The Payment Shift:
Key Trends in the Medical Equipment Market

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Executive Summary

Ongoing changes in the healthcare landscape are creating new financial challenges for medical equipment professionals. Consumers today are bearing significant responsibility to pay healthcare costs out of pocket, which may affect their purchase decisions—and how and when medical equipment dealers receive payment.

A recent survey of medical equipment professionals asked about their customers' experiences and the payment trends they are seeing in the market. The survey revealed that in many cases, consumers are choosing alternate products, delaying their purchase, or opting not to buy anything at all. Even when insurance coverage is available, it often fails to cover the full cost, and it may exclude the product(s) consumers prefer.

A credit card dedicated to healthcare purchases, with special promotional financing options that allow smaller payments over time, could offer an effective solution for both consumers and dealers. However, the survey indicates that awareness and adoption of financing solutions is fairly low in the industry.

This white paper presents the survey results and explores the implications of current industry trends, challenges facing consumers and dealers, and the potential for a dedicated financing solution to alleviate payment pressure on both sides.

Overview: Consumer Responsibility

Rising Costs, More Consumer Responsibility

Over the last few decades, many Americans have seen their responsibility for healthcare costs grow through rising insurance premiums, deductibles, co-pays, and other out-of-pocket expenses.[1]

More than half of Americans not covered by Medicare (151 million+ individuals) have insurance coverage offered through an employer.[1] These individuals are paying substantially more for that coverage today than in recent years. According to the Kaiser Family Foundation, the average premium for family coverage offered through an employer has increased 55 percent since 2007.[1] A separate Kaiser study reported a 396 percent increase in insurance deductibles since 2006, with the average deductible rising from $303 to $1,505. This increase far outpaced growth in wages, which rose only 31 percent in that time period.[2]

The American consumer is not shouldering the burden of rising healthcare costs alone. Healthcare providers and industry professionals, including medical equipment dealers, may need to devote more time and effort to billing and accounts receivable, could wait longer to receive payment, and may experience consumers choosing to delay or defer purchases due to financial concerns.

