

HME News

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Lincare, Apria lead way

Providers should mimic their ability to improve operational efficiencies, watchers say

BY MIKE MORAN Editor

LAKE FOREST, Calif., and CLEARWATER, Fla.

– Apria and Lincare have been quiet on the M&A front over the past year or so, but when it comes to improving operational efficiencies, they've been making plenty of noise.

That's one reason, despite all the industry upheaval, the HME giants feel good about their 2006 financial performances. It's also something HMEs of all sizes should take note of and mimic, say industry watchers.

"They have been serious about staying on top of costs," said consultant Schuyler Hoss, president of Northwest Healthcare Management. "No one can afford the luxury of paying a few dollars more anymore in this reimbursement environment. Those that are ruthless in attacking cost are doing OK. Those that



Rick Glass

aren't are hurting." Lincare released its financial results in mid-February and reported an 11% increase in revenue to \$1.41 billion for 2006. The company's net income for 2006 remained flat at about \$213 million. Apria reported that its revenues increased 2.9% to \$1.5 billion in 2006; net income for 2006 jumped to \$75 million from \$66.9 million in 2005 for 2006.

Those results aren't eye-popping, but both companies are "holding their ground in a tough operating environment," said Balaji Gandhi, an analyst with Oppenheimer & Co.

"Everyone is different, but what I'm counseling in this environment is to be more cost efficient, grow bigger and get

more scale to get more volume," said Rick Glass, president of Steven Richards & Associates, an M&A firm in Tarpon Springs, Fla.

Companies regularly counter reimbursement cuts by growing their revenue, but the most successful companies also maximize their earnings by cutting costs and becoming more efficient. That means standardizing computer systems, going paperless, decreasing deliveries, among other things, said Gina Bienkowski, vice president of Ultimate Resource, an M&A firm in Newtown, Pa.

"The smart providers are doing that," added Bob Leonard, an associate with The Braff Group, an M&A firm in Pittsburgh. "They are waiting to see what competitive bidding will do, and they know that efficiency is key to operating under that environment." **HME**