Unbundling: 
The Future of Audiology Starts in University Audiology Clinics

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UNC-Hearing & Communication Center

Disclosures

No financial or nonfinancial relationships to disclose.

Agenda

- Terms & Definitions
- AAA Hearing Aid Billing Practices Survey Results
- What does the Future Hold?
- History of Our Clinic (A Model for Unbundling)
- Nuts & Bolts of Itemizing – How to Calculate Break-even
- A Model for Billing Hearing Aids and Professional Services
- Debunking Myths

Bundling vs. Unbundling (Itemizing)

**Bundling**

Patient pays one payment, undefined as to the specific amounts and codes
- No itemized fees

**Unbundling/Itemizing** (separates service from product)

Itemization of all incurred fees, individually:
- Hearing aid acquisition(s)
- Dispensing fee(s)
- Earmold(s)
- Earmold impression(s)
- Batteries
- Extended service or warranty packages
- Office visits?

Bundled Billing

Combining products & services into one lump sum.

PATIENT'S BILL

- Pre-Fitting EAA
- Pre-Fitting D-Mic Test
- Real-Ear Measures

HEARING AID

HEARING AID

$
Bundled Billing: What do consumers see?

Consumers must learn it's not just what's in the box.

Unbundled/Itemized Billing

Breaking up prices completely.

Itemized Billing: What do consumers see?

The value of the professional

What’s Happening in Audiology Clinics Across the Country?

2011 and 2012
American Academy of Audiology
Hearing Aid Billing Practices Survey
Another survey found that 87% of hearing aid dispensers are bundling. (Hearing Journal, 2006)

Does your clinic bundle services into the price of hearing aids?

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2012</td>
<td>67%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Does your clinic retain a non-refundable professional fee if the hearing aid(s) are returned for credit?

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>77%</td>
<td>23%</td>
</tr>
</tbody>
</table>

During the trial period, what is the total duration of time spent with the patient?

<table>
<thead>
<tr>
<th>Duration</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 hours</td>
<td>16.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>2 to 4 hours</td>
<td>37.8%</td>
<td>37.8%</td>
</tr>
<tr>
<td>4 to 6 hours</td>
<td>24.6%</td>
<td>24.6%</td>
</tr>
<tr>
<td>More than 6 hours</td>
<td>19.8%</td>
<td>19.8%</td>
</tr>
</tbody>
</table>

If your clinic bills for hearing aid related services, how are your fees established?

- 51% Calculation of cost of goods, hourly rate, and associated fees to establish charges
- 23% Arbitrarily chosen rates
- 12% Based on "going" rates for hearing aid services in the area
- 14% Other
- 6.5% State law does not allow use of non-refundable fees
- 2.2% State law does not allow non-refundable fees
- 0.8% Other
- 0.1% Other

The duration of the "trial" period

- 4% The duration of the original manufacturer warranty period
- 33% The duration of the optional, purchased extended warranty period

The lifetime of the hearing aid(s)

- 26% The lifetime of the hearing aid(s)
- 12% Does not apply, I itemize my services
- 16% Other

Do you know how much you need to bring in per hour, per full-time audiologist to break even?

Yes 51%
No 49%

WHAT DOES THE FUTURE HOLD FOR AUDIOLOGISTS?

Current trends challenging the status quo:
HLAA
UHC
Big Box competition
Internet sales

The future may already be here

UNC-HCC journey to the future...

Retained a $200 professional fee at the completion of “trial period”
- This was the rumored “going rate” in the area
Appointment durations were changed to ONE hour
- Student training now mimics real world clinical time blocks
Implemented use of a Lifestyle Assessment questionnaire
- No longer trying multiple sets of hearing aids
“Better Hearing Workshop” series commenced
- Wrap counseling sessions into group classes

12 years ago – an inspiring conversation

Dr. A. wanted services after a 1 year trial
- His hearing aids were over 3 years old
- His warranty had expired

At the time we were charging NOTHING

The warranty to pay for services after a one hour visit
- His hearing aids were over 3 years old
- His warranty had expired

We arbitrarily chose an hourly rate for services

Began charging small amounts for tubing changes, Internet sales, etc.

