

# Third-Party Programs: When to Join Them and When to Beat Them!



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## Third-Party Programs:

When to Join Them and  
When to Beat Them!

It is not the strongest that survive, not the most intelligent, but the one most responsive to change.


- Charles Darwin



# Disclosures

- Employee of Fuel Medical
- Not affiliated with any OTC or TPA Companies
- Primary Revenue is hearing aid purchases through our group

# Management of a Chronic Health Issue

Sensori Neural Hearing Loss					
Degree HL	None (Normal)		Mild	Moderate	Severe/Profound
					
Products	PSAPs, OTC, Apps		Hearing Aids and Accessories		Cochlear Implants
Treatment and Management Activities (Tele-Med)	Hearing Screening Apps Biometric Data Hearing Situation Scaling	Cognitive Screening Cerumen management Aural Rehab	Depression Scaling Hearing Eval Reprogramming	Med Ototoxicity Monitoring Auditory Training HA Data Logging	Balance Assessment Remote care

# The False Narrative

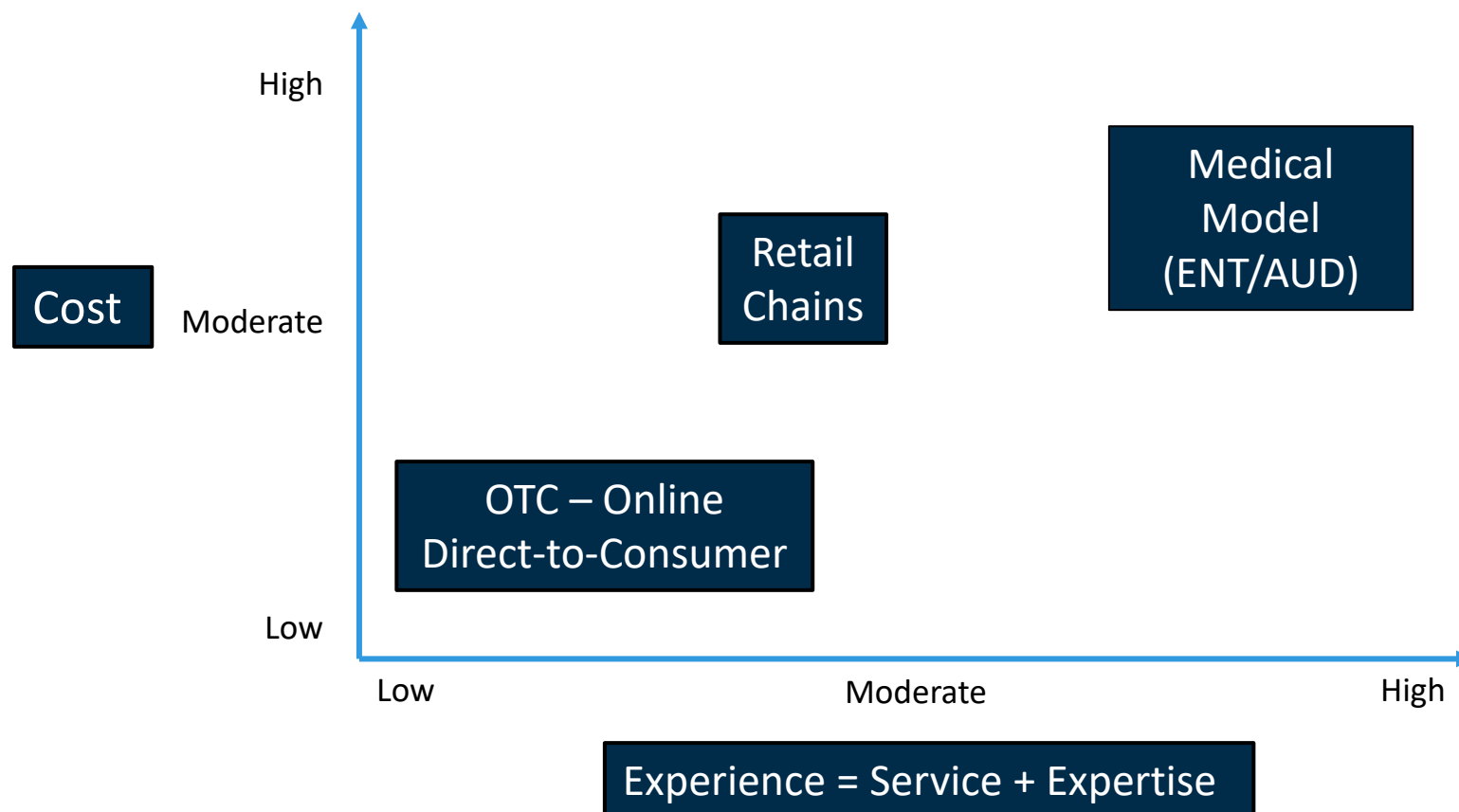
Big Box, TPAs and Retailers have turned the acquisition of hearing services for Age Related Hearing Loss to:

Hearing Test + Hearing Aid + Fitting = Management of ARHL

The Medical Community knows the acquisition of hearing services for Age Related Hearing Loss should include:

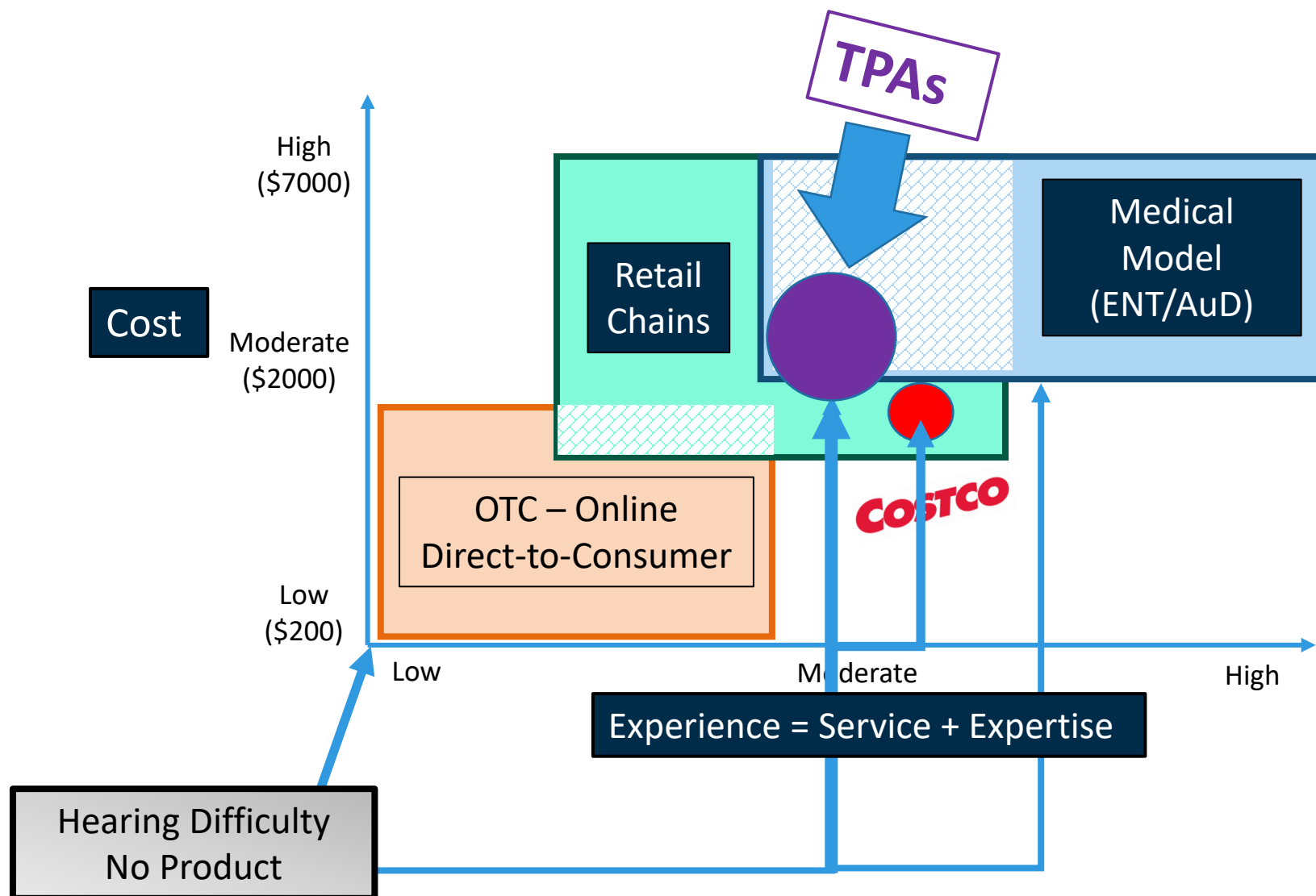
Hearing Test + Hearing Aid + Fitting + Ongoing HA Service + Aural Rehab + Auditory Training + Tinnitus Management + changes in Hearing over time + changes in Cognitive Function + changes in Depression + changes in Fall Incidence + other ear diseases + Cochlear Implant referral.... = Management of ARHL

