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Driving Down Costs

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Using oxygen conserving devices to reduce the delivery expense associated with portable oxygen.

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If you are puzzled by the logic in reimbursement rates for portable oxygen, you are not alone. As a consultant who travels the nation working for HME dealers, most of my driving is to the airport and back. However, when I do fill up the tank, I cannot help but shudder to think what increased gas prices are doing to the profit margins of my clients.

Skyrocketing gas prices are increasing the cost of every delivery, and every delivery that is not associated with a reimbursable charge hits the HME dealer square in the pocket book. In addition, unless your company is lucky enough to have the costly equipment and the technical expertise to fill your own oxygen tanks, you have undoubtedly noticed that the costs for tank fills from medical gas companies have increased significantly as well. In areas of the country where there is a lack of competition among medical gas suppliers, an HME dealer can pay as much as $7 to have a single "E" cylinder filled. That is quite an increase from even a few years ago.

Unfortunately, while the cost of providing portable oxygen has steadily increased, reimbursement has remained stagnant. Consequently, oxygen conserving devices, which can reduce the amount of oxygen that must be delivered, have become even more important.

Coping with Low Reimbursement

It is no secret that providing portable oxygen can often be a money-losing proposition for HME companies. As one provider told me, "It is fairly evident that reimbursement for portable oxygen barely covers the cost of a single monthly delivery, let alone the delivery of several tanks on a routine basis."

He is right, but with industry associations tied up fighting global issues, such as inherent reasonableness and competitive bidding, we probably cannot look for any "reasonableness" in portable oxygen reimbursement anytime soon.

Oxygen conserving devices that extend the life of an oxygen tank and, in turn, cut down on the number of deliveries required are not a new idea—and they are not inexpensive either—but more and more medical equipment suppliers are relying on them to control the long-term costs of providing portable oxygen.

To be fair, it is not all about controlling costs. HME suppliers also cite patient satisfaction as a main reason why they carry and provide oxygen conserving devices. These devices promote mobility for patients because they allow patients to be away from their stationary oxygen systems for longer periods of time. In addition, the reduced size and weight of these portable systems make it easier for patients to get around outside their homes.

Some providers who have decided to heavily invest in conserving type devices have had the foresight to use the availability of such systems as a potent marketing tool. They know that physicians who treat patients with chronic lung disease want their patients to be as mobile as possible. And, for better or for worse, some manufacturers of portable oxygen systems featuring conserving devices have participated in building demand by marketing these products directly to patients and referral sources.

Increased Options

The bottom line is that if your company wants to be a major player in the respiratory business, oxygen conserving devices will likely have a place in your equipment lineup. Luckily, as demand for these devices has increased, so have the choices. You can find stand-alone conserving devices that attach to any oxygen cylinder; ones that are built into the cylinders used for home fill systems (oxygen concentrators that fill cylinders while the patient is using the concentrator); and even conserving devices that are integrated into lightweight portable liquid oxygen carriers. Depending on the type of oxygen conserving device used and the patient's liter flow and respiratory rate, these devices can extend the life of a portable oxygen system by a factor of two to six times the normal duration when compared to continuous-flow devices.

When it comes to the mechanics of conserving devices, three basic varieties are available—pulse, demand, and hybrid. Pulse systems deliver oxygen in a short burst at a flow rate slightly higher than the patient's equivalent continuous-flow rate, and then shut off prior to the end of inspiration when inhaled gasses typically no longer come in contact with gas-exchanging air sacs in the lungs. Demand systems, on the other hand, deliver oxygen at an equivalent continuous-flow rate during nearly the entire inspiratory cycle. Hybrid-type intermittent-flow devices use a combination of principles from demand and pulse systems, providing a pulse at the beginning of inspiration followed by a declining continuous flow through the rest of the inspiratory cycle.

Pulse dose systems generally provide greater oxygen conservation because the flow of oxygen takes place only during the most effective gas exchange portion of the inspiratory cycle. However, the clinical effectiveness of such systems depends on the volume of oxygen provided in each pulse (set by the manufacturer), and the patient's respiratory rate and tidal volume. Demand systems may be more forgiving of less typical tidal volumes and respiratory rates, but as with any conserving device, clinical effectiveness can still vary between patients.

All conserving devices require an order from the patient's physician and some physicians have a preference as to which type of conserving device is supplied to their patients. Others expect the provider to choose the device that best suits each patient's specific needs.

Pulse systems may be the choice for patients who are extremely mobile and have no problem maintaining good saturation levels on supplemental oxygen even when ambulating. Demand systems, on the other hand, may be the conserver of choice for patients who have a harder time maintaining their oxygen saturation during periods of ambulation. But no matter which type of oxygen conserving device you provide to a patient, it is a good idea to check that the patient is maintaining a satisfactory blood oxygen saturation level during typical ambulatory activities while using the device.

And of course, as with most other equipment, providers often cite ease of use as an important criterion for the type of conserving devices they supply to patients. All other factors being equal, the simpler the device is to use the better.

The Cost Factor

Though prices have decreased somewhat in recent years, conserving devices can still cost hundreds of dollars for stand-alone models, and thousands of dollars for liquid oxygen and concentrator systems that incorporate oxygen conservation features into their design. Because oxygen conserving devices represent an unreimbursed cost for DME providers, most develop criteria that a patient should meet before the company will take the initiative to recommend a conserving device to the patient's physician. Whether those criteria are based on number of deliveries to the patient, or the number or hours a month they require portable oxygen, it all comes down to the bottom line.

Consider the fact that the maximum reimbursement for portable oxygen is $36 per month, for a total of approximately $460 per year. Now consider what your costs are for providing the portable cylinders and delivering them to the patient. Factoring in the costs of equipment, supplies, labor, and vehicle and fuel costs, the typical provider will likely spend somewhere between $40 and $50 for the delivery of three portable oxygen cylinders per month. That works out to $480 to $600 per year in delivery costs. Right off the bat, you are in the hole from a profit standpoint. One extra delivery per month to the typical patient and you have already doubled your losses.

For a patient on 2 liters of oxygen, using a portable system without a conserving device, those three tanks represent 12 to 15 hours of portability. Add a conserving device and the hours of portability increase to 40 or more from the same three-tank delivery—enough to meet the needs of most "on the go" patients. Using the figures in our example, it would take only six extra trips to the patient's home during the entire course of their care to offset the cost of providing them with a stand-alone conserving device.

Given this, it is easy to see why conserving devices have become so popular with HME providers. Hopefully, at some point, the industry and its payors can resolve the cost versus reimbursement disparity for portable oxygen and other products with similar reimbursement problems. In the meantime, conserving devices can represent a sensible and cost-effective solution to minimizing the losses inherent in providing portable oxygen to mobile patients.

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