



DME and the Future of Care



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Cardinal Health at Home

Supporting Care in the Home

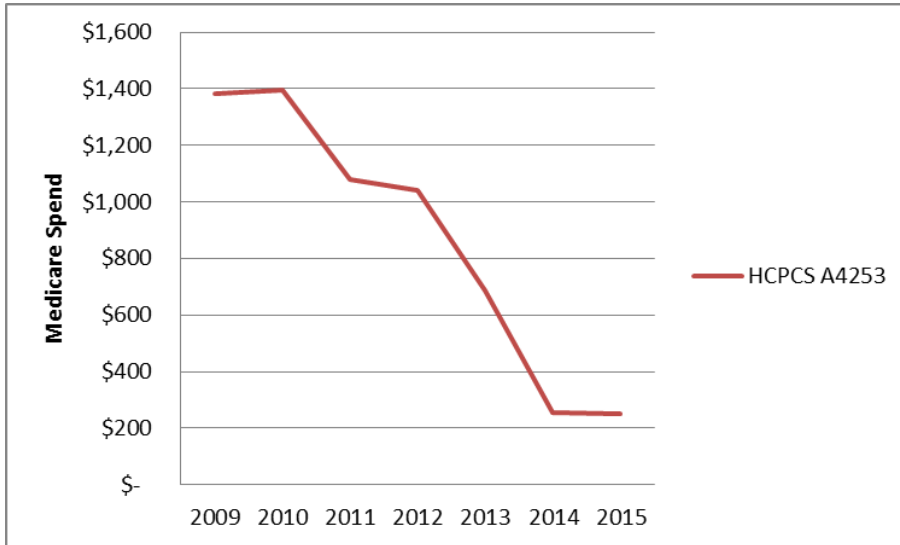
			
Business model	<ul style="list-style-type: none"> • Direct patient orders received and fulfilled by Edgepark (direct to home) • Broad diversified referral network 	<ul style="list-style-type: none"> • Patient orders placed with third-party providers and fulfilled by Independence Medical to the home 	
Paying customers	<ul style="list-style-type: none"> • Managed care (“MCO”) • Medicare and Medicaid • Individual patients • 1300+ Payer contracts 	<ul style="list-style-type: none"> • Durable medical equipment (“DME”) providers • Retail pharmacies & Home health agencies • Wholesale distributors • Serving 10,000+ customers 	
	Over 40,000 SKUs		
Disposable medical supplies	<ul style="list-style-type: none"> • Ostomy • Diabetes testing • Enteral nutrition • Wound care 	<ul style="list-style-type: none"> • Insulin infusion • Urological • Incontinence • Respiratory 	<ul style="list-style-type: none"> • Devices • Skin care • Health and personal wellness
National distribution footprint	Distribution centers in 11 states with ability to reach 79% of the U.S. next day and 99% in two days		

Day in the Life – Edgepark

	Customer Service	Billing
Staff	~170 people	~250 people
Constituents	Patients, Caregivers, Nurses, Case Managers	Patients, Physicians, Payors, Nurses, Caregivers, Referral Sources
Production	<ul style="list-style-type: none">  8,000+ daily inbound calls  7,000+ daily outbound calls  1,000+ daily fax orders 	<ul style="list-style-type: none">  Complete 16,000+ audits per day  2,900 daily inbound calls  1,300 daily outbound calls
Ship ~9,000 Orders Per Day		

The Impact of Medicare Competitive Bidding

Diabetes Testing Supplies



Categories Impacted

- Commodes / Walkers / Wheelchairs (DME)
- Scooters
- Oxygen
- Enteral Nutrition
- External Infusion Pumps
- Negative Pressure Wound Therapy (NPWT)
- Continuous Positive Airway Pressure (CPAP) Systems
- Hospital Beds
- Patient Lifts

- 2009 Spend - \$1.38 Billion; 3,428 Suppliers
- 2015 Spend - \$249 Million; **11 Suppliers**
 - None of the 11 Suppliers were previously in the Top 50 of Claims Submissions
 - 7 of the 11 have been sold since the National Awarding in 2012

**>60%
Reduction in
Pricing**

Urological Spend - Medicare

- In 2008, Medicare changed their policy to allow a customer to receive up to 200 catheters per month, depending on how often they were cathing. This was an increase from the previous policy of 4 catheters per month.