# Stratification of Hearing Market



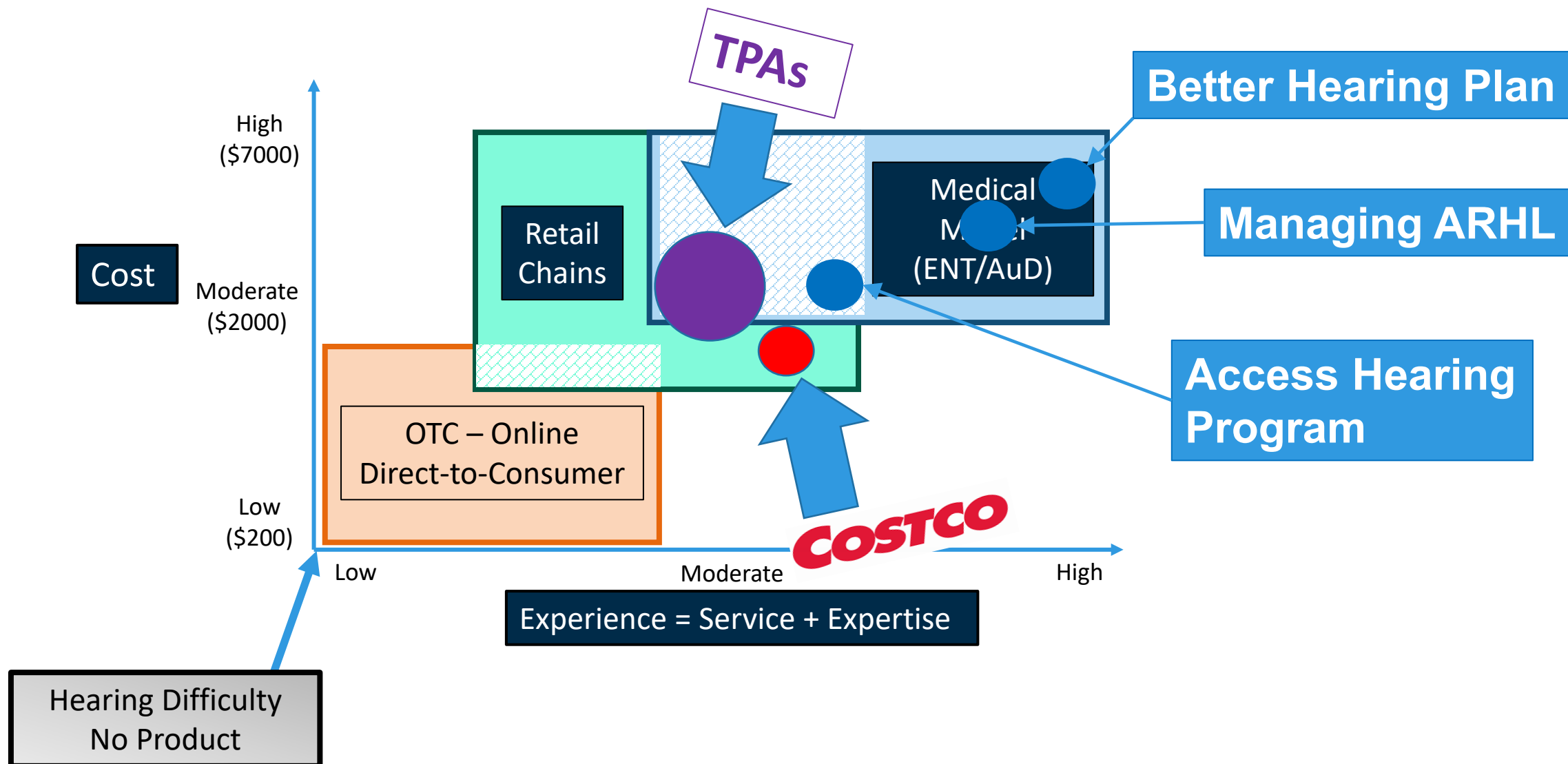
Source: Dr. Jed Grisel, MD

# Market Challenges and Challengers



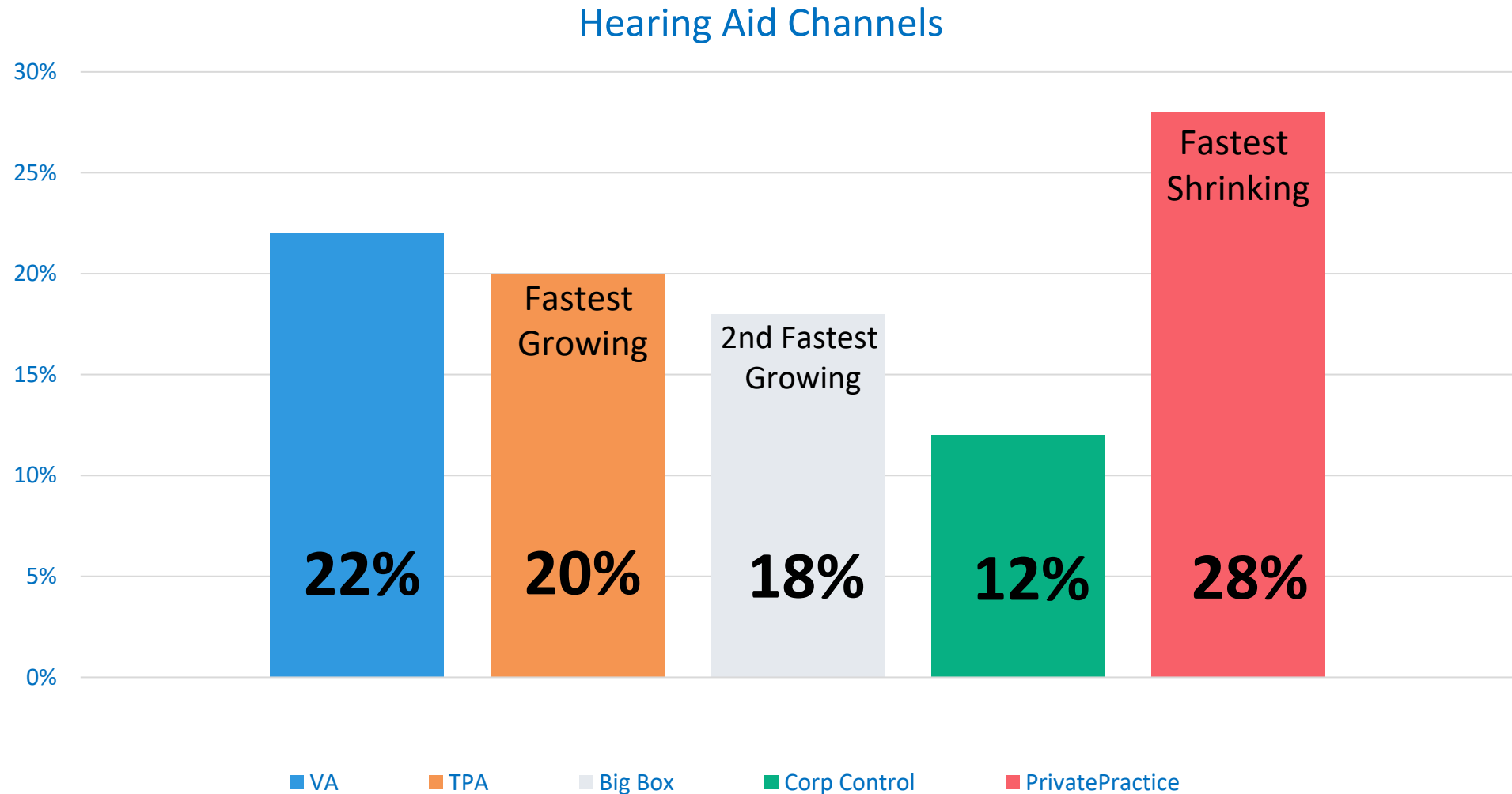
- Total Ear Expertise
  - ✓ ENT
  - ✓ AuD
- Changes with Inner-Ear and Central Processing
  - ✓ Tinnitus
  - ✓ Cochlear Function
  - ✓ Vestibular Function
  - ✓ Central Processing
- Comorbid Monitoring
  - ✓ Cognitive Issues
  - ✓ Depression Issues
  - ✓ Fall Prevention
  - ✓ Health Costs
- Total Care Packages
  - ✓ Products
  - ✓ Services

# Market Challenges and Challengers





# Market Channels Are Shifting



Third-Party Administrators (and Big-Box)  
When do I join them? How do I beat them?

