



**FROM THE EXPERT:**

## Can Your Service Department Be More Profitable?

Written by Claudia Amortegui, President of The Orion Group

As I work with providers throughout the country, I am always asked “Does anyone turn a profit in their service department?” or “Is there any way I can make more money in my service department?” Some days I know this may be hard to believe, but in most cases the answer to both of these questions can easily be “yes,” there is definitely money that can be made in the service department.

By all means, just like a book can be written about being a successful provider in this industry; a book can also be written just about a running a successful service department. Let’s just review the top three issues I consistently see:

**1. Labor not being properly tracked** – Throughout this industry, labor hours are consistently “lost.” In many cases, there is no set format for technicians to track these hours and when there is, they are not trained on how to properly track and document this information. Many people feel that there is no need for this department to understand reimbursement coverage criteria, but that is simply not the case. If someone does not realize that their documentation is key for the reimbursement of their time and work, there is not a need to worry about the details. Your tracking mechanism does not need to be complex, but it does need to exist and needs to be completed in a consistent manner. Think about the service department like an auto body shop. Certain common tasks have a common time that it takes to complete the service. This is something that can be developed with some work for your individual company. When this practice is completed, most companies are surprised at the amount of reimbursable hours that they never accounted for, therefore never were paid.

**2. Lack of documentation for the service performed** – Many people do not realize that many funding sources will happily reimburse for repair claims, but only if documentation exists. Many people hear the word “documentation” and immediately think of pages of information. This is rarely the case for repairs. Funding sources are just looking for information telling them what was wrong with the item and why it needs to be fixed. Much of this documentation will be very basic, but it needs to exist. Employees also need to realize that a repair and modifications

are two different things. For the repair, the documentation will come from your service department (or whomever is completing the repair). Documentation for a modification will come from a clinician and the service department. The medical necessity has to be justified by the clinician but the time it would take to complete the modification will come from the provider. Again, this is an area where many companies leave money behind. The new equipment part is billed but the labor time is forgotten. There may be some funding sources that will roll this together, but that is typically not the case. Go back and think about that Auto Body Shop, if you choose to add something new/different to your car, are you charged for their labor? Don’t leave your money on the table.

**3. Not looking at margins** – Most providers have definitely improved at looking at their margins of comparable products, but only full products (like a full wheelchair base). The part that seems to be missed is actually looking at margins of individual parts. This is important when ordering the initial item, but even more so when working with replacement parts. Of course this can only be considered when there are options, but in most cases this is just simply ignored. A good place to start is to run a report to see what are the top parts that you provide. From there, you can look at what your margins are for such parts and then start reviewing options, just as you would if it was a full piece of equipment. By all means, your margin level will likely not be as high but that is expected. This is because when providing parts for repairs you will be able to bill for labor versus when providing the initial equipment you cannot.

As mentioned at the beginning of this article, a book could be written about this topic. Therefore, if you are trying to improve this part of your business, at least start with these first couple of items. Put the same effort into this part of your business as you do with the rest. You will be pleasantly surprised as to how it can truly be beneficial. With the diminishing reimbursement rates for our industry, every penny counts.

As always, **The Orion Group** is here to help with any questions you may have, or to assist in any way with your reimbursement questions. **We can be reached at [www.orionreimbursement.net](http://www.orionreimbursement.net).**