Overview: Industry Shifts

Rising Demand in a Time of Change

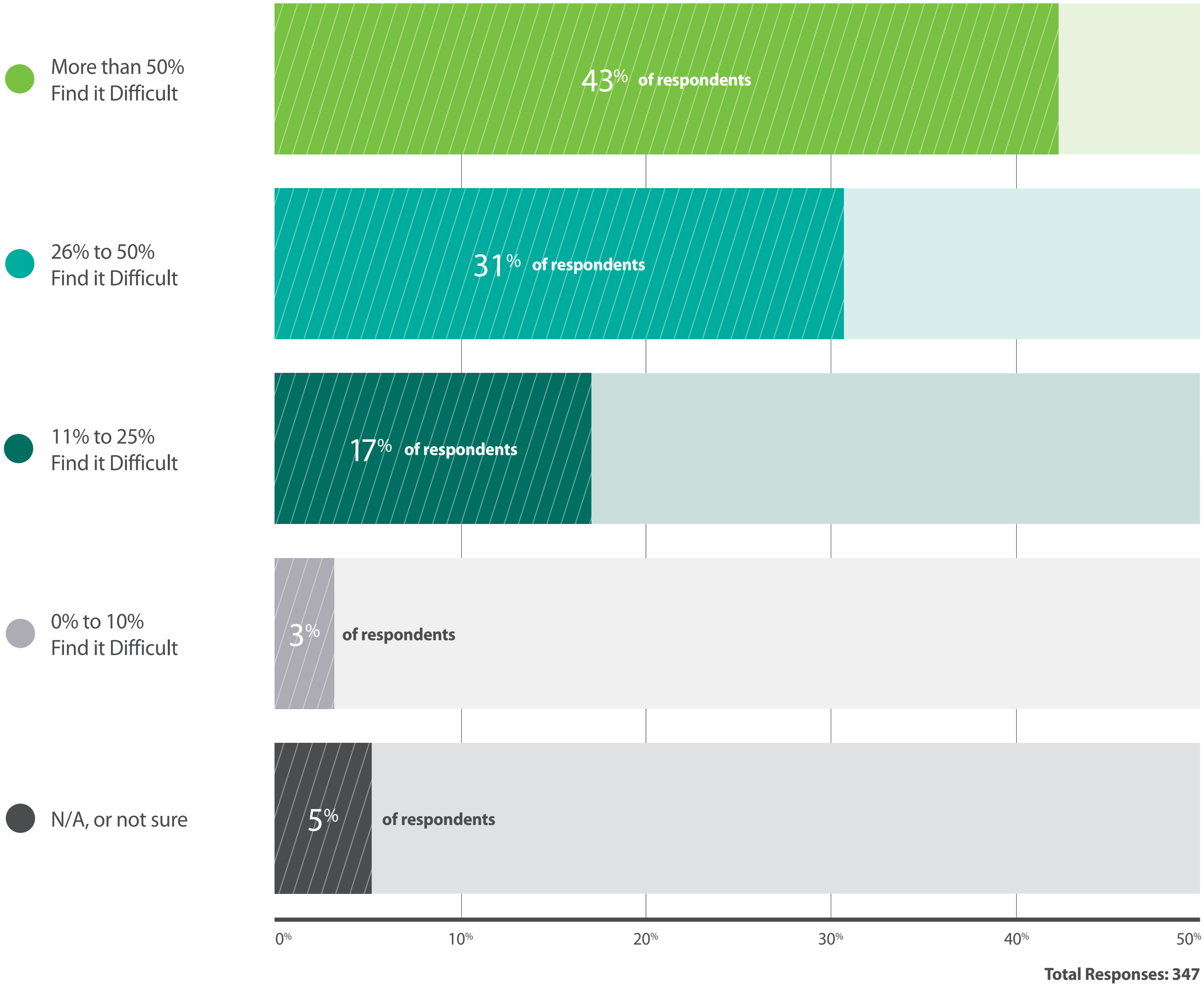
As baby boomers age, forecasts predict that demand for home-based care and related goods and services will continue to grow.[3] However, government mandates have reduced home health services reimbursement by more than $700 million since 2014.[4] Additionally the Centers for Medicare and Medicaid Services (CMS) has structured a competitive bidding program for durable medical equipment dealers, further impacting the market.[5]

The disparity between consumer demand for healthcare and increased consumer responsibility for healthcare costs—coupled with changes in the regulatory landscape for homecare and evolving Medicare reimbursement models—has dramatically affected the homecare and medical equipment business climate.

Recently, CareCredit conducted a survey in conjunction with *HomeCare Magazine*, capturing input from 347 readers. This white paper presents the results of that survey and explores current trends, challenges, and opportunities related to consumer payments in the medical equipment industry.

Consumers: Payment Challenges

SURVEY RESULTS: ***What percentage of your customers find it difficult to afford the products they want or need?***