# Who Are They?

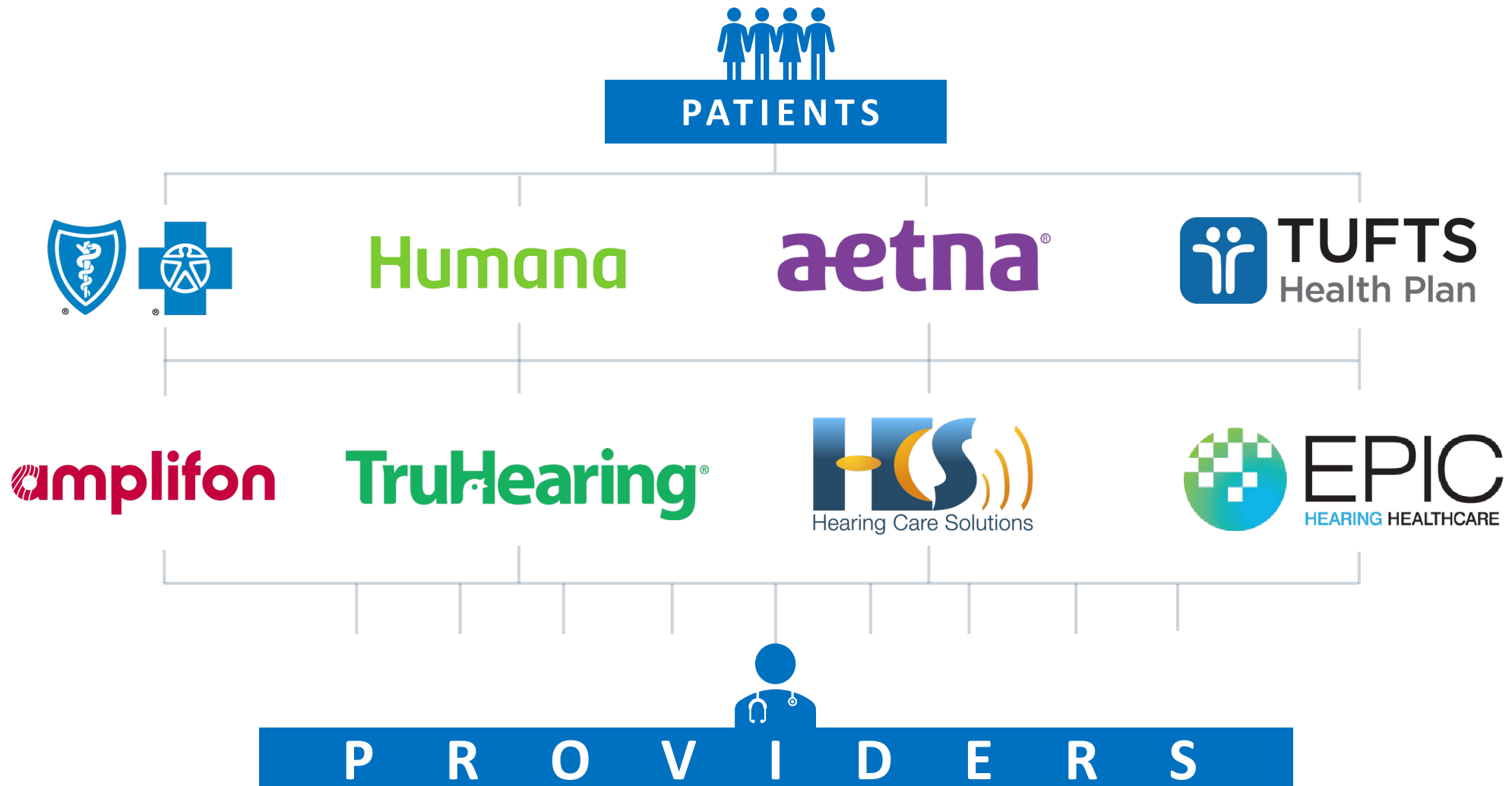
**TruHearing™**



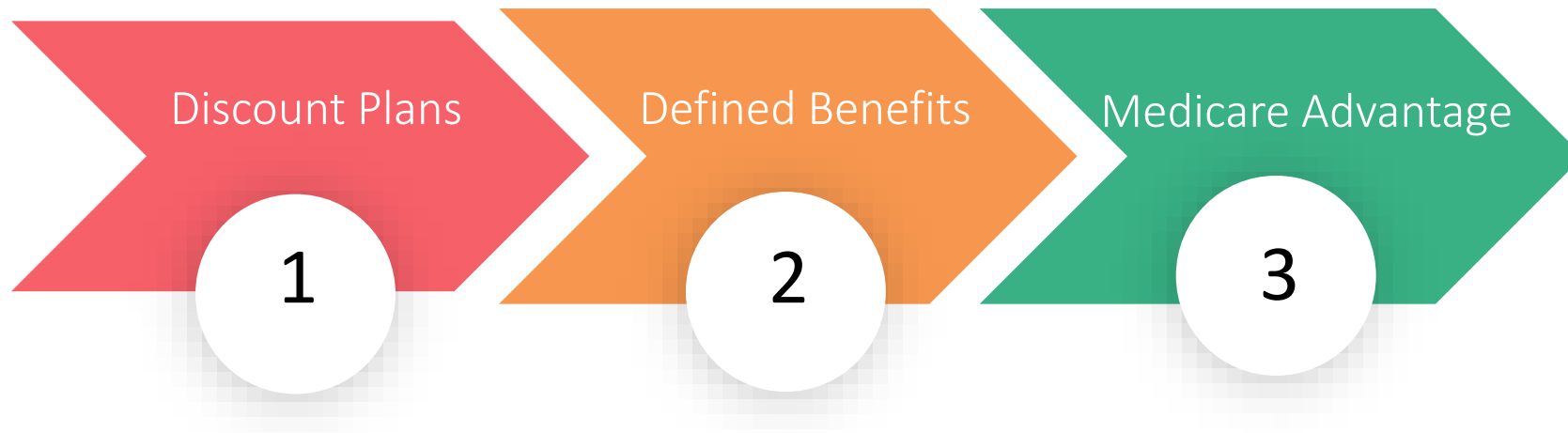
**COSTCO**



# Hierarchy of Hearing Healthcare for 30 Million Seniors with Medicare Advantage



# Three Primary Contract Types



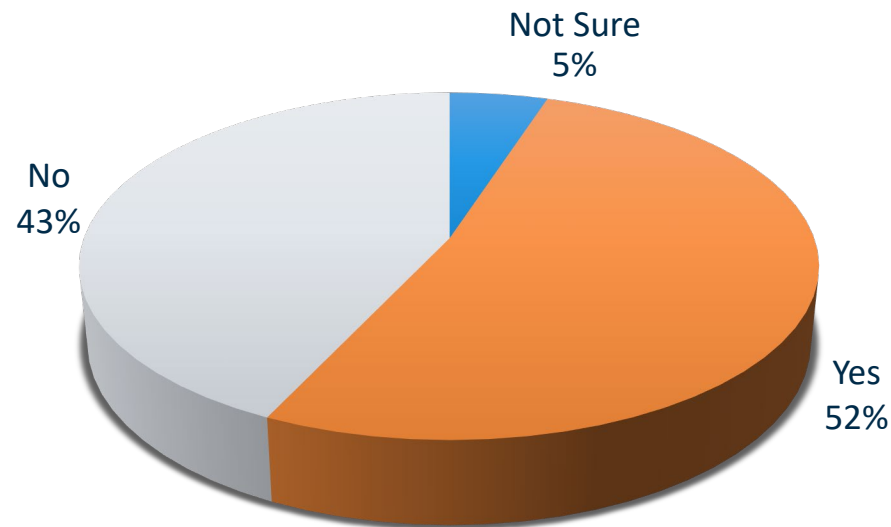
Others: Work Comp, Medicaid

# Third-Party Sources are a Significant Part of the Market

- The proportion with third-party assistance is comparable to last wave (when it was at 48%).
  - The main sources: Military/VA, Medicare Advantage and HMO/Insurance

