



Steps to Financial Freedom in 2009: An Oxygen Provider Solution Study

Easy to implement and quick to pay back the investment, it only takes 3 simple, cost-effective steps for an oxygen provider to decrease their costs and maximize revenue in 2009. By assessing current patient mix, asset allocation and available modalities, these steps can help to redirect cash to your bottom line and keep you profitable.

PROBLEM: Rising costs and decreasing reimbursements are making a weekly to 3 week delivery model unprofitable.

SOLUTION: Assess your patient mix and implement an oxygen strategy designed to reduce the outlay of expenditures and shift assets for best use.

STEP 1: IDENTIFY YOUR PATIENT MIX AND CURRENT COSTS

Review current delivery records for cylinder usage by patient and number of deliveries. Compare results to the industry average.

Source: VIP & Medgroup surveys

PATIENT MIX: Monthly Ambulatory Use by Patient Class

%	Class	Cylinder use	Delivery Cycle
39%	LOW USERS	1 - 6	3 weeks
31%	MED USERS	7 - 15	2-3 weeks
30%	HIGH USERS	16+	weekly

PROVIDER COSTS:

Standard Delivery Cost	\$60
Emergency Delivery Cost	\$110
Standard Number Cylinders Delivered	7
Patient Delivery Time Frame	3 weeks
Standard M6 Cylinder Fill Cost	\$3.25
Standard T Cylinder Fill Cost	\$14.50

STEP 2: PLAN FOR NEW PATIENT GROWTH

Invest in and set up new patients on Cyl-Fil Systems by Responsive Respiratory [70% of new patients are MED/LOW users]. Cyl-Fil Systems provide:

RESULTS: 3 to 6 month delivery pattern for patients

RESULTS: Initial equipment cost is equal or less than current cylinder set-up

Reassess after 1st quarter, HIGH users are easily converted to appropriate system

STEP 3: STREAMLINE CURRENT COSTS

Reduce current costs and eliminate unnecessary deliveries by focusing on maximizing resources allocated to each patient group.

A: Convert all MED USER (31%) to Cyl-Fil Systems

- RESULTS:** Reduced deliveries [75% from 4 to 1] \$180.00
- RESULTS:** Reduced oxygen expense [\$97.50 (10 cyl/mo) to \$14.50/qtr] \$83.00
- PATIENT SAVINGS:** \$263.00/qtr \$1052.00 annually
- Investment Required: Cyl-Fil O2 System \$595.00
- Break even Timeframe: 7 Months Profit increase \$457.00 1st year
\$1,052.00 2nd year
\$1,052.00 3rd year

B: Redistribute unused cylinders to LOW USER (39%) patients

- RESULTS:** Reduced deliveries [75% from 4 to 1]
- PATIENT SAVINGS:** \$180.00/qtr \$720.00 annually
- Investment Required: None. Each patient receives 3 month O2 supply in 1 delivery
- Break even Timeframe: Immediate Profit increase \$720.00 1st year
\$720.00 2nd year
\$720.00 3rd year

C: Convert HIGH USER (30%) patients to Cyl-Fil Dual Manifold System, Portable Concentrator or In-Home Compressor System

- RESULTS:** Reduced Deliveries [85% from 6 to 1]
- PATIENT SAVINGS:** Reduced Oxygen Costs [80% or greater] \$300.00/qtr \$1200.00 annually
(based on patient's consumption)
- Investment Options: \$795.00 Cyl-Fil w/ Manifold
\$1500.00+ Portable Concentrator
\$2200.00+ In-home Compressor

IMPACT YOUR BOTTOM LINE IN AS LITTLE AS 3 MONTHS!

Implement Steps A & B for your LOW and MED USE patients [on average 70% of your patient mix] and recognize savings quickly.

Example: 100 Patients

39 LOW USERS x Savings \$720 annually	\$28,080.00
31 MED USERS x Savings \$1052 annually	<u>\$32,612.00</u>
	\$60,692.00 SAVINGS
Initial Set-up investment - Cyl-Fil Systems \$595 x 31	\$18,445.00 (less)
Overall Savings	
1st year	\$42,247.00 Break-even in 3 months!
2nd year	\$60,692.00
3rd year	\$60,692.00