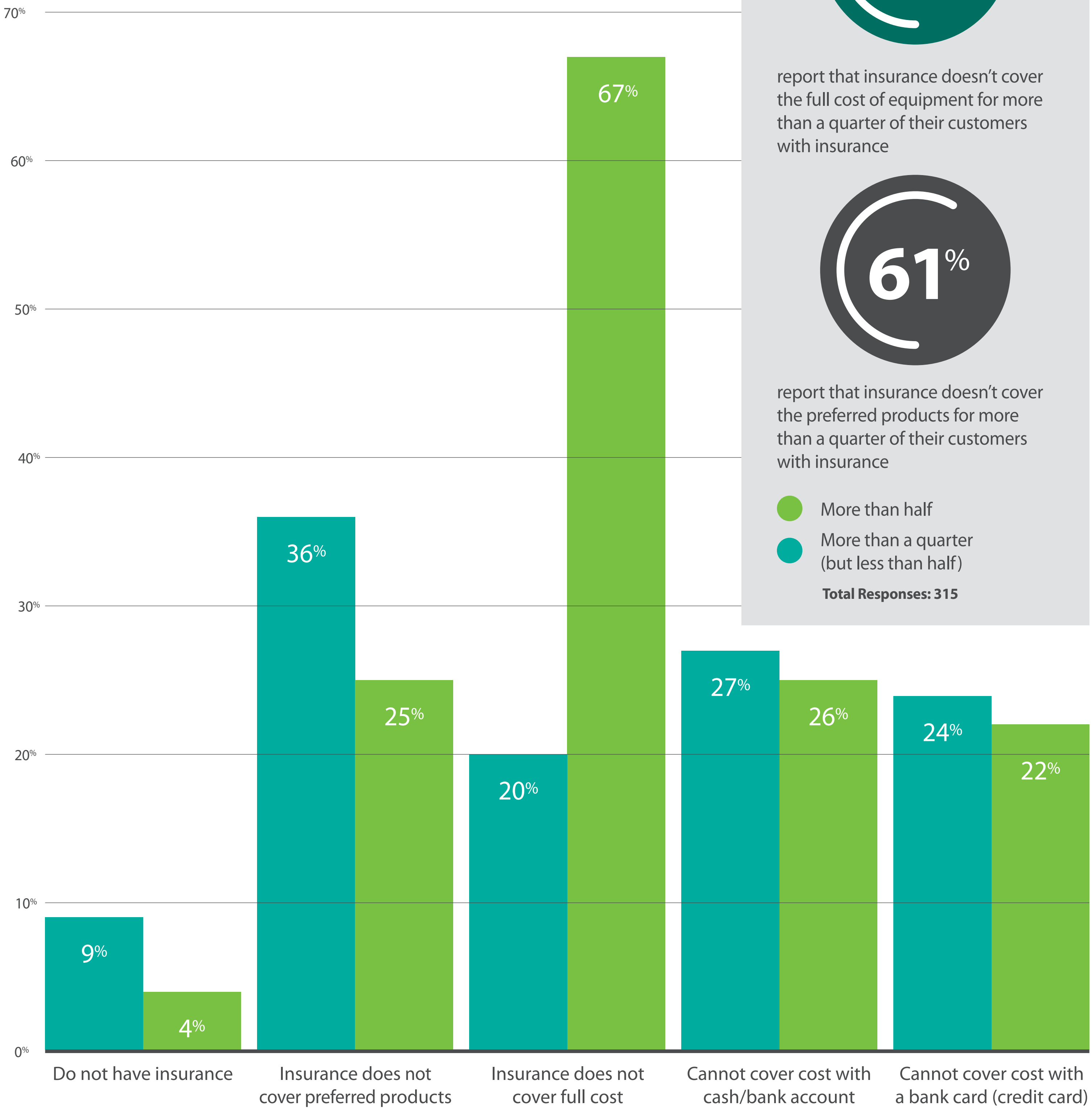


Even when consumers meet their annual deductible and after their premiums are paid, they may still face financial obstacles. In today's world, consumers may be met with higher co-pays, smaller networks of dealers and providers to choose from, and overall fewer options for care and services.

Underscoring the struggle of the consumer, 43 percent of respondents indicated that more than half of their customers found it difficult to afford medical equipment they wanted or needed. And nearly 75 percent of the respondents shared that more than a quarter of their customers struggled to pay.