Image from: http://www.tipbuster.net/ideas-for-staying-happy-with-little-or-no-money-at-all/
Image from: http://www.fungopher.com/i/arSQuRGi/It-was-a-really-long-day-at-the-office.html

UNC-HCC journey to the future...
UNC-HCC journey to the future...

Next Step: To apply our hourly rate to Hearing Aid Evaluation (Selection) appointments (92590/92591)

This resulted in many discussions

Some clinicians had difficulty with these new charges

BOTTOM LINE
If you spend an hour with a patient, and they do not purchase hearing aids, you would have nothing to show for your time.

UNC- Hearing & Communication Center

2005 – UNC-HCC begins unbundling process

Lowered price patient paid upon going home w/ the hearing aid
Justification: 2 years of services were no longer included

Upfront partially bundled fee included all services for a 60-day “trial” period (at this time we were not itemizing the services – we just called it “professional fees”)

Example of services provided at the initial fitting appointment:
Pre-fitting Electroacoustic Analysis (EAA)
Real-Ear Measurements (REM)
Follow-up and Programming Adjustments for 60 days

Term “Trial Period” changed to “Evaluation & Adjustment Period”

Non-refundable professional fee increased significantly to reflect the time spent with the patient during the “Evaluation & Adjustment Period”

What did we say to patients...

...who purchased their hearing aids on or after July 1, 2005.

Mr. Smith, we are recommending XYZ hearing aids as a part of your treatment plan. The hearing aid cost is $X,XXX per device. We recommend 2 hearing aids, therefore the hearing aids will cost $2X,XXX. The professional fees to fit these hearing aids and for 60 days of services will be $XXX/ear. The professional fees are non-refundable. Your total investment the day you go home with the hearing aids will be $5X,XXX. Services after the 60 day evaluation and adjustment period will be fee for service.
Mrs. Jones – All the services you need during your 2 year manufacturer’s warranty period were paid for up front. You can come see us anytime you need services for your hearing aids and you have already paid for those visits. Our current policy no longer provides these unlimited services up front, and that is why the fee is less.

...who purchased their hearing aids prior to July 1, 2005. (And heard that their friends bought hearing aids yesterday, for less.)

How to Calculate Break-even

Do you know how much you need to bring in per hour, per full-time audiologist to break even?

No 49%

Yes 51%

A business formula we should know:

Breakeven Hourly Rate

Determine how many hours (annually) you can bill for services provided

Patient contact hours per week: 30 hours
Number of weeks worked per year: 48 weeks
Number of providers: 2 providers

30 x 48 x 2 = 2880

Gross Revenues

<table>
<thead>
<tr>
<th>CLINIC REVENUE</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hearing Aid Sales</td>
<td>$XXX,XXX.00</td>
</tr>
<tr>
<td>Professional Fitting Fees</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>Contract Revenue</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>Audiology Services (out of pocket)</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>Gross Charges (billed to insurance)</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>Sales – Batteries</td>
<td>$X,XXX.00</td>
</tr>
<tr>
<td>Sales – Assistive Listening Devices</td>
<td>$X,XXX.00</td>
</tr>
<tr>
<td>Manufacturer Repairs</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>Other Revenue (e.g. investments)</td>
<td>$X,XXX.00</td>
</tr>
<tr>
<td>TOTAL GROSS CHARGES</td>
<td>$XXX,XXX.00</td>
</tr>
</tbody>
</table>

Net Revenues

<table>
<thead>
<tr>
<th>REVENUE ADJUSTMENTS</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns and Refunds</td>
<td>$X,XXX.00</td>
</tr>
<tr>
<td>Hearing Aid Discounts / Adjustments</td>
<td>$0</td>
</tr>
<tr>
<td>Insurance Adjustments</td>
<td>$XX,XXX.00</td>
</tr>
<tr>
<td>TOTAL WRITE-OFFS / ADJUSTMENTS</td>
<td>$XXX,XXX.00</td>
</tr>
</tbody>
</table>