## Part or All of HA Cost Covered by Third-Party

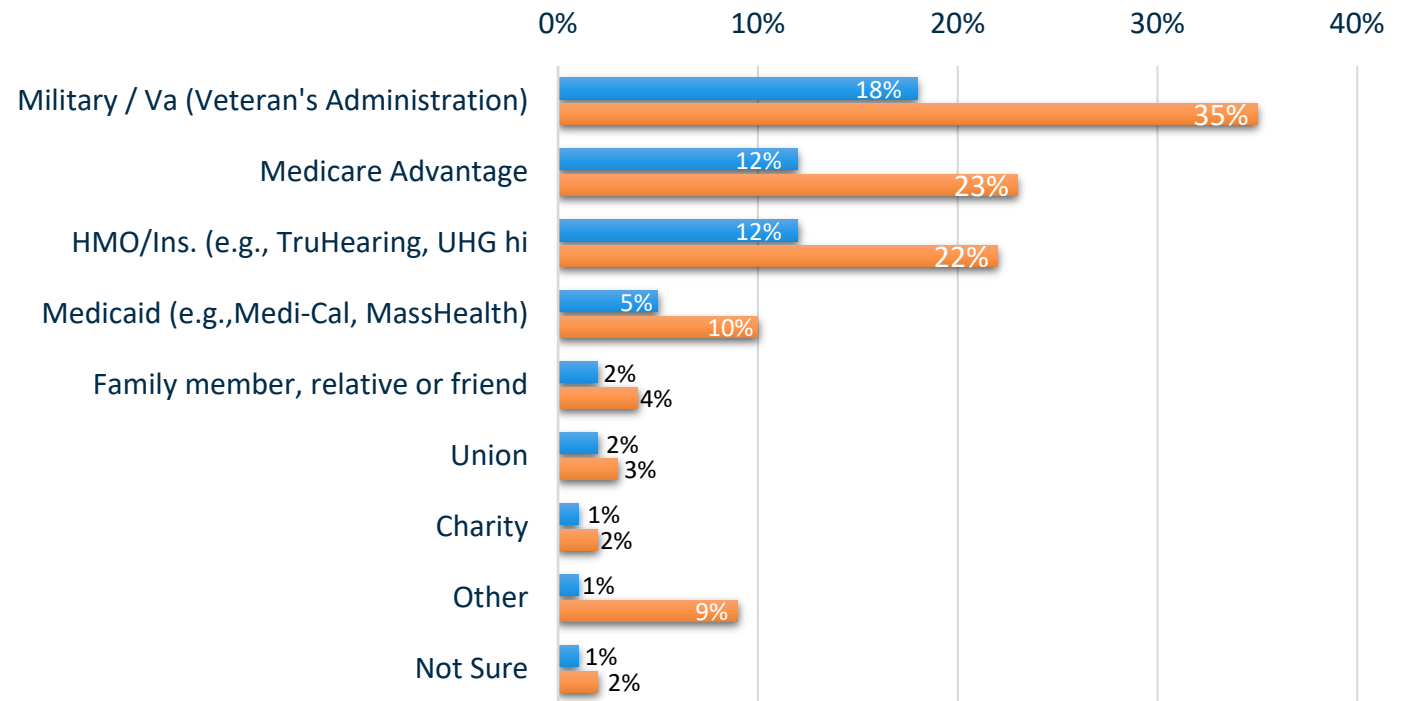
(Current Owners (n=969))



Source: MarkeTrak 10, (2019 – US market data)

**FUEL**

## 3<sup>rd</sup> Party Source(s) (multiple responses were allowed)



■ All HA Users  
■ HA Users with 3<sup>rd</sup> Party Assistance

# Having Insurance is a Motivator

## Experiences that Would Most Motivate an HA Purchase (Sooner)

(Non-Owners (n=2157) – multiple responses allowed)

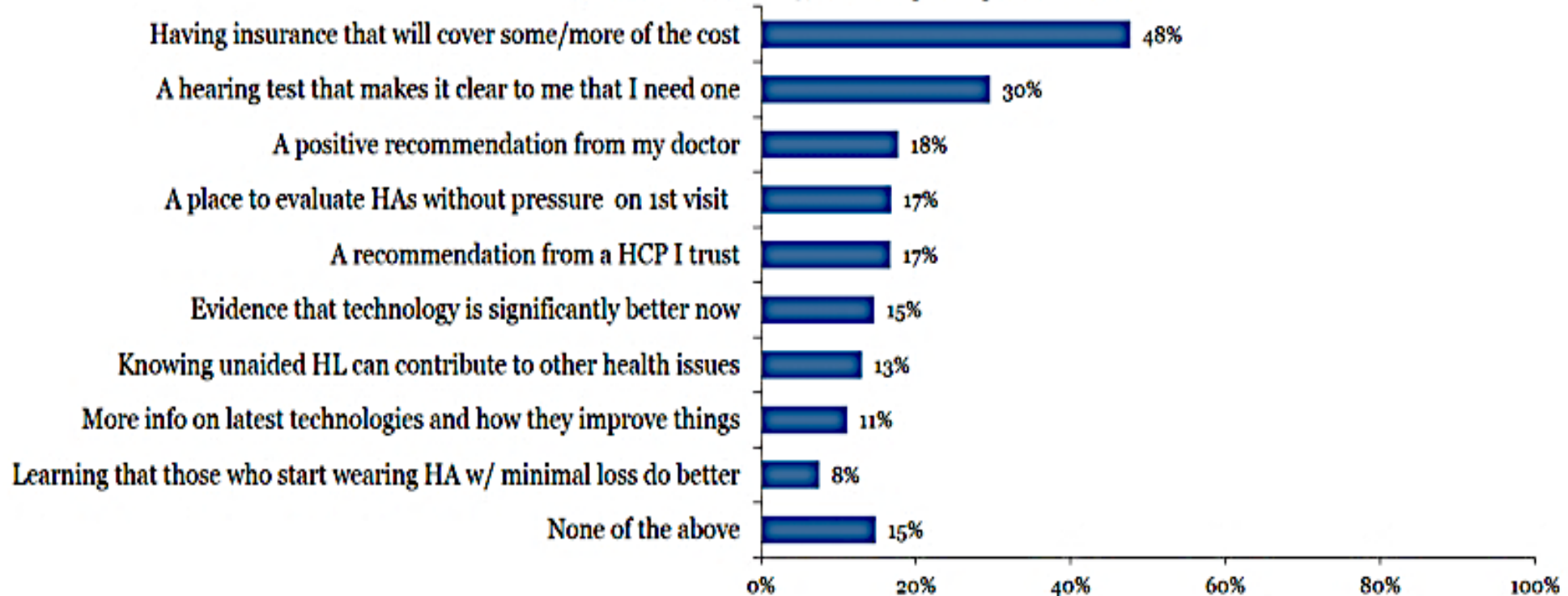
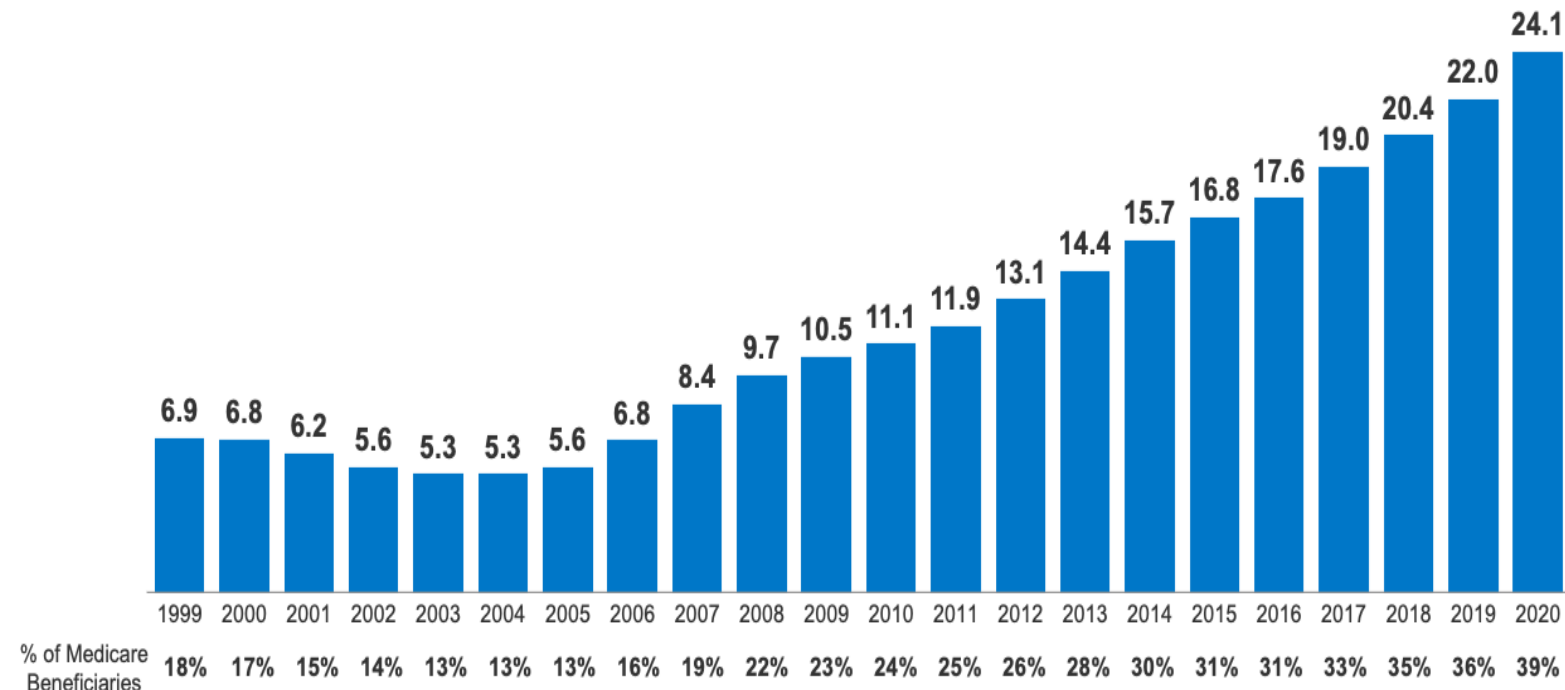


Figure 1

## Total Medicare Advantage Enrollment, 1999-2020 (in millions)



NOTE: Includes cost plans as well as Medicare Advantage plans. About 62 million people are enrolled in Medicare in 2020.

SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files 2008-2020, and MPR, 1999-2007; enrollment numbers from March of the respective year, with the exception of 2006, which is from April. Number of people eligible for Medicare comes from the CMS Medicare Advantage Penetration Files for years 2008-2009; for years 2010-2020, number of people eligible for Medicare comes from the Medicare Enrollment Dashboard.

Approx. 24 million Medicare beneficiaries – nearly four out of ten (39%)– are currently in Medicare Advantage plans, which are mostly HMOs and PPOs offered by private insurers that are paid to provide Medicare benefits to enrollees.



## The "WOW" factor: Medicare Advantage

- Today: 39% of Medicare Beneficiaries have Medicare Advantage Plan
- 25M have access to hearing aids through a health plan
- Each year – an additional 500,000 will have access
- 10,000 individuals turn 65 years old every day

### Projected Number of Medicare Beneficiaries, 2001-2030

Figure 62

Projected Number of Medicare Beneficiaries, 2001–2030

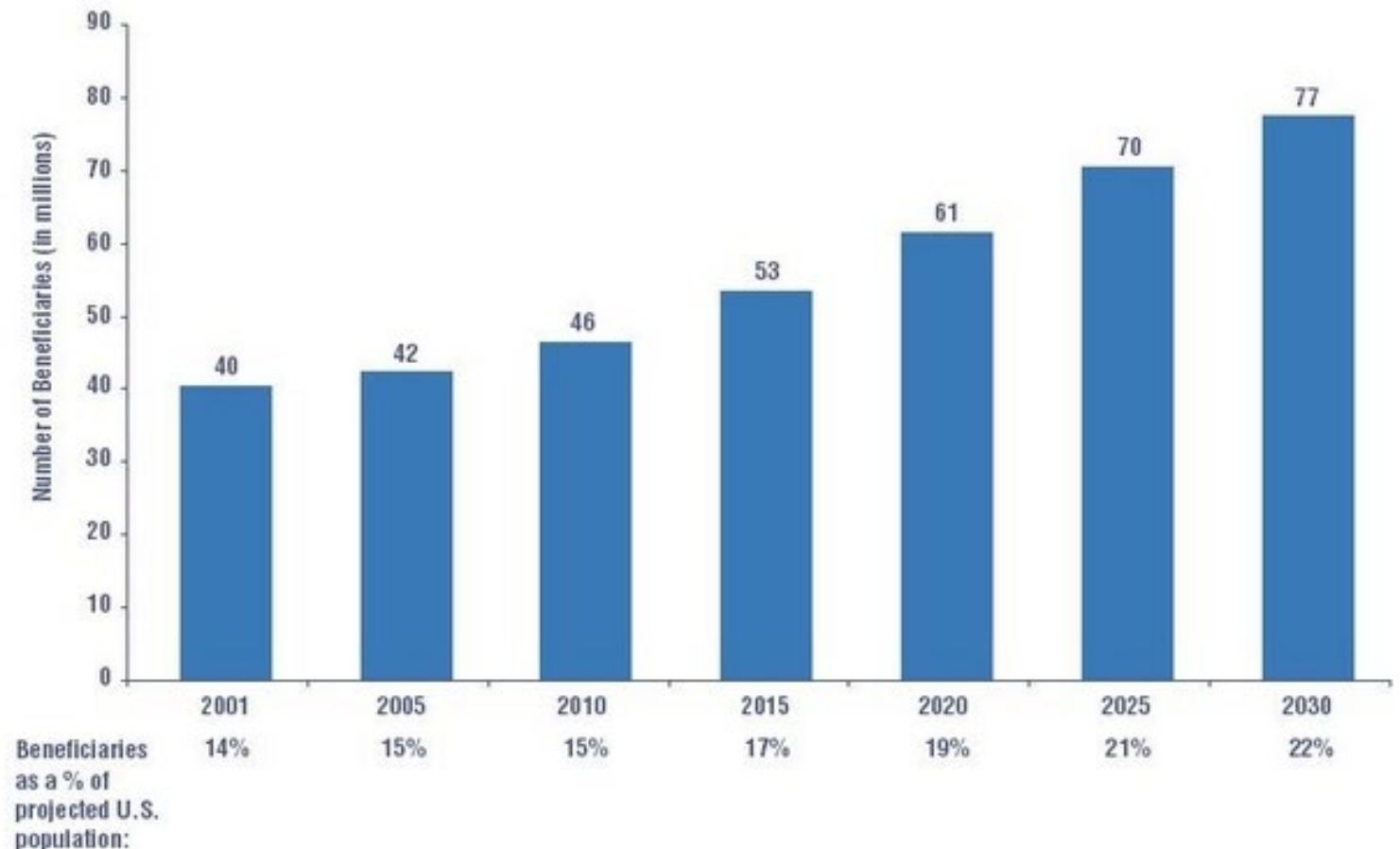
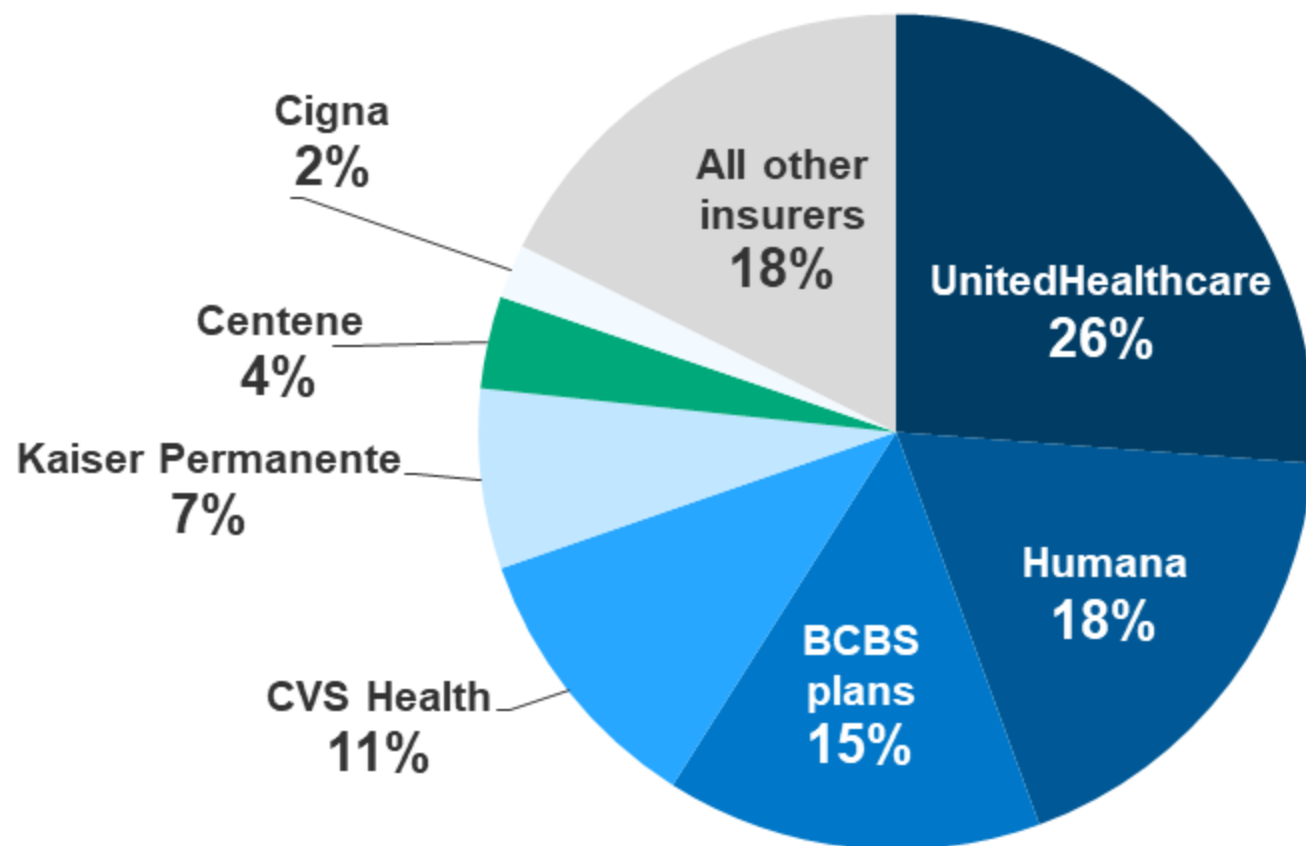