Consumers: Insurance Shortfalls

SURVEY RESULTS: ***What percentage of your customers experience the following situations?***



87%

report that insurance doesn't cover the full cost of equipment for more than a quarter of their customers with insurance

61%

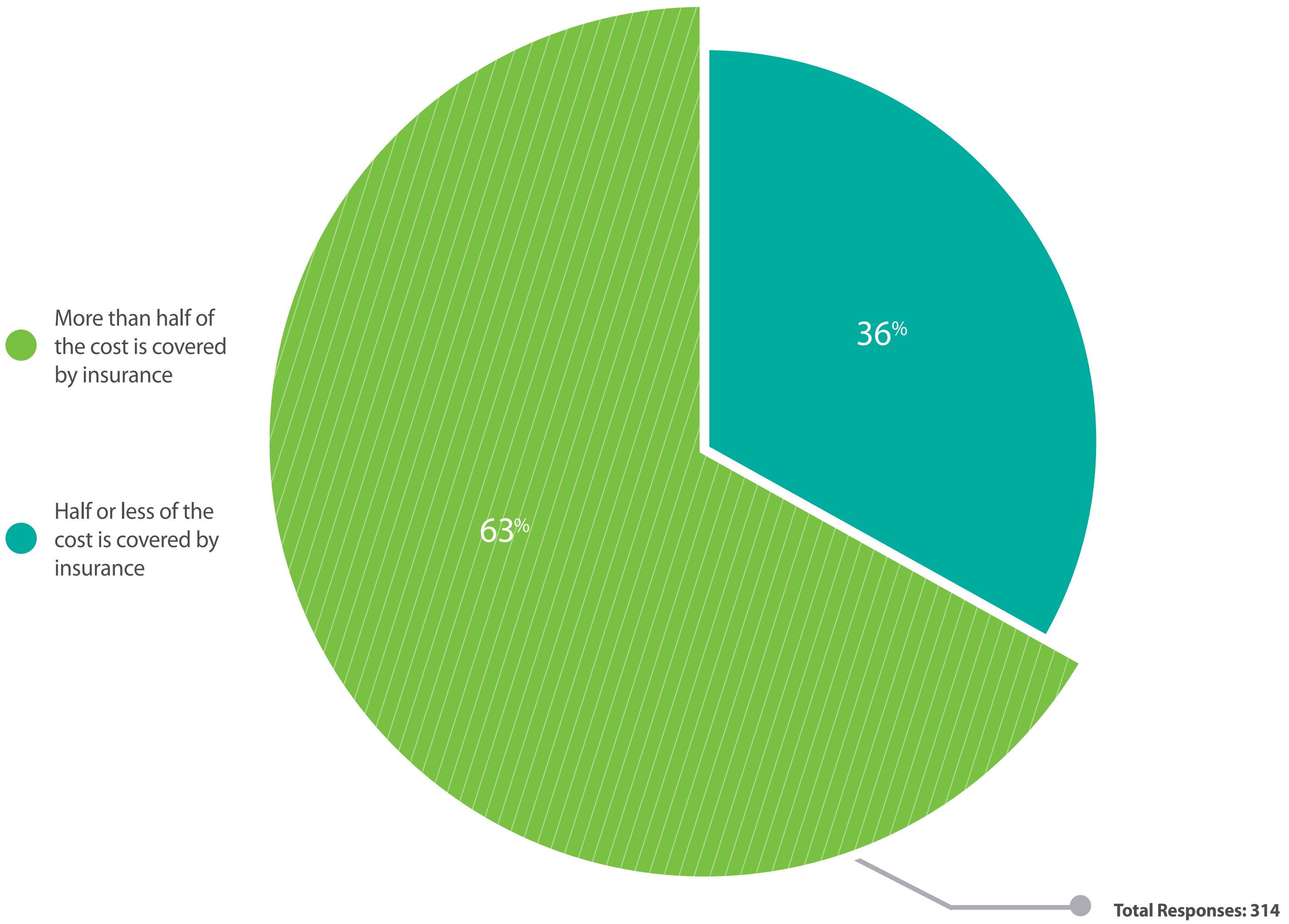
report that insurance doesn't cover the preferred products for more than a quarter of their customers with insurance

- More than half
- More than a quarter (but less than half)

Total Responses: 315

Even for individuals with insurance plans that cover home medical equipment, coverage may be restricted to certain brands, dealers, or products. When a product does qualify for reimbursement, the amount covered may be significantly less than the total cost. This leaves medical equipment consumers with a difficult decision: opt for an alternate product or pay the difference for their physician's recommended product as an out-of-pocket cost, which may not count towards their annual deductible.

