here today, but these same prices may not be available in the future.

Understand that more major manufacturers are starting to clamp down on the pricing they are allowing Internet sites to publish. Many are insisting the sites follow an MAP (Minimum Advertised Price) for their items on a supplier's site. The company I work for, Sunrise Medical, recently terminated over 20 Internet dealers from their account list for not respecting MAP pricing. If your life care plan used pricing for a wheelchair from one of these dealers, it would not be available for our client's use.

More importantly is the type of equipment you are searching on the Internet. I do not recommend using the Internet for pricing more complex equipment. Part of the reason, in terms of wheelchairs, will be discussed in future articles on building a complex wheelchair from the ground up. The other reason is that Internet sites, in my opinion, are truly not qualified to help evaluate, deliver, and then service more complex equipment. Most manufacturers of complex equipment only allow Internet sites to sell their more basic equipment, but there are motorized scooters and some power chairs available on sites today. Many people, after buying products online, find out their local dealer refuses to help adjust or service the equipment after they received it. This is not a situation you want to create in a life care plan.

Prepackaged software for life care plans now has some equipment as part of the program. Again, one should be careful that the prices quoted are both MSRP and currently up to date. Here again, the idea of complexity and the additional options, accessories, and need for possible custom seating may not be part of this prepackaged system.

Use of Medicare Allowables in a Life Care Plan

I have occasionally seen planners use Medicare as either a source of equipment pricing or as a means of moving all the equipment choices, based on the fact that the client will either immediately, or down the road, be covered primarily by Medicare. I cannot stress how wrong this method would be, not only for any accuracy of your plan, but to the total detriment of your client.

Not only are the published allowables that Medicare provides individual states are highly discounted, but as of two years ago, the Medicare system for acquiring medical equipment is close to being completely broken. By July of 2013, Medicare put into effect a competitive bidding system throughout the entire country. Essentially, 95 percent of all the previous suppliers, and even small pharmacies that used to be able to rent and sell equipment through Medicare, are no longer able to do so. Imagine waking up tomorrow and finding that the all brand named and other local coffee shops within a 20-mile radius were shut down except for one! That is where the nation now stands.

To get on the phone with a single supplier who is allowed to sell through Medicare may, in some urban areas, have a wait time of over an hour; and because these suppliers are now being paid almost 50 percent less than the already discounted published prices, the quality and choice of equipment is extremely low.

Although complex rehab equipment does not go through this competitive bidding process (at least for now), the amount of regulations and paperwork that Medicare requires for a complex power chair can realistically take three to four months to properly acquire for a specialized rehab dealer. As of next January, if new legislation by Medicare proceeds, the options and accessories for these complex power chairs and complex manual wheelchairs will now be on the competitive bid price schedule; many dealers are already threatening to walk from this funding if those prices go into effect. In a nutshell, Medicare should not be part of any pricing choice or methodology for a life care plan at this time.

Conclusion

Given all the issues above, what is a life care planner left with for proper price methodology? If you are calling a supplier, make sure it is someone who specializes and commonly sells the products you are trying to obtain pricing from. Always request an MSRP. Use the Internet sparingly, and mostly for supplies rather than larger pieces of equipment that require more localized evaluation, setup, and future servicing. Medicare, or any other published insurance list of price allowables, should never be used as a source of pricing for a life care plan. Future articles will discuss adding all needed options and accessories to more complex pieces of equipment and how their omission reflects on total accuracy, so when you are creating a life care plan for an individual with more complex equipment needs, make sure there is a credentialed equipment expert you can turn to, if needed.

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