Figure 4

## Medicare Advantage Enrollment by Firm or Affiliate, 2020



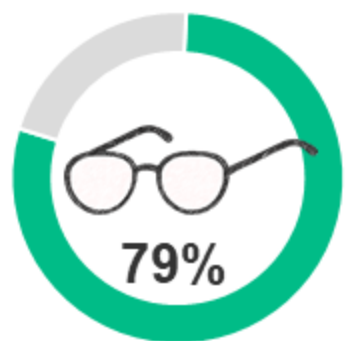
**Total Medicare Advantage Enrollment, 2020 = 24.1 Million**

NOTE: All other insurers includes firms with less than 2% of total enrollment. BCBS are BlueCross and BlueShield affiliates and includes Anthem BCBS plans. Anthem non-BCBS plans are less than 2% of total enrollment. Percentages may not sum to 100% due to rounding.

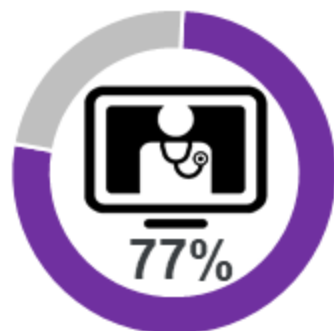
SOURCE: KFF analysis of CMS Medicare Advantage Enrollment Files, 2020.

Figure 9

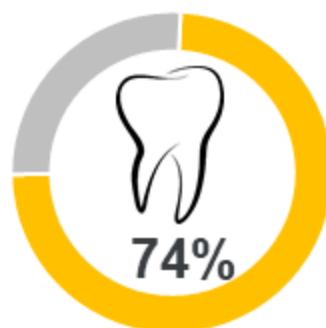
## Share of Medicare Advantage Enrollees in Plans with Extra Benefits by Benefit Type, 2020



**Eye exams and glasses**



**Telehealth**



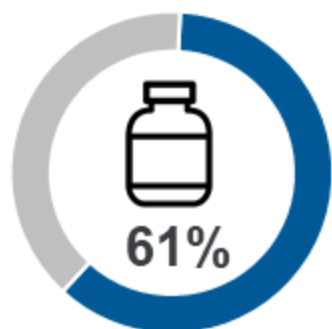
**Dental Benefit**



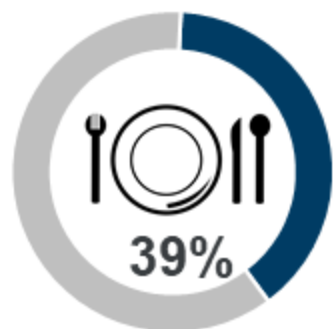
**Fitness Benefit**



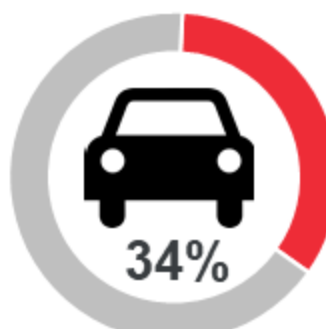
**Hearing aids**



**Over the Counter Benefits**



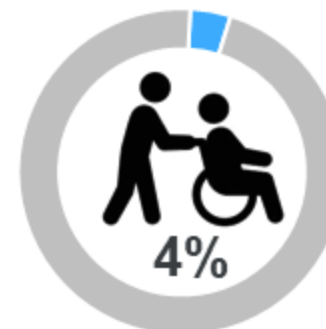
**Meal Benefit**



**Transportation**



**Bathroom Safety**



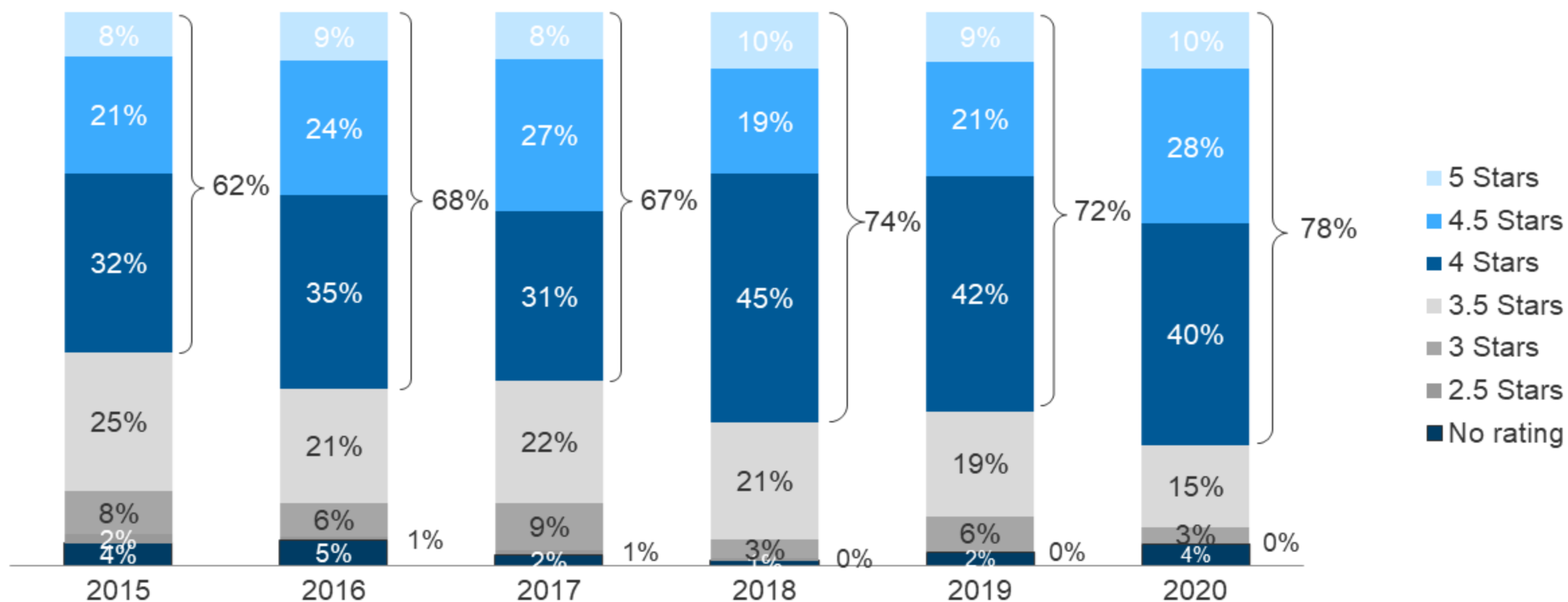
**In-Home Support**

NOTE: Dental includes plans that only provide preventive benefits, such as cleanings.

SOURCE: KFF analysis of CMS Medicare Advantage Enrollment and Benefit Files, 2020.

Figure 11

## Distribution of Medicare Advantage Enrollees by Plan Star Rating, 2015-2020



NOTE: Excludes SNPs, employer-sponsored group plans, HCPPs, PACE plans, and plans for special populations. Totals may not sum due to rounding. Less than 1% of enrollees were in plans with 2 stars during all years shown.

SOURCE: KFF analysis of CMS Medicare Advantage Landscape and Enrollment Files for 2015 – 2020.

## Who will have a Benefit?

### Referred by TPA

New Patient referred by TPA through their call center.

- TPA calls and sets appt
- TPA sends electronic packet with benefit package

### Marketing Activities

New Patient

- Physician Referral
- Patient Referral
- Digital Marketing
- Direct Marketing Activities

### Existing Patients

Exiting Patient

- Bought Direct Prior
- Have purchased a Medicare Advantage Plan since last purchase



This is Not  
Going Away...

Should I Join Them, Should I Beat Them?