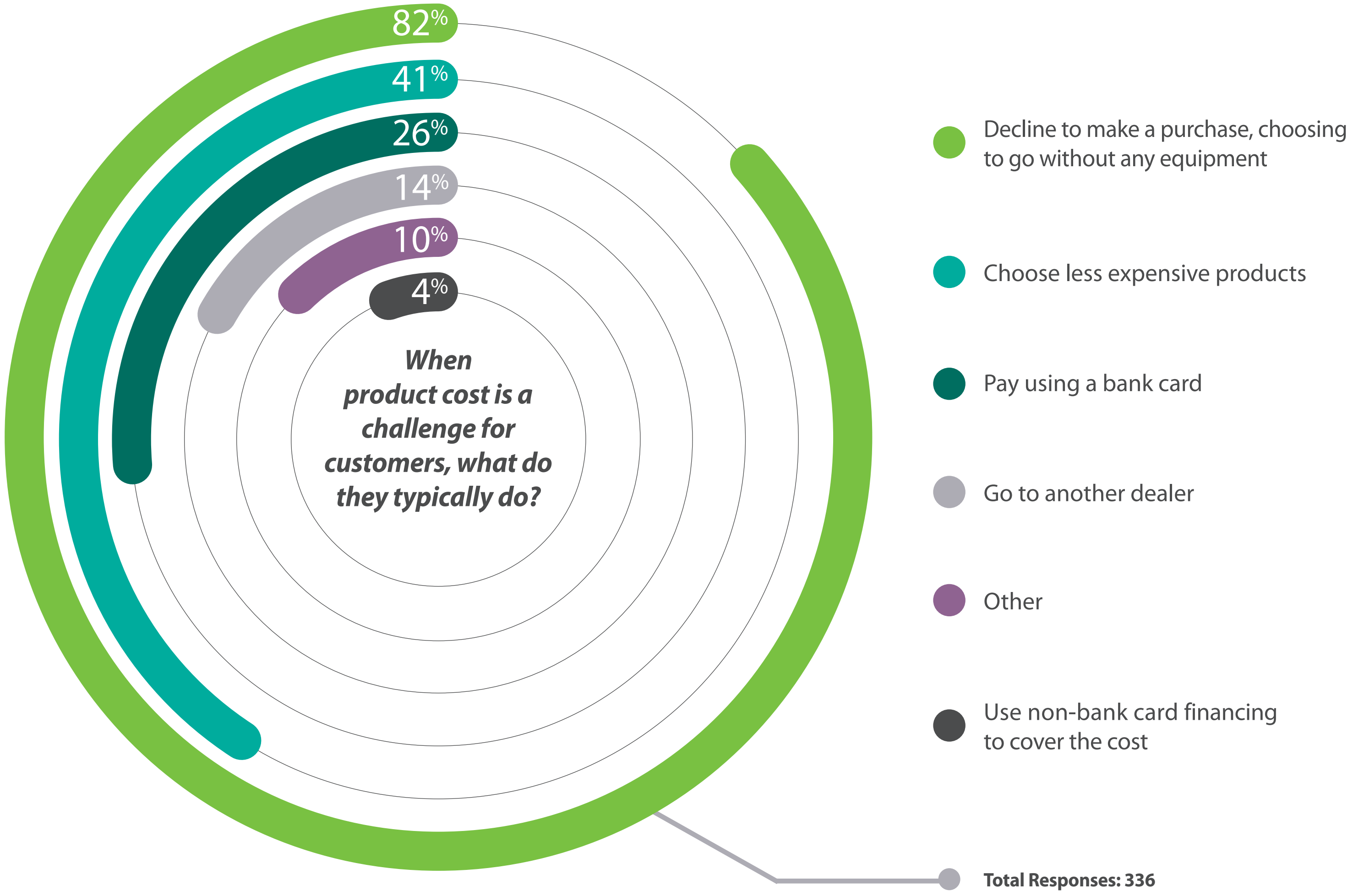
SURVEY RESULTS: ***When insurance covers a portion of the cost, what percentage is usually covered?***