Gross Revenue $XXX,XXX.00
- Total Adjustments - $XXX,XXX.00
Net Revenue $XXX,XXX.00
Expenses

<table>
<thead>
<tr>
<th>COST OF GOODS SOLD</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hearing Aids</td>
<td>XXX,XXX.00</td>
</tr>
<tr>
<td>Hearing Aid Repairs</td>
<td>XX,XXX.00</td>
</tr>
<tr>
<td>Batteries</td>
<td>X,XXX.00</td>
</tr>
<tr>
<td>Assistive Listening Devices</td>
<td>X,XXX.00</td>
</tr>
<tr>
<td>Other</td>
<td>$XXX.00</td>
</tr>
<tr>
<td><strong>TOTAL COST OF GOODS SOLD</strong></td>
<td><strong>XXX,XXX.00</strong></td>
</tr>
</tbody>
</table>

PERSONNEL EXPENSES

<table>
<thead>
<tr>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audiology Staff</td>
</tr>
<tr>
<td>Office Staff</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td><strong>TOTAL PERSONNEL EXPENSES</strong></td>
</tr>
</tbody>
</table>

Summary of Expenses

<table>
<thead>
<tr>
<th>Expense Summary</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods Sold</td>
<td>XXX,XXX.00</td>
</tr>
<tr>
<td>Personnel Expenses</td>
<td>XXX,XXX.00</td>
</tr>
<tr>
<td>Clinic Expenses</td>
<td>XXX,XXX.00</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING COSTS</strong></td>
<td><strong>XXX,XXX.00</strong></td>
</tr>
</tbody>
</table>

Calculating Breakeven Hourly Rate

\[
\text{Rate} = \frac{\text{Annual Expenses}}{\text{Annual Contact Hours}}
\]

\[
\text{UNBUNDLED MODEL (excludes COGs)} = \frac{XXX,XXX}{2880} = XXX.XX
\]

What if one wants to make a profit?

\[
\text{Rate} = \frac{\text{Annual Expenses} + \text{Desired Profit}}{\text{Annual Contact Hours}}
\]

Desired Profit (SAMPLE) = $50,000

\[
\text{UNBUNDLED MODEL (excludes COGs)} = \frac{XXX,XXX + 50,000}{2880} = XXX.XX
\]

Now what?

At a minimum, one could apply the hourly rate to the various services provided in their clinic, depending on the amount of time it typically takes to complete that task.

Examples:

<table>
<thead>
<tr>
<th>Hourly Rate</th>
<th>50.00</th>
<th>75.00</th>
<th>100.00</th>
<th>125.00</th>
<th>150.00</th>
<th>175.00</th>
<th>200.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Expenses</td>
<td>50.00</td>
<td>75.00</td>
<td>100.00</td>
<td>125.00</td>
<td>150.00</td>
<td>175.00</td>
<td>200.00</td>
</tr>
<tr>
<td>Annual Contact Hours</td>
<td>2880</td>
<td>2880</td>
<td>2880</td>
<td>2880</td>
<td>2880</td>
<td>2880</td>
<td>2880</td>
</tr>
</tbody>
</table>

The prices listed are for illustrative purposes only and are not to be construed as a recommendation of a given price for a given item or service. Audiologists should base their own prices on the results of their breakeven analysis, their third-party contractual commitments and prevailing rates in their geographic area.
Before the scheduled appointment:
- Electroacoustic Analysis (EAA)
- Directional Microphone (DM) test
- Distortion Test
- Hearing aid check
- Visual inspection and listening check

A valuable service!

