Dear Valued VGM Member,

As Chip and Dan Heath once wrote, “Data are just summaries of thousands of stories.”

Thank you for taking the time to participate in the 2017 Benchmarking Survey, for telling your story. In collecting these stories, our goal is to present you with objective data to help bring context to your own experience and allow you to compare your business to your peers throughout the industry. I hope you find the survey beneficial.

Today’s HME market is a complex and challenging environment. We continue to see declining reimbursement rates and pressure from payer sources. But, our Government Relations and regulatory groups continue to advocate for you relentlessly, meeting with legislators daily to ensure public policy reflects the critical role HME plays in health care.

Despite these challenges, opportunities for growth still exist and will become more prevalent in the near future. Projections by the Census Bureau estimate the number of adults aged 65 and over could increase to more than 71 million in 2030 and hit 88.5 million by 2050. This uniquely positions our industry to help improve the quality of life for more patients than ever before.

Remember that VGM is here to help. We are your partner and your advocate in the industry, your source for education and updates, and we are here to connect you with the experts and solutions to help your business thrive. Thank you for being a VGM member.

Sincerely,

Clint Geffert
President, VGM & Associates
The 2017 Benchmarking Survey was conducted by VGM Group, Inc. to provide VGM members with an overview of the industry. All VGM members were invited to participate in this survey. Survey participation was voluntary.

The survey questions were crafted with the learning of 8+ years of VGM Benchmarking surveys. Further, the financial questions were reviewed by a certified public accountant. Questions focused on 2016 financial and operational information.

Data was collected over a period of 12 weeks from May to August 2017. At the close of the survey, responses were compiled, and data was analyzed. The data presented in this booklet is reflective of active participants. In order to ensure the validity of the benchmarking data, outliers that did not fall within an acceptable range were removed. The financial figures and key ratios presented herein are based off of reported gross revenue.

Throughout this booklet, we refer to company size in relation to reported gross revenue. The breakout of respondents in this survey is as follows:
Support Services

VGM has many programs and services available to help you mitigate risk, promote your business, work smarter and diversify your business.

**RISK**

**Government Relations and Advocacy**
VGM has one of the most active government relations departments in the industry. In addition to maintaining relationships with policymakers, community leaders, DME providers, and industry trade associations, staff is on the road constantly preaching the gospel of grassroots advocacy. [www.vgmdclink.com](http://www.vgmdclink.com)

**Audit and Compliance Assistance**
The van Halem Group has become one of the nation’s most respected health care audit and consulting firms. This expertise provides the benefit of knowing proper communication channels and processes reduce the regulatory burden. [www.vanhalemgroup.com](http://www.vanhalemgroup.com)

**Reimbursement Advice**
VGM’s reimbursement specialists Dan Fedor and Ronda Buhrmester bust the most common misconceptions about documentation and billing and ensure you have the most updated accurate information, enabling you to do what is required in the most efficient manner. [www.usrehab.com](http://www.usrehab.com)

**Business Insurance and Surety Bonds**
Founded in 1990, VGM Insurance Services is the recognized leader in providing specialty insurance programs for a variety of niche industries. [www.vgminsurance.com](http://www.vgminsurance.com)

**Cyber Security Solutions**
VGM Secure Tech Solutions helps members with anything technology or security related, addressing the growing security and technology concerns of our members. [www.vg.com/securetech](http://www.vg.com/securetech)

**Financing and Leasing Programs**
VGM Financial Services, established in 1991 and acquired by TCF, operating as a division of TCF National Bank [a subsidiary of TCF Financial Corporation (NYSE:TCB)], in March of 2004, supports and designs flexible financing programs for the health care and golf industries. [www.vgmfs.com](http://www.vgmfs.com)

**WORK SMARTER**

**Referral Source Management**
The VGM Market Data program provides members exclusive access to the largest and most comprehensive DME, O&P, PT and infusion claims database in the country. [www.vgmarketdata.com](http://www.vgmarketdata.com)

**Payer Network Access**
HOMELINK negotiates group health and workers’ compensation contracts with managed care organizations. Referrals are offered first to preferred providers who purchase in substantial quantities from participating vendors and have agreed to certain standard managed care pricing. [www.vgmhomelink.com](http://www.vgmhomelink.com)

**Hardware and Software Solutions**
VGM Secure Tech Solutions offers advice and discounts on various hardware and software to help find the solution that meets the specific needs of your business. [www.vgm.com/securetech](http://www.vgm.com/securetech)

**Online Education and Training**
VGM Education is committed to developing and delivering affordable, quality, instructor-led and self-paced educational programs that support customer success. [www.vgmeducation.com](http://www.vgmeducation.com)

**MARKETING**

**Marketing Materials**
Off The Shelf Marketing offers industry-specific educational marketing material that is professionally designed and written, with options to purchase as is or with the company’s private label. [www.vgmarketing.com](http://www.vgmarketing.com)