Consumers: Impact on Purchases

With rising healthcare costs impacting the budgets of American consumers, they are increasingly facing tough decisions when shopping for medical equipment. According to the survey, when product cost is a challenge, customers most often go without needed medical equipment.

SURVEY RESULTS: ***What do consumers typically do when they can't afford the medical equipment they want or need?*** *(The survey respondents chose all applicable options.)*



Dealers: Payment Delays

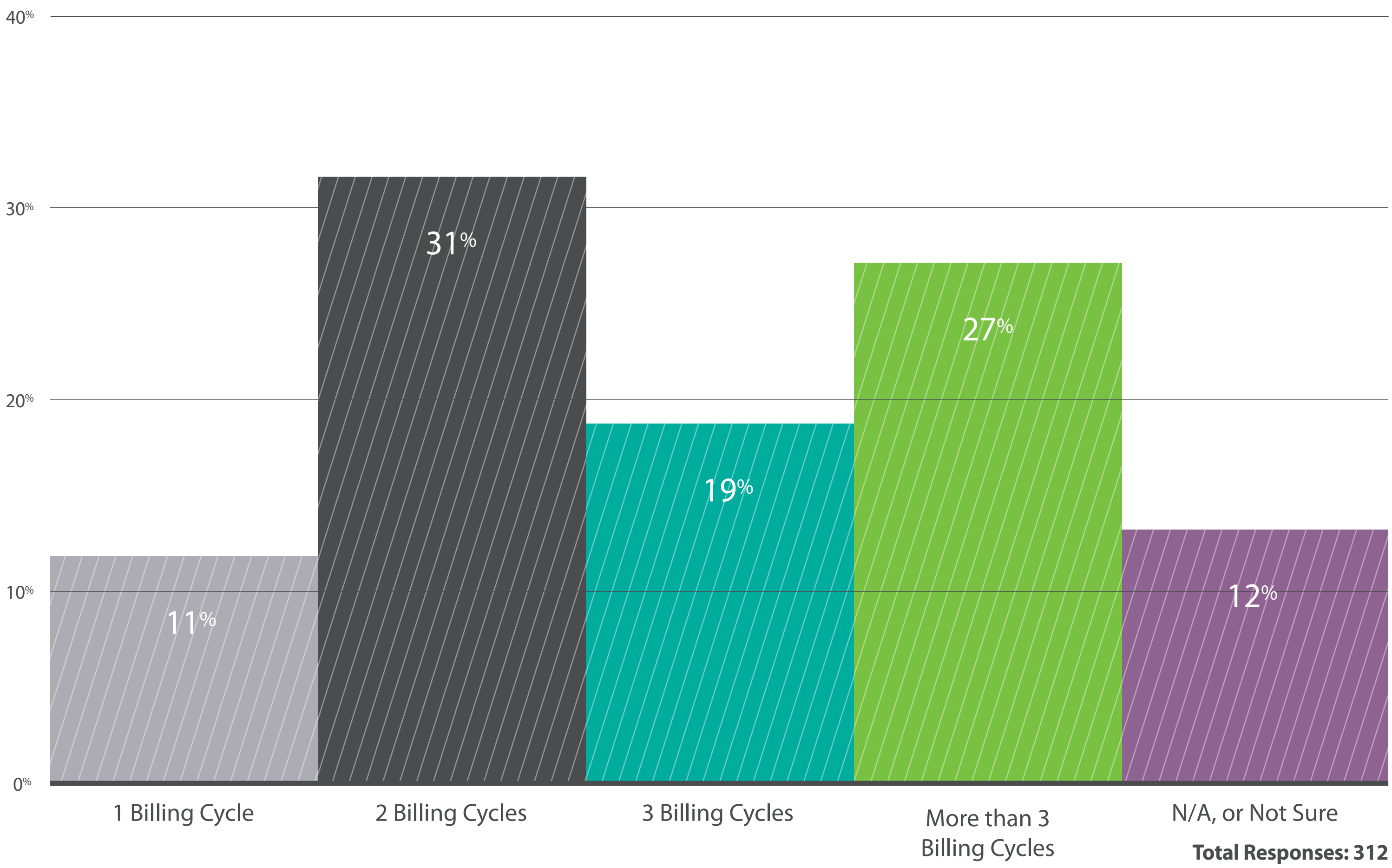
Another challenge revealed by the survey is the length of time it takes dealers to receive payment. It's no surprise that mounting healthcare costs and other life expenses may be leading consumers to take longer to pay. Across all payers (including insurance companies), medical equipment professionals report that more often than not, payments are not received on time, which can add effort and expense related to account management, billing, and other administrative functions.