This study also revealed that it takes a 2nd-year Au.D. student 3 minutes 42 seconds (on average) to complete this task! (S. Sjoblad, B. Warren. 2009)

Day of fitting (prior to appointment)
- Pull up patient in Noah
- Enter audio and LDLs into verification system
Day of fitting (with patient)
- Seat patient in front of verification equipment
- Otoscopic inspection
- Check physical fit of HA(s) and/or earmolds
- Run REM
  - 55dB, 65 dB, and MPO
- Program hearing aids
- Orientation
- Collect payment for HAs and professional services
Hearing Day

Receive 55 dB Speech

65 dB Speech

Hearing Aid Thresholds

Quality

Appointments

Dispensing

Hearing Office

Conformity

Patient’s Hearing Thresholds (dBSPL)

Hearing Aid Fitting

Receive HA from Manufacturer
- Visual inspection and listening check (93592/3)
- Quality Assurance (V5011)
- EAA, DM, HAC

Day of Fitting
- Office Visit (V5299)
- Conformity Evaluation (V5020)
- Probe Microphone Measures
- Functional Gain
- Validation
- Hearing Aid Programming (V5014)
- Orientation (V5011)
- Care, maintenance, use
- Dispensing Fee binaural (V5160)
- Hearing Aid - digital BTE binaural (V5261)

Hearing aid fitting follow-up
- Appointments included for 45 days
  - Recommend: 1 week and 4 week (as week as needed)

Terms on the Purchase Agreement

Financial Responsibility: Repairs- This clinic operates in a fee-for-service capacity in order to keep technology prices transparent and as low as possible. Appointments for regular maintenance or troubleshooting that occur outside of the 45-day professional services period will incur routine clinical charges. When a device malfunctions and cannot be repaired in-house, it will be sent to the manufacturer for an in- or out-of-warranty repair. Routine clinical charges related to quality assurance, reprogramming and processing are incurred by the patient for every repair, regardless of warranty status. Out-of-warranty repairs incur an additional charge from the manufacturer for services rendered. Consent for repair will be obtained.
Policy Forms for Patients

EEOICAP POLICY:

Any patient is entitled to have all forms in English. The Privacy Policy is:

Any patient is entitled to have all forms in English. The Privacy Policy is:

- All forms are kept confidential
- Patient’s medical information is not shared without their consent

What about repairs?

SERVICES may include:

- Hearing Aid Check
- Attend to repair the hearing aid in house
- EAA at one year
- Directional Mic Test
- Hearing Aid Programming
- Feedback Test, as needed
- Synchronization, as needed
- Shipping and Handling

Best Practice = Proactive Patient Care

2012 AAA Hearing Aid Billing Practices Survey

What is the biggest obstacle to unbundling services from hearing aid prices for our profession?
Myths about Itemizing

- Clinic that itemize will lose $.
- Clinics that itemize will lose patients.
- It will not work if the competition remains bundled.
- Itemizing is complicated.

Let's take a closer look at what happened at our clinic when we first unbundled in 2005....

Month by month... before unbundling

Month by month... unbundling begins

Month by month... before and after unbundling...
Myth #2: Patients will not return...

**Number of Patient Visits Over 10 Years of Practice**

- Patient: R.P.
  
  "I am more than happy to come in for any appointment that will improve my ability to hear and I am happy to pay for it."

- Patient: S.M.
  
  "When it came time to fit my hearing aids, I really think your use of this thing [patient points to real-ear measurement system] made all the difference."
  
  "Yeah, [your billing method] did surprise me a little bit. But I think the main thing was that I was seeing everything that you guys do here, versus what I had been getting before."

- Patient: S.H.
  
  "You are not charging me enough for all that you do."

- Patient: S.O.
  
  "My experience with your clinic and these hearing aids is like nothing I have ever experienced before. I am so sorry I did not find you sooner."

Myth #3: It will not work if the competition remains “bundled”...

- **2012**
  
<table>
<thead>
<tr>
<th>Unbundled</th>
<th>Bundled</th>
</tr>
</thead>
<tbody>
<tr>
<td>67%</td>
<td>33%</td>
</tr>
</tbody>
</table>

**What our patients are saying?**

- **R.P.**
  
  "I am more than happy to come in for any appointment that will improve my ability to hear and I am happy to pay for it."

- **S.M.**
  
  "When it came time to fit my hearing aids, I really think your use of this thing [patient points to real-ear measurement system] made all the difference."
  
