Sleep medicine: No sleeper when it comes to profits

Sleep medicine is a relatively new field that was officially recognized in the 1960s. Today, an estimated 50 million to 70 million Americans suffer from sleep-related problems.1

The first sleep disorder clinic was opened in 1970 at Stanford University by William Dement, MD. Today more than 2,000 sleep centers are accredited by the American Academy of Sleep Medicine (AASM), an increase of more than 400 percent in the last 10 years.4

And that figure doesn’t include the unaccredited sleep laboratories and centers.

Demand is, in part, attributed to increased medical education and recognition of sleep disorders and the link between these disorders and medical conditions.5

Effective operation of a sleep center requires special expertise, advanced equipment, regulatory compliance, reimbursement negotiations, capital, focused management, referral and treatment resources, and ongoing community education.

Success depends on the center’s commitment to quality sleep medicine and patient and community service.

“A successful sleep center hears testimony on how it has improved the quality of its patients’ lives,” says John Bauer, CPA, CFE, FACMPE, managing member of Aspen Consulting, Strongsville, Ohio.

Experts in the fields of women’s health, transportation safety, ethnicity, workplace performance and aging have recognized the significant impact sleep disorders and sleep health have on quality of life and work production.6

In response to increased clinical demand, formal training programs in sleep medicine have been established, and competency in sleep medicine can be demonstrated by passing an American Board of Medical Specialties board certification examination. This constitutes recognition of sleep medicine as an independent subspecialty.1

When investigating new practice opportunities, it is critical to understand market dynamics. The key drivers in the decision-making process of the sleep medicine field include:

• Integration of home sleep testing, which may decrease the need for sleep bedrooms in the sleep center and decrease the profitability of a sleep centers;

• A shift in emphasis from diagnostics to treatment, which puts more burden on the sleep center for demonstrating patient compliance and benefit;

• Increased regulatory, payer and accreditation requirements to control quality and patient access;

• Personnel shortages of board-certified providers and registered or certified technologists who meet requirements;

• Anticipated decline in sleep study reimbursement with enhanced scrutiny of costs;

• Continued search for alternative treatments and therapies for sleep disorders; and

• Increased consumer focus on sleep by education, regulation and patient self-awareness.7

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When determining the level of sleep medicine services offered, consider the fact that AASM accreditation for new sleep laboratories has not been available since July 1, 2009, perhaps because AASM wants more of an emphasis on follow-up care. And after Jan. 1, 2011, accredited labs must apply for reaccreditation as sleep disorder centers.

A competitive analysis should include information on community demographics, the number of beds currently serving the community, referral resources and relationships with durable medical equipment companies, psychiatrists/psychologists and dentists who provide treatment. The structure and affiliations of the sleep center should be decided after researching federal and state facility regulations for diagnostic testing facilities. Reimbursement varies widely across the nation from payer to payer and depends on facility type. Reimbursement is dependent on the coverage from government and commercial payers and the negotiation skills of the practice. The cost of staff and the technology to obtain authorization for sleep studies is often overlooked. A search for qualified personnel in the area and their salary expectations is advised.

A business plan is vital to determine future success. Costs must be anticipated and included in the startup budget. Information technology and advanced diagnostic equipment are necessary for a quality sleep center. Space planning is crucial to meet accreditation requirements and federal regulations, as well as patient comfort. Organizational structure for personnel is critical for cost and production efficiencies. Policies for maintaining accreditation and resources to comply with all OSHA regulations must be created for optimum patient safety and service.

“Consistent, written policies give clear guidelines for optimum patient service and testing in a safe manner,” says Shirley Hawkins, administrator of Pulmonary Associates of Kingsport, Tenn., and the Sleep Evaluation Center.

The financial plan should include capital resources to accommodate advanced equipment needs, as well as the hiring of board-certified and trained personnel. Reporting parameters need to be decided, and trend and benchmarking resources need to be identified. Goals and timeframes for production success and realized profit margins need to be established. Payer negotiation policies should be established to cover costs and maintain a reasonable profit margin.

A survey conducted by the Wachovia Sleep Center Survey demonstrates that sleep center bed growth has stabilized in the low single digits, going from 26 percent growth in the first quarter of 2005 to 4 percent growth in the third quarter of 2009.

Although patient demand is steady, experts attribute the downtrend to the fact that the sleep market is maturing and penetration is increasing, and the economic slowdown appears to have caused patients to decrease use of healthcare.

Notes
5. Epstein, et al.