Medical equipment dealers are waiting longer for payment

46% report they are waiting three or more billing cycles, on average, to receive payment
(Does not include the n/a responses)

11% report they typically receive payment within one billing cycle

SURVEY RESULTS: ***On average, how many billing cycles does it take to receive payment from your payer sources?***

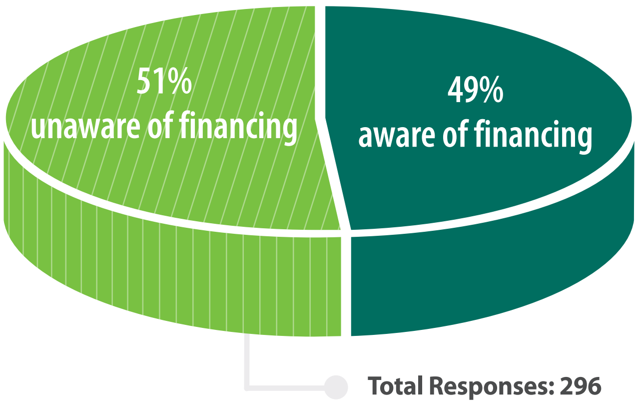


Total Responses: 312

Dedicated Financing: An Underutilized Solution

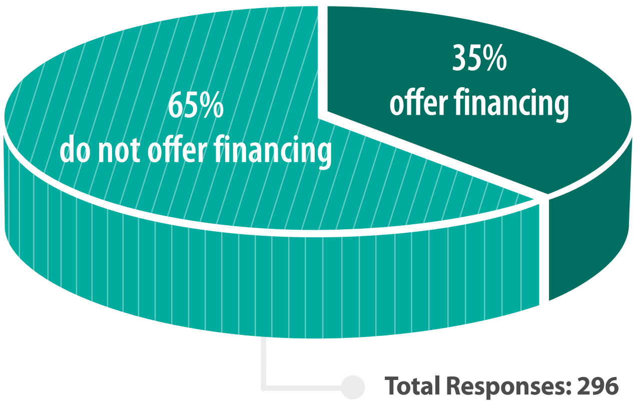
One solution to help alleviate payment pressure on medical equipment consumers and dealers could be a dedicated special promotional financing solution. Private-label credit cards and special promotional financing options have a long history in many retail sectors, especially for high-ticket items like jewelry, appliances, furniture, and home improvement. In healthcare, many practices in specialties including dentistry, plastic surgery, orthopedics, and ophthalmology offer financing, allowing patients to pay over time for high-cost or long-term treatments.

