

HDME Marketplace: Building a Comprehensive Solution

Client Overview

Industry	Venture-backed startup
Stage	Growth phase
Focus	Home and Durable Medical Equipment (HDME) marketplace platform

The Challenge

Market Gap: Discharge teams across hospitals, long-term care facilities, and home health providers face significant delays in HDME referrals due to fragmented eligibility verification and prior authorization processes. Most providers rely on fax, email, phone, or disparate insurance portals—creating administrative burden and care delays.

Client Gap: The startup lacked expertise in medical benefits management, reimbursement processes, and competitive landscape intelligence needed to design a differentiated solution.

Critical Questions:

- What is the optimal provider-to-HDME supplier referral process?
- How are eligibility and prior authorization challenges currently solved in healthcare?
- What is the economic opportunity for a comprehensive HDME referral solution?

Our Approach

Three-Phase Business Case Methodology:

- 1. Discovery (3 weeks)** – Conducted in-person interviews, segmentation analysis of existing solutions, and competitive benchmarking across the referral management landscape
- 2. Business Model Prototyping** – Analyzed revenue and operating models through secondary research and stakeholder interviews (competitors, clients, healthcare professionals, industry experts). Validated that capitation and ASO models were most successful; identified key pain points and preferred features for payers and health systems
- 3. Recommendation** – Synthesized research into business model, three-year financial pro forma, operating model with staffing plan, and go-to-market strategy

Key Insight

While many organizations solved one or two pieces of the puzzle, no one had a comprehensive solution addressing all challenges across the HDME ordering and fulfillment process.

Our Solution

Recommended a strategic partnership with two complementary companies to create a modular, comprehensive solution:

- **Partner 1:** Automates referral process from healthcare providers

- **Partner 2:** Curates medical guidelines from health plans nationwide for eligibility verification and prior authorization

Strategic Advantage: Modular design allows the solution to be sold holistically or decoupled for specific client needs—providing flexibility while maintaining the client’s independence and ownership over their core platform.

Results

Operational Blueprint	Late 2023	Q2 2024
Problem statement, fulfillment model, GTM plan	Partnerships finalized	First customer closed

"Covalence Health's expertise kept us from investing in the wrong strategy, saving us significant time and money."

— HDME Executive

Business Impact: Client maintained independence and ownership over core solution while minimizing development risks, costs, and delays. Successfully negotiated partnership terms and launched comprehensive solution with first customer sale six months later.

Why It Worked

- **Deep Domain Expertise:** Knowledge of benefits management, reimbursement processes, and competitive landscape filled critical knowledge gaps
- **Comprehensive Market Analysis:** Segmentation and competitive benchmarking revealed the gap in comprehensive solutions
- **Pragmatic Strategy:** Partnership approach provided fastest path to differentiation without build-from-scratch risks
- **Stakeholder Validation:** Direct input from payers, health systems, and industry experts ensured market fit