

## Client Type

HDME Co. is a startup Home and Durable Medical Equipment (HDME) Marketplace company specializing in supplier networks and DME cataloging.

## Background

HDME Co. is a growth phase startup backed by venture capital. The company has developed a platform where healthcare providers can create a custom HDME catalog across all care settings. HDME Co. works with HDME suppliers to build a network of suppliers, creating a universal catalog of inventory by category. Healthcare Providers can easily manage their suppliers, categories, and equipment across care groups to ensure the availability of supplies to their discharge team and patients.

## Opportunity

HDME Co. has focused development efforts on a long-standing challenge: providing visibility into supply availability for discharging teams across provider organizations—specifically, acute care hospitals, long-term care facilities, ambulatory care centers, home healthcare providers, and multi-practice physicians' groups.

Typically, discharge teams have faced challenges when referring patients for home care and supplying the patient with durable medical equipment at discharge. The challenge is compounded by the need to verify patients' insurance benefits and request authorization before discharge, creating significant delays in the patient's HDME at-home care. Most providers currently utilize fax, email, phone, or insurance company portals to verify eligibility and request prior authorization. Providers have voiced their frustrations about the administrative burden and care delays for patients without a standardized form and authorization process. HDME Co. built a platform to address this unmet need.

## Challenge

The client lacked expertise in medical benefits management, eligibility verification, prior authorization, and reimbursement processes, without which HDME Co. could not make informed decisions for product and service design and build. Furthermore, without insight into how HDME referral management challenges are currently addressed in other healthcare, HDME Co. lacked the knowledge of direct and indirect competitors to inform brainstorming, business, and experience requirements. To fill gaps in knowledge and expertise, the HDME Co.'s leadership team asked Covalence Health to help them answer three key questions:

- What is the optimal provider-to-HDME supplier referral process?
- How are challenges with eligibility verification and prior authorization challenges currently being addressed for HDME and other medical services?
- What is the economic opportunity for a comprehensive solution for the HDME referral process?

## Approach

Covalence Health viewed these critical questions as problem statements and approached the project as a business case. We divided the project into three phases—Discovery, Business Model Prototyping, and Recommendation—with each phase having its own set of milestones and checkpoints to ensure consistent collaboration with the client. As with all projects, we followed a lean and agile methodology with this project to ensure timely responses and course corrections as the business case evolved.

The first phase, the Discovery Phase, was a three-week exploration phase during which we learned details of our client's operations, conducted in-person interviews, and analyzed how referral management challenges are being addressed by the broader healthcare market today. We delivered a detailed segmentation analysis to understand how many different methods exist for solving the complete end-to-end referral process challenge, a competitive benchmarking study resulting in a matrix outlining how

competitors in each segment perform - including strengths, weaknesses, and differentiation - and requirements for the ideal solution.

Phase Two, the Business Model Prototyping phase, entailed detailing potential business models, creating a comparison chart to help HDME Co. understand how others are addressing these challenges, and guiding the discussion to identify possible models. Unlike phase one, where we focused on company profiles and product suites, phase two analyzed revenue and operating models. Through secondary research and discussions with competitors, their clients, healthcare professionals, and industry experts, we discovered that the most successful models in the market were capitation (entire risk) and administrative services only (ASO). We also validated the main pain points for payers and health systems and discovered which product features and services were favored by both stakeholders.

In phase three, the Recommendation Phase, we synthesized the research. We developed the business model and business case, including a roadmap for the ideal solution, a revenue model, and a three-year financial pro forma. The recommendation also included an operating model recommendation, including staffing and a go-to-market plan.

## **Solution**

At the project conclusion, we simplified the problem statement: while there were many organizations that **solved one or two pieces of the puzzle, no one had a comprehensive solution that addressed all the challenges across the HDME ordering and fulfillment process.**

We recommended that HDME Co. partner with two competitor companies that addressed different gaps within the same process. The first company automates the referral process from healthcare providers, and the second curates medical guidelines

from health plans across the country to facilitate eligibility verification and prior authorization requests.

Our final recommendation was to develop a modular solution through a partnership that can be sold as a holistic solution or decoupled to fill specific ad-hoc gaps for clients. Our client appreciated this recommendation since it presented the easiest and quickest path to developing and launching a differentiated solution.

### **Outcome**

HDME Co. received an operational blueprint with a focused problem statement, a simplified fulfillment model, and a GTM plan, which included holistic and ad-hoc product options. This model enables HDME Co. to maintain independence and ownership over its core solution and roadmap while minimizing development risks, costs, and delays. HDME Co. successfully negotiated terms with the two competitor companies in late 2023; the companies launched the comprehensive solution and closed their first customer sale in Q2 2024.