SURVEY RESULTS: ***Are you aware of, or have you ever looked into, options to offer financing for your customers?***



51% of survey respondents aren't aware of financing or have never looked into it.

SURVEY RESULTS: ***Do you offer financing to your customers?***



35% currently offer financing to their customers.

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Financing is a promising option for both equipment dealers and consumers. It offers consumers a dedicated line of credit and special financing in order to help cover costs associated with health, wellness, and personal care. It offers dealers a way to help more customers get the products they want and need, while gaining a competitive edge.

Financing provides flexibility

The way financing works is both simple and effective. Medical equipment dealers can provide financing onsite, or consumers can apply online or by phone. Application decisions are provided in minutes, and approved cardholders can use their credit to make purchases right away.*

For larger expenses, consumers may be able to take advantage of special financing offers, allowing time to pay for equipment while managing costs.

Once a transaction occurs, the dealer receives payment, typically in just two days, with no recourse if the cardholder delays payment or defaults.** This can reduce accounts receivable and significantly cut down costs and effort associated with ongoing account management and invoicing. Cardholders receive monthly statements, have access to dedicated customer service representatives, and can use a secure online portal to manage their account details and make payments.

No Interest if Paid in Full Within 6 Months						
Amount Financed	**Optional Equal Monthly Payments**					
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
$500	$84	$84	$84	$84	$84	$80

The above special financing option is available on qualifying purchases of $200 or more made with a CareCredit credit card account. Interest will be charged to account from the purchase date if the promotional purchase is not paid in full within the promotional period. Minimum monthly payments required. Required payments may or may not pay on purchase before end of promotional period. Subject to credit approval. See carecredit.com for details.

[1]Kaiser Family Foundation, "2017 Employer Health Benefits Survey," September 19, 2017.
[2]Peterson-Kaiser Health System Tracker, "Increases in Cost Sharing Payments Have Far Outpaced Wage Growth," October 4, 2017.
[3]Bureau of Labor Statistics, "Fastest Growing Occupations," October 24, 2017.
[4]Modern Healthcare, "CMS Cancels Planned Home Health Pay Model," November 1, 2017.
[5]Centers for Medicare and Medicaid Services, "DMEOPOS Competitive Bidding," Available online at: www.cms.gov/Medicare.
[6]Cardholder Engagement Study, Q2 2016, conducted for CareCredit by Chadwick Martin Bailey.
*Subject to credit approval.
**Subject to the representations and warranties in the CareCredit Agreement with Participating Providers, including but not limited to only charging for services that have been completed or that will completed within 30 days of the initial charge, always obtaining the patient's signature on in-office applications and the cardholders' signature on the printed receipt.

Conclusion

Shifts throughout the healthcare landscape have created a new set of financial challenges for medical equipment professionals and their consumers. The Medical Equipment Payment Trends survey illustrates the impact that financial and payment pressure can have on decisions made on the showroom floor. Financing has emerged as a solution because it gives consumers time to pay and ensures that dealers receive payment. Despite this potential, the survey reveals low awareness of financing options for medical equipment purchases among both consumers and dealers.

Sponsor snapshot: CareCredit

A pioneer in healthcare financing for more than 30 years, CareCredit is a leader in providing consumers with valuable special financing options for care, procedures, products, and out-of-pocket expenses not covered by insurance.

Today **more than 10.5 million CareCredit cardholders** can draw on **$30 billion in spending power** to get the products and services they want and need at **more than 200,000 enrolled provider and retail locations.**

What's more, cardholders have expressed extraordinarily positive opinions about their CareCredit experience; 92 percent report being highly satisfied, 95 percent rate CareCredit a good to excellent value, and 96 percent say they would recommend it to a friend.[6]

CareCredit is a Synchrony solution. **Synchrony has more than 80 years of experience offering financing solutions in diverse industries.**

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