Durable Medical Equipment
Medicare Administrative Contractor

February 19, 2010

Dear Physician,

In 2008 Medicare changed the local coverage determination (LCD) for urological supplies. The previous policy covered “clean technique” for patients without a history of recurring urinary tract infections - allowing four intermittent catheters per month which were cleaned and re-used. The new policy allows any patient who utilizes intermittent catheterization to receive one sterile urological catheter and one packet of lubricant for each catheterization.

There are a couple of important points to keep in mind when ordering urological supplies for your patients. First, the prescription should reflect the actual number of times that the patient actually catheterizes him/herself per day. For example, if the patient self-catheterizes four times per day, the prescription should be for approximately 120 catheters per month. Although the LCD says that Medicare will cover up to 200 intermittent catheters per month, this is a maximum number and most patients self-catheterize less than 6 times per day. It would be inappropriate to order 200 catheters per month for every patient. The prescription must be individualized for each patient.

The second important point is that you should clearly document in your chart the number of times per day that the patient performs self-catheterization. Just listing that value on the prescription or on a separate form provided by the supplier is not sufficient. In the case of an audit, we would look for documentation in the patient’s medical record.

Thank you for your cooperation and your care of Medicare beneficiaries.

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- This change resulted in an overall spend increase for Medicare

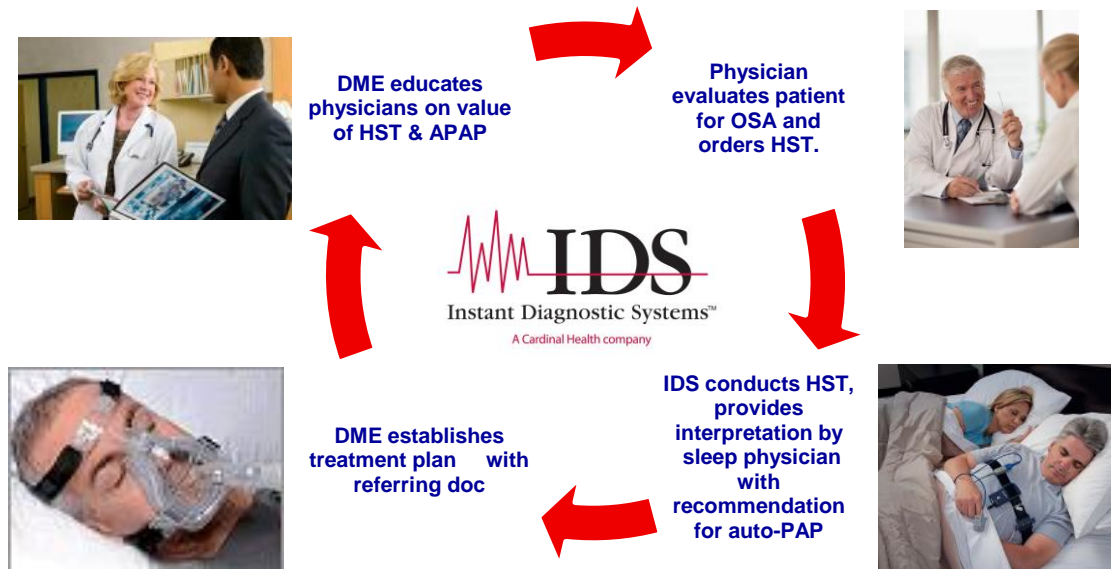
- In 2007 Medicare spent \$46.7M on Intermittent Catheters

- In 2009 Medicare spent **\$123.5M**, a growth rate of 62%

- In 2015 Medicare spent \$288.7M**

Home Sleep Apnea Testing – Innovation on the Location of Care

- Qualifying test for PAP therapy (obstructive sleep apnea).
- Significantly less costly alternative (90% less than an in-lab study).
- Patient convenience and comfort testing in their own bedroom.
- PCPs can evaluate patient, order test, and prescribe therapy.
- No sleep lab involved.



Managing the Complexity of Care Across a Shifting Landscape – Medicaid & Commercial Payors

- Per the Kaiser Foundation (2015), *71.3 Million lives* are covered through Medicaid
 - 48.7 Million lives are serviced via an MCO
 - 76 Unique Medicaid MCO Payors Across the Country
 - In Ohio, members are eligible to switch per month
- Commercial Payors are looking to consolidate to gain access to new markets, create greater share
 - Humana / Aetna
 - Anthem / Cigna

Thank you



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Essential to care™

*Logistics
Product
Business
Patient*