



CASE STUDY: DME Working Capital Optimization

Title: Liquidity Recovery & Systematic AR Compression for a Durable Medical Equipment (DME) Enterprise

Location: Dallas, TX

Sector: Durable Medical Equipment (DME) / HME

Financial Impact: \$680,000 in Recovered Working Capital

I. EXECUTIVE SNAPSHOT

The Challenge

A high-volume, Dallas-based DME provider was experiencing a severe liquidity constraint driven by structural inefficiencies in its revenue cycle. Fragmented billing workflows, insufficient denial specialization, and passive AR follow-up resulted in \$850,000 trapped in aged Accounts Receivable, much of it approaching the 120-day write-off cliff.

This capital stagnation directly impaired the organization's ability to:

- Scale inventory to meet demand
- Maintain operational liquidity
- Execute growth initiatives without external financing

The IHS Intervention

Imperial Healthcare Systems activated a dedicated AR Recovery Task Force to conduct a forensic-level audit of the aging ledger. The engagement deployed a high-velocity follow-up engine, DME-specific denial intelligence, and payer-aligned escalation workflows to systematically extract trapped capital from legacy AR.

The Outcome

- \$680,000 recovered from high-risk, stagnant AR
- 45% immediate improvement in cash liquidity
- AR Days compressed to 28, establishing a best-in-class benchmark
- 30% sustained increase in recurring monthly collections

II. CLIENT CONTEXT

The DME reimbursement landscape is structurally complex—characterized by rigorous documentation standards, frequent prior-authorization failures, and elevated denial sensitivity around Proof of Delivery (POD) and medical necessity.

Operating in the competitive North Texas corridor, the client lacked internal bandwidth to aggressively pursue aged and complex claims while sustaining day-to-day billing throughput. The result was a silent erosion of the balance sheet, as collectible revenue systematically aged out of recoverability.

III. THE BUSINESS CHALLENGE

Capital Stagnation & Operational Drag

1. **Distressed Working Capital:** \$850K immobilized in AR increased the debt-to-income ratio and constrained reinvestment capacity.
2. **Documentation Bottlenecks:** Incomplete PODs and medical necessity gaps triggered avoidable denials that were not remediated in real time.
3. **Collection Inertia:** Internal teams prioritized low-friction current claims, allowing high-value aged denials to languish beyond 90 days.

IV. THE IHS SOLUTION

The Recovery & Stabilization Framework

IHS did not re-bill legacy claims. We re-engineered the recovery architecture through a data-driven, payer-intelligent escalation model.

Key Strategic Interventions

- **Forensic AR Segmentation:** Proprietary recovery logic classified the \$850K AR pool into probability-weighted tiers, accelerating cash extraction.
- **Specialized DME Task Force:** Dedicated analysts trained in HCPCS coding and payer-specific DME documentation protocols (Medicare & Commercial).
- **Denial Root-Cause Intelligence:** Systemic front-end failures were identified and corrected via a closed-loop feedback mechanism.
- **Payer-Specific Escalation:** Leveraged IHS escalation pathways with major Texas payers to bypass automated denial layers and secure manual adjudication.

V. MEASURABLE RESULTS

Revenue Cycle Performance Metrics

Metric	Pre-IHS	Post-IHS	Improvement
Aged AR Balance	\$850,000	\$170,000	80% Liquidation
Average AR Days	58 Days	28 Days	52% Compression
Collection Rate	Baseline	+30% MoM	Sustained Growth
Cash Liquidity	Restricted	Optimized	45% Increase

Strategic Financial Impact

- **Capital Recovered:** \$680,000
- **Balance Sheet Rehabilitation:** Bad-debt reserves reclassified into productive working capital.
- **Market Positioning:** AR velocity materially outperforming the DME national average (45+ days).

VI. STRATEGIC OUTCOME

The engagement repositioned the organization from liquidity-constrained to capital-advantaged. By outsourcing AR recovery and ongoing billing to Imperial Healthcare Systems, the client achieved:

- **Institutional Scalability:** Capacity to bid on larger payer contracts and expand inventory without cash-flow dependency.
- **Operational Excellence:** A 28-day AR cycle transformed billing from an operational drag into a competitive differentiator.
- **Predictable Financial Performance:** A 30% uplift in recurring collections established stable, forecastable EBITDA.

Bottom Line

This was not an AR clean-up. It was a balance-sheet reactivation—engineered through discipline, intelligence, and execution velocity.

Contact Us

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