# Third-Party/Managed Care/Insurance

## SWOT Analysis - Professional

Strength	Weakness	Opportunity	Threats
Referral source that gets patients in the door (reduced marketing spend)	Lower cash pay to provider (watch \$\$ returns)	Fastest growing channel in the industry	Focus on low-end products leads to poor profitability & lower patient satisfaction
Auto-renewal every 3 to 5 years for provider and patient	Interface with insurance companies, verification and billing can be difficult	Do your homework right and you can find good contracts	Must manage plans to a T
Conversion rate significantly higher. Lower cancellation rate. 80% conversion, 5% RFC	Provider's ability to provide the same level of service is lessened	Clinical Tactics – Block scheduling and provider assignment to handle these patients	Potential for a bad contract when coupled with medical contract. Want to carve out HA's
Fit more high-end products	Some plans are good, some are bad. Constant data management	AuD Tech Support	Self-fit or remote-fit hearing aids can cut out the brick-and-mortar provider
	Generally limited product selection	Service plan revenue	

# Third-Party/Managed Care/Insurance

## SWOT Analysis - Patient

Strength	Weakness	Opportunity	Threats
Reduced cost for hearing aids and related care	Often limited product offering	Patient will address the hearing issue sooner, stay active longer	Treatment plans are generally not the optimal value – reduced services due to reduced provider reimbursement
Auto-renewal every 3 to 5 years	Services are reduced because of lower provider reimbursement		Satisfaction from treatment plan through the TPA program may be reduced
Easy – benefit plan through patient's insurance	There are still significant costs. It's all about the commodity.		





# Revenue

Should I Join Them, Should I Beat Them?

# First Things First...

## What is the value of the contract?

### Step one is to value the contract

- List of required clinical procedures
- Time required to provide contracted services
- Calculate revenue/margin per hour

*It's not "how much" they pay... It's what they want you "to do" for what they pay!*

## Example:

## Fitting Fee \$1000

### What the contracts asks

Contract Requirement – test, fit unlimited adjustment, service calls.

Yr. 1	Eval	1hr
	Fit	1hr
	A1	.5hr
	A2	.5hr
	S2	<u>1.5hr</u>
	Total	4.5
Yr. 2	S2	1.5hr
Yr. 3	S3	<u>2.0hr</u>
	Total	8.0

### What the contract pays

1Yr. Service -  $\$1000/4.5 \text{ hrs.} = \$222 \text{ per hour}$

3Yr. Service -  $\$1000/8 \text{ hrs.} = \$125 \text{ per hour}$

# Standard Hearing Aid Transaction RPH – 5 years

- Five-year service plan – clinical hours (h) spent by year
- Gross Revenue - \$4,400 (ASP \$2,200), CoG 35%
- Gross Margin - **\$2,860**

• Y1 – 4.5h	Running Total 4.5h	RHP - $\$2,860/4.5 = \$636$
• Y2 – 1.5h	Running Total 6.0h	RHP - $\$2,860/6.0 = \$477$
• Y3 – 2.0h	Running Total 8.0h	RHP - $\$2,860/8.0 = \$358$
• Y4 – 2.0h	Running Total 10.0h	RHP - $\$2,860/10.0 = \$286$
• Y5 – 2.0h	Running Total 12.0h	RHP - $\$2,860/12.0 = \$238$

# RPH Audiology Summary

Premium Product – 4 yr.	<b>\$330 RPH</b>
Median Product – 4 yr.	<b>\$286 RPH</b>
Basic Product – 4 yr.	<b>\$200 RPH</b>
Entry Product	<b>\$150 RPH</b>
Audiology Clinic – Single Provider	<b>\$230 RPH</b>
Hearing Clinic – Single Provider	<b>\$162 RPH</b>

# Business Case - Fitting Fees

## Should I Join Them?

- Should I accept a \$500 per ear fitting fee?
- Questions to ask
  - What is the testing fee reimbursement?
  - What are the requirements of the contract relative servicing the product in clinical time?
- 1-year clinical time = 4.5 hrs.
- 3-year clinical time = 8.0 hrs.
- Additional benefits – related products, referrals

# “In” Network Tactics

- Define Contracted Services
  - What is included in contracted services
  - What can you bill the patient
- Block Scheduling
- Personnel Scheduling
  - Assigned provider
  - Aud. tech
- Limit product options

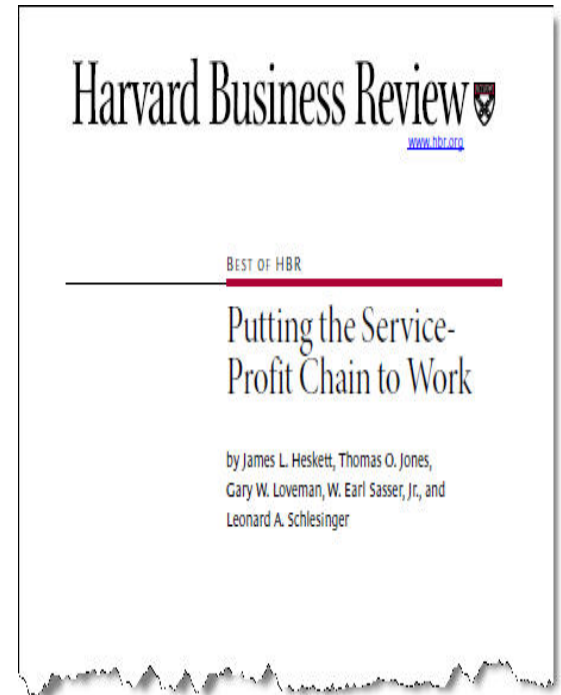
# Additional Benefits

## 3 R's of Profitable Businesses

Service-Profit Chain –  
Harvard Business Review

Key Drivers to Profitability

- Repeat business
- Related products
- Referrals







Don't Forget About  
What the Contract  
"Doesn't" Say...

## Treatment Plans / Service Contracts

Don't give away services that are not required to fulfill the contract.

**The contract may not say you have to:**

- provide speech in noise testing
- reprogram the product after the initial adjustment
- provide Real-Ear verification after the initial fitting
- use your moisture removal equipment (i.e. ReDux)
- provide cerumen removal for the patient
- provide aural rehab or auditory training
- provide cognitive screening
- see the patient within a week (block scheduling)
- have them seen by your most experienced staff



## Know Your Contracts

## Create a File

- 3 - 5 primary contracts
- Summary sheet on each contract
  - Insurance with verification number
  - Plan with expiration dates
  - The TPA (if not direct)
  - The benefit
  - Contract requirements
  - Provider Fee / RPH
- Define products that you will fit
- Update annually

## Contract 1

Patient Pays \$1990  
Premium Level Product

### What the contracts asks

Contract Requirement – **test, fit  
unlimited adjustment, service calls  
for 1 yr.**

Eval	1 hr.
Fit	1 hr.
A1	.5.hr.
A2	.5 hr.
<u>S2</u>	<u>1.5</u>
Total	4.5 hr.

### What the contract pays

\$75 Test

\$400 Fit and Service per ear

Binaural

$\$875 / 4.5 \text{ hrs.} = \$194 \text{ per hour}$

## Contract 1

Patient Pays \$1390  
Advanced Level Product

### What the contracts asks

Contract Requirement – test, fit  
unlimited adjustment, 5 service calls  
over 3 years

Eval	1 hr.
Fit	1 hr.
A1	.5 hr.
A2	.5 hr.
<u>S5 at .5 hr. per</u>	<u>2.5</u>
Total	5.5 hr.

### What the contract pays

\$75 Test

\$325 Fit and Service per ear

Binaural

$\$725 / 5.5 \text{ hrs} = \$132 \text{ per hour}$

## Contract 2

## Discount Plan

Product	Patient Pays (Binaural)	Provider Fee	Hrs 1 Year	Margin per Hour 1 yr	Hrs 3 yrs	Margin per Hour 3 yr
Premium	\$4,098	\$1,400	4.5	\$311	8	\$175
Advanced	\$2,998	\$1,200	4.5	\$267	8	\$150
Essential	\$2,498	\$1,000	4.5	\$222	8	\$125
Basic	\$1,998	\$800	4.5	\$178	8	\$100
Entry	\$1,898	\$600	4.5	\$133	8	\$75
Annual Svc Contract	\$250	\$250	2	\$125		
Office Visit	\$65				0.5	\$130

## Contract 3

## Medicare Advantage

Product	Patient Pays (Binaural)	Provider Fee	Hrs 1 Year	Margin per Hour 1 yr	Hrs 3 yrs	Margin per Hour 3 yr	
Premium	\$1,980	\$800	4.5	\$178	8	\$100	One product
Advanced	\$1,380	\$400	4.5	\$89	8	\$50	Two products

## Contract 4

## All Contracts

Product	Patient Pays (Binaural)	Provider Fee	Hrs 1 Year	Margin per Hour 1 yr	Hrs 3 yrs	Margin per Hour 3 yr
All Products	Varies	\$1,000	4.5	\$222	8	\$125



## No Free Services

# The Takeaway

Create your Premium Treatment Plan and don't provide it as a "standard of service" with all patients.

Create a secondary treatment plan and service contracts to upgrade to your high-level treatment programs.

