

OTC/Natural Health

Aging baby boomers spark rebirth for durable medical equipment in drug

Hassles with adjudicating insurance claims and competition from home health care centers, not to mention the significant retail space requirements, has long made durable medical equipment a category more pharmacy retailers are likely to service online versus dedicating any significant in-store square footage to the category.

The time may have come to change that thinking, many in the business have been saying, suggesting that the horse may finally be able to pull the cart—especially as the baby boomers reach that age when they become the primary caregivers for their parents or older siblings.

“You have the perfect storm of aging baby boomers caring for their parents who will ultimately morph into the next generation that will need assisted living aids combined with the changing of the reimbursement model as it relates to durable medical equipment,” explained Curt Behrens, president of P2B a full service sales and marketing agency whose client list includes Etac. “This consumer will find these products via the Internet, the DME store, QVC, however they find it, but they’re core drug store items,” Behrens told *Drug Store News* from the ECRM Home Health Care EPPS conference last month, in Nashville.

Right now, many national retailers provide a smattering of home healthcare items—canes, bath aids and other daily living aids—in-store, often entry-level merchandise intended to meet the requirements for Medicare reimbursement. But with the entry of baby boomers into the market comes a shopper with a higher than average household income who is likely to choose products based more on quality than price—a change in market dynamics that may justify a good, better, best merchandising strategy.

“Aging baby boomers [represent] a generation that is not married to their doctors, who have learned to be self-sufficient and have accepted the notion that there is a good, better, best as it relates to medical treatment,” said Behrens. Boomers know that if they’re willing to pay a little bit more, they can significantly improve the quality of their purchase and, therefore, improve their quality of life.

“We’re not selling products



Care Pharmacies, which operates out of the greater Washington metropolitan area, shows a significant commitment to home health care in its stores.

here,” suggested Jack Evans, president of Global Media Marketing, in a presentation to ECRM attendees. “We’re selling quality of life, independence, dignity,” he said.

“The baby boomer is buying on brand,” Evans said, meaning retailers should at the very least carry a two-SKU selection—an entry-level product that will more likely be reimbursed by Medicare and a premium product for boomers who are likely to reach into their pocket to make up the difference.

But for all the opportunity facing the DME category, there are still significant challenges.

First among them: space. How do you go deeper in a category that already presents space issues? A display of canes may not require too much of a commitment in real estate, but items like walkers, wheelchairs and other mobility devices is a whole other story.

The question becomes one of market positioning. Can the drug store of the future afford not to invest in DME, especially given the number of heavy prescription drug customers who may be walking through the doors?

As the average consumer ages, the market dynamics of the drug store business will evolve, as well, Behrens suggested. “What [retailers] required out of their front-ends—convenience, good price, brand name—has changed,” Behrens said. Pharmacy operators have a better opportunity to make a name as a health care resource than as a destination center for good deals on commodity items like sham-

poo and greeting cards.

“Nobody wants to pull cards and candy,” Evans said. “But if you look at the net of cards and candy versus what you make on the sale of one [stroller] ... you can’t lose.”

And then there is the competition. The Centers for Medicare and Medicaid Services last month published a proposed rule that would require a competitive bidding process for all eligible DME suppliers that will essentially funnel lower-margin Medicare payers to the “winners” of the competitive bidding process. If a DME supplier can manage to split their customer base evenly across cash payers, third party payers and Medicare, then perhaps it’s a business still worth getting into. However, should a business skew too heavily toward Medicare, then the margins may begin not making sense.

So is it all worth it? According to one published report, a drug store with a dedicated home health care center with some 1,500-square feet of selling space can generate as much as \$500,000 in first-year sales. Other reports suggest that DME sales can reach as high as \$200,000 per employee solely dedicated to DME sales in high-traffic areas.

And according to Evans, average gross profit margins for DME sales is 45 percent—with scooters and lift chairs netting 35 percent profit, while compression hosiery and medical support products generate as much as 100 percent profit. “This is still a profitable, good industry: we’re all aging,” Evans commented.