**Printing Services, Direct Mail Solutions and Promotional Items**
Strategic Imaging is a market-driven solutions provider, specializing in top quality variable data and variable image printing. They offer full-service commercial offset printing along with a full complement of bindery, finishing and mailing capabilities. [www.strategic-imaging.com](http://www.strategic-imaging.com)

**Web Marketing, Web Design and Social Media Solutions**
We Do Web Stuff. VGM Forbin’s motto really says it all. When it comes to helping your business perform in the digital world, there are no limits to what Forbin can do for you, combining a passion for serving clients’ needs with a creative team that goes the extra mile to incorporate the latest trends and our proven process into the work we do. [www.forbin.com](http://www.forbin.com)

**DIVERSIFY**

**Accessibility Community**
VGM Live at Home is a nationwide network of independently owned and operated, certified providers and contractors dedicated to providing accessible home modifications, independent living solutions and related products and services. Live at Home members create a total package capable of providing the best solutions for independent living. [www.accesshomeamerica.com](http://www.accesshomeamerica.com)

**Rehab Community**
Acquired in 1997 by VGM, U.S. Rehab is an organization for complex rehab providers. U.S. Rehab assists members with services that will allow them to operate more efficiently and increase profitability. [www.usrehab.com](http://www.usrehab.com)

**Women’s Health Community**
Essentially Women is a member service organization for providers catering to mastectomy and women’s health. Their team is committed to helping members navigate this industry as it continues to evolve, finding innovative solutions to ensure overall long-term stability of their members’ businesses. [www.essentiallywomen.com](http://www.essentiallywomen.com)

**Retail Services**
VGM Retail Services is designed to help members expand their cash sales through training materials, merchandising ideas, showroom design and marketing tips. [www.vgmretailservices.com](http://www.vgmretailservices.com)
Attributes of the Business

How many locations do you have?

- 1 Location: 54%
- 2-5 Locations: 33%
- 6-9 Locations: 8%
- 10+ Locations: 5%

What is the ownership structure of the business?

- Hospital Joint Venture: 2%
- Hospital-owned: 19%
- Primary owner(s) are individuals: 76%
- Venture Capitalist: 3%

56% of participant business is metro vs 44% rural.
Metro is defined as urban areas or clusters of 50,000 or more people.
Rural encompasses all populations, housing or territories with less than 50,000 people.
What is the makeup of your business?

- Other Respiratory: 42%
- Non-invasive Ventilation: 28%
- Invasive Ventilation: 16%
- Aerosol/NEBS: 38%
- PAP Soft Goods: 50%
- Bi Level: 53%
- Oxygen: 50%
- Other: 42%
- Enteral: 34%
- Wound Care: 32%
- Med Surg Supplies: 23%
- Orthotics & Prosthetics: 46%
- Complex Rehab: 27%
- Mobility (Standard, PMD, & CRT): 54%
- Infusion: 1%
- Home Medical Equipment: 89%

Approximately 87% of adults 65 and older want to stay in their current home as they age, giving the home modifications and accessibility industry huge growth potential.
Payer mix as a percentage of total gross revenue

According the U.S. Census Bureau, between 2006 and 2030 the U.S. population of adults aged 65 and over will nearly double from 37 million to 71.5 million.

Baby Boomers stand to control 70 percent of the nation’s disposable income in the near future.

Change in government payers

According the U.S. Census Bureau, between 2006 and 2030 the U.S. population of adults aged 65 and over will nearly double from 37 million to 71.5 million.

Baby Boomers stand to control 70 percent of the nation’s disposable income in the near future.
Breakdown of full-time employees by position category

- **Management**: 10%
- **Other**: 15%
- **Clinical**: 16%
- **Billing and Reimbursement**: 16%
- **Customer Service**: 19%
- **Sales and Marketing**: 6%
- **Delivery**: 18%

Breakdown of full-time employees in clinical positions

- **Clinical-Respiratory**: 3%
- **Clinical-Rehab Credentialed**: 3%
- **Clinical-Rehab Non-credentialed**: 10%

Human resources changes made in 2016

- **Reduced compensation**: 10%
- **Increased employee benefits**: 13%
- **Hired more people**: 37%
- **Have not hired anyone**: 2%
- **Given more raises and bonuses**: 21%
- **Didn’t replace staff**: 2%
- **Changed hiring methods**: 21%
Types of online continuing education programs used

- Webinars/Webcast: 2%
- VGMU Online Learning: 30%
- Vendors Sites: 2%
- Supplier: 2%
- Power PAC: 2%
- Other Resources: 2%
- Medicare University: 2%
- Med University: 8%
- DMETRAIN: 8%
- CMS: 2%

83% of employers report the use of only one online continuing education system.

Top reported human resource concern of 2016 was finding experienced professionals.
Average number of monthly orders per FTE

![Bar chart showing new orders and re-orders per FTE.]