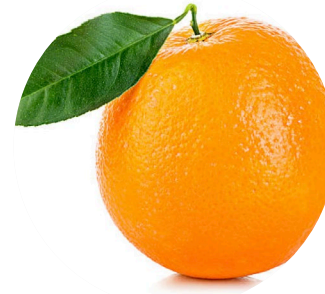


# How Can I Beat TPAs and Big-Box?



## **Treatment Program A**

- Primary Products
- Primary Service Package



## **Treatment Program B**

- Secondary Products
- Alternative Service Package

# How Can I Beat Them?

## Example 1

	MCA – Blue	MCA – Orange
Standard device	hear.com horizon Slim-Ric 7X	hear.com horizon Slim-Ric 7X
Exchange options	All devices in horizon portfolio + AX platform	All devices in horizon portfolio + AX platform
Price	\$3500 for the pair (financing options available)	\$2750 for the pair (financing options available)

Partner fee	\$850	\$700
Return period	45 days	45 days
Appointments	1 evaluation, unlimited adjustments during trial period + 5 service visits in 3 years	1 evaluation, unlimited adjustments during trial period + 3 service visits in 2 years

# Patient Pays \$3500

## Premium Level Product

### What the contracts asks

Contract Requirement – **test, fit unlimited adjustment, 5 service calls over 3 years**

Eval	1 hr.
Fit	1 hr.
A1	.5 hr.
A2	.5 hr.
<u>S5 at .5 hr. per</u>	<u>2.5</u>
Total	5.5 hr.

### What the contract pays

$\$850 / 5.5 \text{ hrs.} = \$154 \text{ per hour}$

# Patient Pays \$2750

## Premium Level Product

### What the contracts asks

Contract Requirement – **test, fit  
unlimited adjustment, 3 service  
calls over 2 years**

Eval	1 hr.
Fit	1 hr.
A1	.5 hr.
A2	.5 hr.
<u>S3 at .5 hr. per</u>	<u>1.5</u>
Total	4.5 hr.

### What the contract pays

$$\$750/4.5 \text{ hrs.} = \$167 \text{ per hour}$$

# How Can I Beat Them?

## Example 2



<https://www.1stchoicehb.com/>

Technology Level	Units	Third Party Pay-out Per Ear	Total Fittings Fees From TPA	1st Choice Payout Per Ear	Total Fitting Fees 1CHB
Premium	19	\$600	\$11,400	\$950	\$18,050
Advanced	16	\$500	\$8,000	\$800	\$12,800
Standard	17	\$400	\$6,800	\$600	\$10,200
Essential	9	\$300	\$2,700	\$450	\$4,050
<b>TOTALS</b>	<b>52</b>		<b>\$26,200</b>		<b>\$41,050</b>

# 1<sup>st</sup> Choice

The patient pays between \$3600 - \$4800

1st Choice Payout Per Ear	T
\$950	
\$800	
\$600	
\$450	

Contact Requirements:  
**free test, fit, follow-ups, one-year  
free visits – 4.5 hrs.**

\$1900/4.5 - \$422 per hour

\$1600/4.5 - \$356 per hour

\$1200/4.5 - \$267 per hour

\$ 900/4.5 - \$200 per hour

# Create Treatment Program B

## Example 3



Discount Program not Affiliated  
with Insurance Plans



Comprehensive Professional Services





Flexible Product Offering





Ability to Provide Extended  
Service Contracts

# Clinical Comparison



PREMIUM TECHNOLOGY				
		Bundled	Third-Party	Access Hearing
Diagnostic Revenue		\$75	\$75	 \$75
Hearing Aid Revenue		\$6,200	\$800	\$2,595
Cost of Goods		\$2,500	\$0	\$1,100
Gross Margin		\$3,775	\$875	\$1,570
Product Warranty		3 years	3 years	3 years
Professional Services		3 years	1 year	1 year
Estimated Professional Hours		8	4.5	4.5
Margin per Hour		\$472	\$194	\$349



\*Rechargeable, add \$100 to patient price & \$50 to Cost of Goods

ADVANCED TECHNOLOGY				
		Bundled	Third-Party	Access Hearing
Diagnostic Revenue		\$75	\$75	 \$75
Gross Rev		\$5,200	\$700	\$1,995
Cost of Goods		\$1,800	\$0	\$700
Gross Margin		\$3,475	\$775	\$1,370
Product Warranty		3 years	3 years	3 years
Professional Services		3 years	1 year	1 year
Estimated Professional Hours		8	4.5	4.5
Margin per Hour w/sc		\$434	\$172	\$304

\*Rechargeable, add \$100 to patient price & \$50 to Cost of Goods



PREMIUM TECHNOLOGY			
			
	Bundled	Third-Party	Access Hearing
Patient Price	\$6,200	\$1,990	\$2,595
Product Warranty	3 years	3 years	3 years
Initial Service Contract	3 years	1 year	1 year
Additional Service Contract	N/A	2 years	2 years
Service Contract Price	\$0	\$895	\$895
Estimated Professional Hours	8	8	8
Total Cost	\$6,200	\$2,885	\$3,490

ADVANCED TECHNOLOGY			
			
	Bundled	Third-Party	Access Hearing
Patient Price	\$5,200	\$1,390	\$1,995
Product Warranty	3 years	3 years	3 years
Initial Service Contract	3 years	1 year	1 year
Additional Service Contract	N/A	2 years	2 years
Service Contract Price	\$0	\$895	\$895
Estimated Professional Hours	8	8	8
Total Cost	\$5,200	\$2,285	\$2,890



Patient Comparison

A close-up, artistic photograph of a human ear, showing the ear canal and the outer ear (pinna). The image is in a dark, monochromatic blue tone, with soft lighting that highlights the contours of the ear.

# Service Plans

## **Binaural Hearing Aids (expired warranty)**

Value \$500 / 1 yr.    \$900/ 2 yrs.    \$1200 / 3 yrs.

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## **Cochlear Implant only**

Value \$900 - \$1500 / 5 yrs.

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## **Bimodal (CI and monaural HA)**

Value \$1200 - \$1700 / 5 yrs.

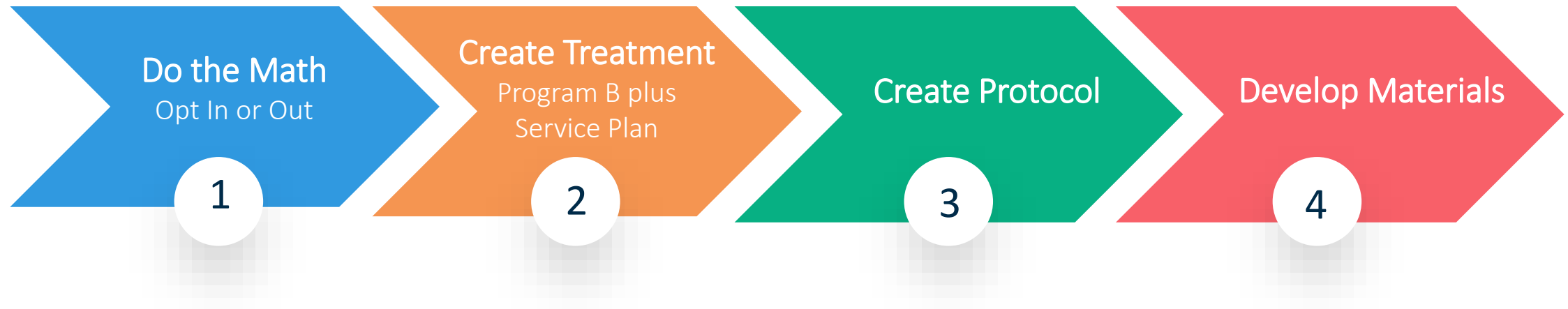
# Service Plan Guide



COCHLEAR SERVICES	PAY AS YOU GO	1 YEAR \$299	2 YEAR \$499	3 YEAR \$699
Maintenance Visit	\$50 per visit	2 visits	4 visits	Unlimited
In-Office Repairs	\$100 per visit	1 visit	2 visits	3 visits
Accessory Training	\$100 per visit	1 visit	2 visits	3 visits
Remote Care	\$100 per visit	\$100 per visit	2 visits	3 visits
Microphone Protector	\$30 per pack	1 pack	2 packs	3 packs
Performance Check	\$50 per visit	2 visits	4 visits	Unlimited
Auditory Training	\$100 per visit	1 visit	2 visits	3 visits
*Dollar amounts are calculated per processor	<b>PAY AS YOU GO</b>	<b>\$530 VALUE</b>	<b>\$1,260 VALUE</b>	<b>\$1,890 VALUE</b>
		<b>\$231 Savings</b>	<b>\$761 Savings</b>	<b>\$1,091 Savings</b>

# Add a Competitive Program to My Practice

## The Strategy



Questions?



# Contact Us



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**FUEL**