



FACT SHEET

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NEXT STEPS FOR THE MEDICARE DURABLE MEDICAL EQUIPMENT, PROSTHETICS, ORTHOTICS, AND SUPPLIES COMPETITIVE BIDDING PROGRAM

OVERVIEW

The Centers for Medicare & Medicaid Services (CMS) today announced plans to recompetethe Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program contracts in nine areas of the country. This program is an essential tool to help Medicare set appropriate payment rates for DMEPOS items and services. Except in the nine areas of the country where the program is now in effect for certain items, Medicare pays for DMEPOS items using a fee schedule that is generally based on historic supplier charges from the 1980s, increased by an annual covered item update factor. Numerous studies from the Department of Health and Human Services Office of Inspector General and the Government Accountability Office have shown that the fee schedule amounts for certain DMEPOS items are excessive; taxpayers and Medicare beneficiaries bear the burden of these excessive payments.

The DMEPOS Competitive Bidding Program replaces the existing outdated, excessive fee schedule amounts with market-based prices. Under the program, DMEPOS suppliers compete to become Medicare contract suppliers by submitting bids to furnish certain items in competitive bidding areas (CBAs). The new, lower payment amounts resulting from the competition replace the fee schedule amounts for the bid items in these areas. The payment amounts from the supplier competition for the Round One Rebid of the program resulted in average savings of 35 percent as compared to the fee schedule prices. These new payment amounts went into effect on January 1, 2011, in nine CBAs, and data being monitored by CMS have shown a successful implementation with very few complaints and no changes in beneficiary health status resulting from the program.

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The overall savings to Medicare and beneficiaries as a result of the DMEPOS competitive bidding program is expected to total more than \$42 billion over the first ten years of the program, according to the CMS Office of the Actuary. The \$42 billion savings comes from a combination of savings of more than \$25 billion in Medicare expenditures, and savings of over \$17 billion for beneficiaries as a result of lower coinsurance payments and the downward effect on monthly premium payments.

CMS is required by law to recompetete supplier contracts at least once every three years. The competition being announced today will continue the program in the first nine areas and add additional products that include high cost, high volume items with a large savings potential to the list of the product categories subject to bid.

BACKGROUND

The Medicare DMEPOS Competitive Bidding Program was established by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (“Medicare Modernization Act” or “MMA”) after the conclusion of successful demonstration projects. Under the MMA, the DMEPOS Competitive Bidding Program was to be phased in so that competition under the program would first occur in 10 areas in 2007. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) temporarily delayed the program in 2008 and made certain limited changes. As required by MIPPA, CMS conducted the supplier competition again in nine areas in 2009, referring to it as the Round One Rebid.

The Round One Rebid contracts and prices became effective on January 1, 2011. CMS deployed a wide range of resources to monitor the program, including beneficiary surveys, active claims surveillance and analysis, contract supplier reporting, and tracking and analysis of complaints and inquiries. To date, monitoring data have shown a successful implementation with very few complaints and no changes in beneficiary health status resulting from the program. Health outcomes data are available on the CMS website at www.cms.gov/DMEPOSCompetitiveBid/.

MIPPA delayed the competition for Round 2 from 2009 to 2011 and authorizes national mail order competitions after 2010. The Affordable Care Act of 2010 (ACA) expands the number of Round 2 Metropolitan Statistical Areas (MSAs) from 70 to 91 and mandates that all areas of the country be subject to either DMEPOS competitive bidding or payment rate adjustments using competitively bid rates by 2016. The supplier bidding period for Round 2 and a national mail order program for diabetic testing supplies concluded on March 30, 2012; Round 2 and national mail order contracts and prices are scheduled to go into effect on July 1, 2013.

PROGRAM IMPROVEMENTS

The Round One Recompete includes two program improvements: additional items to be competitively bid and new product category groupings of similar items and accessories. These process improvements will provide larger, more consolidated product categories that promote one-stop shopping for beneficiaries, simplify the referral process and enhance opportunities for winning suppliers.

The Round One Recompete product categories are:

- Respiratory Equipment and Related Supplies and Accessories
 - includes oxygen, oxygen equipment, and supplies; continuous positive airway pressure (CPAP) devices and respiratory assist devices (RADs) and related supplies and accessories; and standard nebulizers
- Standard Mobility Equipment and Related Accessories
 - includes walkers, standard power and manual wheelchairs, scooters, and related accessories
- General Home Equipment and Related Supplies and Accessories
 - includes hospital beds and related accessories, group 1 and 2 support surfaces, transcutaneous electrical nerve stimulation (TENS) devices, commode chairs, patient lifts, and seat lifts
- Enteral Nutrients, Equipment and Supplies
- Negative Pressure Wound Therapy Pumps and Related Supplies and Accessories
- External Infusion Pumps and Supplies

A list of the specific items in each product category is available on the Competitive Bidding Implementation Contractor (CBIC) website at www.dmecompetitivebid.com.

A list of the Round One Recompete MSAs is available on the CMS website at www.cms.gov/DMEPOSCompetitiveBid/. A list of the specific ZIP codes in each CBA is available on the CBIC website at www.dmecompetitivebid.com.

CMS has elected not to include retail (non-mail order) diabetic supplies, a high-volume item with over \$500 million in annual Medicare allowed charges, in the Round One Recompete. We are currently exploring options for adjusting the fee schedule amounts for retail diabetic supplies without requiring local suppliers to compete for contracts and expect to provide additional information on this issue in the coming weeks.

NEXT STEPS FOR THE DMEPOS COMPETITIVE BIDDING PROGRAM

To ensure that suppliers have ample time to prepare, CMS has announced the following next steps for the program:

- Spring 2012
 - CMS begins pre-bidding supplier awareness program
- Summer 2012
 - CMS announces bidding schedule
 - CMS begins bidder education program
 - Bidder registration period to obtain user ID and passwords begins
- Fall 2012
 - Bidding Begins

Suppliers wishing to bid in the Round One Re-compete competition should now begin to get ready for the competition, which will begin with registration this summer. As in the previous rounds, suppliers must meet all applicable eligibility, financial, quality, and accreditation standards in order to be awarded a contract.

Suppliers interested in bidding must ensure that certain key information in their enrollment files at the National Supplier Clearinghouse (NSC) is up-to-date and that they obtain all required state licenses for the items, and in the areas, for which they wish to bid. Any required licenses not already on file with the NSC should be submitted right away.

Suppliers that are interested in bidding on items they do not currently offer should act now to become accredited for those items. Suppliers must be accredited for all items in a product category to bid for that product category. Further information on the DMEPOS accreditation requirements may be found at the CMS Web site at http://www.cms.hhs.gov/MedicareProviderSupEnroll/01_Overview.asp.

The CBIC is the official information source for bidders. CMS will send listserv announcements in order to disseminate key information about registration and bidding to suppliers and encourages all suppliers interested in bidding to visit the CBIC website, www.dmecompetitivebid.com, now to sign up to receive these announcements.

ADDITIONAL INFORMATION

For additional information about the Medicare DMEPOS Competitive Bidding Program, please visit <http://www.cms.hhs.gov/DMEPOSCompetitiveBid/>.

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