Respiratory Therapist

- New patient setups per day: 2.37
- Total patient encounters per day: 4.55

Delivery Drivers

- New patient setups per day: 5.22
- Total patient encounters per day: 13.93

### Average Number of New Patient Setups per Month

<table>
<thead>
<tr>
<th>Category</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>Mega</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxygen</td>
<td>5.8</td>
<td>14.7</td>
<td>18.0</td>
<td>192.2</td>
</tr>
<tr>
<td>CPAP</td>
<td>19.7</td>
<td>34.0</td>
<td>75.9</td>
<td>160.9</td>
</tr>
<tr>
<td>DME</td>
<td>16.7</td>
<td>62.9</td>
<td>72.5</td>
<td>410.6</td>
</tr>
<tr>
<td>Enteral</td>
<td>0.0</td>
<td>0.7</td>
<td>0.0</td>
<td>20.4</td>
</tr>
<tr>
<td>Other</td>
<td>5.6</td>
<td>21.3</td>
<td>0.0</td>
<td>220.4</td>
</tr>
</tbody>
</table>
Do you contact supply patients for re-supply?

- Yes: 87%
- No: 13%

Method of contacting re-supply patients

- Manual Calls: 39%
- Automated Calls: 26%
- Both: 35%

Frequency to contact patients for re-supply

- Monthly: 40%
- Quarterly: 46%
- Bi-annually: 5%
- As Needed: 7%
- Weekly: 2%

58% of companies that process re-supply orders outsource this operation.

Many respondents cite engaging more CPAP customers in their care and achieving better compliance as a potential area for increased sales. Recent innovations in respiratory management software make this a viable strategy.
Inventory frequency:
- 61% Annually
- 18% Bi-annually
- 12% Every other year
- 3% As Needed
- 1% Monthly
- 1% Quarterly
- 2% We do not keep inventory
- 2% As Needed

Frequency of inventory cycle counts:
- 65% Annually
- 19% Weekly
- 7% Bi-annually
- 6% As Needed
- 3% Monthly

50% of providers take cycle counts of inventory.
2015 revenue growth as compared to 2015

- 30% More than 12% above
- 16% Between 6% and 12% above
- 14% Within 5% (above or below)
- 40% More than 5% below

Popular diversification strategies among survey participants:
- Retail
- Orthotics
- Pain management

How to capture the baby boomer market:
- Product selection
- Expertise
- Staff abilities to provide solutions for needs
- Customer experience
- Trusting relationships

2016 revenue growth as compared to 2015 by company size

**Small and Medium Companies**
- 43% More than 12% above
- 43% Between 6% and 12% above
- 11% Within 5% (above or below)
- 3% More than 5% below

**Large and Mega Companies**
- 38% More than 12% above
- 24% Between 6% and 12% above
- 21% Within 5% (above or below)
- 17% More than 5% below

www.vgm.com
Financials

Size of company by gross revenue

Sales vs. rental revenue as a percentage of gross revenue

Ownership structure by company size
Breakout of expenses as a percentage of gross revenue for all VGM members

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>28%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>5%</td>
</tr>
<tr>
<td>Rent/Utilities</td>
<td>4%</td>
</tr>
<tr>
<td>COGS</td>
<td>37%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3%</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>4%</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>14%</td>
</tr>
<tr>
<td>Net Income</td>
<td>5%</td>
</tr>
</tbody>
</table>

10.6% of survey participants we surveyed made acquisitions in 2016.
A/R Turnover Ratio

This ratio is computed as reported Total Net Sales divided by Average A/R. Average A/R includes both billed and unbilled accounts receivable. It shows how many times per year the A/R is collected (turned over). A higher number is desired.

A/R Turnover should decrease across the industry due to an increase in the time it takes payers to pay.

Days Sales in A/R

This ratio is computed as 365 days divided by A/R Turnover as computed above. It indicates the number of days the sales are in A/R before they are collected and turned into cash. A lower number is desired.

The A/R Turnover Ratio and Days Sales in A/R indicate how fast the process from sale of goods or services to billing of sale to collecting of funds is handled.
Inventory Turnover Ratio

<table>
<thead>
<tr>
<th>Percentile</th>
<th>75th Percentile</th>
<th>Average</th>
<th>25th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.6</td>
<td>5.0</td>
<td>2.2</td>
</tr>
</tbody>
</table>

This ratio is computed as reported Cost of Goods Sold divided by the average inventory. It indicates how many times in a year the inventory is sold (turns over). A higher number is desired.

Days COGS in Inventory

<table>
<thead>
<tr>
<th>Percentile</th>
<th>75th Percentile</th>
<th>Average</th>
<th>25th Percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31.6</td>
<td>73.2</td>
<td>164.8</td>
</tr>
</tbody>
</table>

This ratio is computed as 365 days divided by Inventory Turnover as computed above. It indicates how many days inventory is on hand before it is sold. A lower number is desired.
Debt to Equity Ratio

75th Percentile: 0.3
Average: 0.9
25th Percentile: 2.6

This ratio is computed as reported Total Liabilities divided by Total Equity. It indicates the strength of a company’s balance sheet. A lower number is generally desired.

Notes:
Thank you for participating in the 2017 VGM Benchmarking Survey. Your participation is essential in compiling this extensive report.

If you have any questions or would like more information, please call 800-642-6065.