  "Yeah, [your billing method] did surprise me a little bit. But I think the main thing was that I was seeing everything that you guys do here, versus what I had been getting before."

- **S.H.**
  
  "You are not charging me enough for all that you do."

- **S.O.**
  
  "My experience with your clinic and these hearing aids is like nothing I have ever experienced before. I am so sorry I did not find you sooner."

**What other audiologists are saying?**

**Will Hoole, Au.D.**

**Lexington ENT and Allergy, West Columbia, SC**

"Unbundling is going great! Technology level doesn’t really matter to me or the practice because our margins are similar across levels. The freedom to relax and simply recommend what they truly need, without the urge to up-sell and the worry of being ethically compromised, is priceless.

I also just received a request to help “coach” another nearby practice down the same path. I’m just a couple of steps ahead of them, but they are so excited to get this underway."
**What other audiologists are saying?**

Loren Oden, Au.D.
Hearing Lifestyles, LLC, Salisbury, NC
April, 2011

“We opened last Monday and have dispensed eight hearing aids so far under our “new pricing” structure. No one seems to think twice about 60 days of service and the non-refundable portion for my services. Will be interesting as time goes on…but I like it.”

**UPDATE - March, 2013**

“I am still very pleased with the decision to itemize our billing structure. We have actually decreased the adaptation period to 45 days. We have so few returns that the portion retained for services, if there is a return, has not been a problem. During check out most people already have their checkbook or credit card in hand to pay.”

“I believe the key to the success is in the contract. I read the entire contract out loud with the patient (and spouse) so there is no confusion. This gives them an opportunity to ask questions about the expected fees for future care. We also schedule a follow-up visit at the conclusion of the 45 days. I know we can pay rent, staff, etc. even if we don’t have a great month in hearing aid sales.”

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### Myth #4: Itemizing is complicated...

### 2011-12 Results: HA vs. Prof Services

<table>
<thead>
<tr>
<th>Month</th>
<th>Hearing Aids</th>
<th>Professional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>Feb</td>
<td>36%</td>
<td>35%</td>
</tr>
<tr>
<td>Mar</td>
<td>33%</td>
<td>37%</td>
</tr>
<tr>
<td>Apr</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>May</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Jun</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Jul</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Aug</td>
<td>62%</td>
<td>62%</td>
</tr>
<tr>
<td>Sep</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Oct</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>Nov</td>
<td>69%</td>
<td>67%</td>
</tr>
<tr>
<td>Dec</td>
<td>69%</td>
<td>67%</td>
</tr>
</tbody>
</table>

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### 2011-12 Results: HA vs. Prof Services

<table>
<thead>
<tr>
<th>Month</th>
<th>Hearing Aids</th>
<th>Professional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>Feb</td>
<td>62%</td>
<td>38%</td>
</tr>
</tbody>
</table>

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### UNC-HCC Journey - What’s next?

- In July, 2013, we plan to unveil service plan options. Finalizing procedures at this time.
- Peace-of-mind plans for our patients with the desire and financial means to pay for future services upfront.
- Regularly review our methods and look to the research to continue to provide the best quality hearing care to our patients.
Service Plan Examples:

- **Minimal Care**: Patient pays for services following trial/adjustment period.
- **Standard Care**: Includes most necessary services, standard accessories, semi-annual checkups, annual evaluation, etc.
- **Premium Care**: "Worry Free Option" includes everything with VIP treatment for the life of the device.


We must train audiologists who will....

- Evaluate each service they offer and know whether it’s a pre-paid service or not.
- Send each patient to check out with a superbill, with appropriate services circled.
- Figure out what it actually costs to run their practice and use their calculated hourly rate to determine their fees.

We must especially train audiologists who...

- Will implement AAA Task Force recommendations into their practice protocols to add value to their practice and justify charging for services.
- Will become lifelong learners and continue to educate themselves and their patients!
- Are proud of the services they offer and set themselves apart from those just selling hearing aids!

References


References (con’t)


CONTACT INFORMATION

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SPECIAL THANKS TO:
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