

DEPARTMENT OF HEALTH & HUMAN SERVICES

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MEDICARE NEWS

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MEDICARE TO SAVE TAXPAYERS AND BENEFICIARIES \$28 BILLION WITH AN EXPANDED COMPETITIVE BIDDING PROGRAM

Program to Purchase Durable Medical Equipment beginning second phase

The Centers for Medicare & Medicaid Services (CMS) today announced the next steps for a major expansion of a competitive bidding program that helps lower costs for quality durable medical equipment, prosthetics, orthotics, and supplies.

“Today, we’re taking steps that will save Medicare, seniors, and taxpayers \$28 billion over 10 years,” said CMS Administration Donald M. Berwick, M.D. “Medicare is paying much more than the private sector for equipment like wheelchairs and walkers. By expanding our successful competitive bidding program, we can ensure that Medicare pays a fair rate for these goods.”

The competitive bidding program uses competitions between suppliers to set new, lower payment rates for certain medical equipment and supplies, such as oxygen equipment, walkers, and some types of power wheelchairs. The first phase of the program was successfully implemented for nine product categories in nine areas of the country on January 1, 2011. To date, Round One of competitive bidding has yielded savings of 35% compared to the fee schedule, 51% of contracts awarded to small businesses, and no changes in beneficiary health status. Inquiries in the first quarter of 2011 totaled less than 0.9 percent of calls to the Medicare call center, and Medicare received only 45 complaints during that time.

As required by law, CMS will conduct the second phase of the program for a similar set of products in 91 major metropolitan areas. Competition begins this fall, and the new prices will be in effect on July 1, 2013.

From a beneficiary standpoint, there will be no immediate effect in areas where the program is expanding. These beneficiaries may continue to use their current suppliers at this time. Similar to the successful implementation of Round 1 of the program, CMS will conduct extensive outreach to beneficiaries in the Round 2 areas prior to the new program taking effect.

“The success we’ve had in the first phase tells us that we can achieve these savings with no disruption for patients’ access and no negative effect on patients’ health,” said Jonathan Blum,

Deputy CMS Administrator and Director of the Center for Medicare. “We remain confident in our bidding methodologies that will produce tangible savings while ensuring adequate choice of qualified suppliers.”

The expanded Round Two categories of products are:

- Oxygen, oxygen equipment, and supplies;
- Standard (Power and Manual) wheelchairs, scooters, and related accessories (a new category that combines all mobility devices);
- Enteral nutrients, equipment, and supplies;
- Continuous Positive Airway Pressure (CPAP) devices and Respiratory Assist Devices (RADs) and related supplies and accessories;
- Hospital beds and related accessories;
- Walkers and related accessories;
- Negative Pressure Wound Therapy pumps and related supplies and accessories (new category);
- Support surfaces (Group 2 mattresses and overlays).

CMS will now begin a pre-bidding supplier awareness program for Round Two, and conduct a national mail order competition for diabetic testing supplies at the same time as the Round Two competition. A list of ZIP codes included in Round Two and a list of the specific items in each product category are available on the website for the Competitive Bidding Implementation Contractor, www.dmecompetitivebid.com.

Additional information on the competitive bidding program is available at:
http://www.cms.hhs.gov/DMEPOSCompetitiveBid/01_overview.asp#TopOfPage

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MEDICARE FACT SHEET

FOR IMMEDIATE RELEASE
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Contact: CMS Office of Media Affairs
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NEXT STEPS FOR EXPANSION OF THE MEDICARE DURABLE MEDICAL EQUIPMENT, PROSTHETICS, ORTHOTICS, AND SUPPLIES COMPETITIVE BIDDING PROGRAM

OVERVIEW

The Centers for Medicare & Medicaid Services (CMS) today announced plans to expand the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program. This program is an essential tool to help Medicare set appropriate payment rates for DMEPOS items and services. Except in 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 result in average savings of 35 percent as compared to the current 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. The expansion being announced today broadens the program to an additional 91 areas of the country, adds additional high cost, high volume items with a large savings potential to the list of the product categories subject to bid, and also announces a national mail order competition for diabetic testing supplies.

The overall savings to Medicare and beneficiaries as a result of the DMEPOS competitive bidding program is expected to total more than \$28 billion over the first ten years of the program, according to the CMS Office of the Actuary. The \$28 billion savings comes from a combination of savings of more than \$17 billion in Medicare expenditures, and savings of over \$11 billion for beneficiaries as a result of lower coinsurance payments and the downward effect on monthly premium payments.

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. The demonstration projects, which were conducted in Polk County, Florida, and San Antonio, Texas, resulted in an average 20 percent savings for Medicare with unchanged access and satisfaction for Medicare beneficiaries and quality of DMEPOS items and services.

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. As required by law, CMS conducted the Round One competition in 10 areas and for 10 DMEPOS product categories, and successfully implemented the program on July 1, 2008, for two weeks before the contracts were terminated by subsequent law. Round One resulted in a projected average savings of 26 percent compared to Medicare’s fee schedule, which would have been substantial savings for Medicare beneficiaries and taxpayers.

The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) temporarily delayed the program in 2008, terminated the Round One contracts that were in effect, and made other limited changes. As required by MIPPA, CMS conducted the supplier competition again 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 requires the competition for Round Two to occur in 2011 in 70 additional metropolitan statistical areas (MSAs), and authorizes national mail order competitions after 2010. The Affordable Care Act of 2010 (ACA) expands the number of Round Two MSAs from 70 to 91 and mandates all areas of the country are subject either to DMEPOS competitive bidding or payment rate adjustments using competitively bid rates by 2016.

To date, Round One of competitive bidding has yielded savings of 35% compared to the fee schedule, 51% of contracts awarded to small businesses, and no changes in beneficiary health status. Inquiries in the first quarter of 2011 totaled less than 0.9 percent of calls to the Medicare call center, and Medicare received only 45 complaints during that time.

PROGRAM EXPANSION

The Round One Rebid includes nine product categories of items. In Round Two, CMS is expanding the list of items bid in the Round One Rebid by combining standard manual wheelchairs, standard power wheelchairs, and scooters to form a new expanded standard mobility device product category, expanding bidding for support surfaces throughout all Round Two areas and adding negative pressure wound therapy pumps and related supplies and accessories as an additional product category. All of the product categories selected for Round Two are high cost, high volume items with a large savings potential. Group 2 complex rehabilitative power wheelchairs, which were bid in the Round One Rebid, will not be included in Round Two as we evaluate the suitability of this product category under the program.

The Round Two product categories are:

- Oxygen, oxygen equipment, and supplies
- Standard (Power and Manual) wheelchairs, scooters, and related accessories
- Enteral nutrients, equipment, and supplies
- Continuous Positive Airway Pressure (CPAP) devices and Respiratory Assist Devices (RADs) and related supplies and accessories
- Hospital beds and related accessories
- Walkers and related accessories
- Negative Pressure Wound Therapy pumps and related supplies and accessories
- Support surfaces (Group 2 mattresses and overlays)

CMS will also be conducting a national mail order competition for diabetic testing supplies at the same time as the Round Two competition. The national mail order competition will include all parts of the United States, including the 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

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

As required by MIPPA and ACA, CMS will be conducting the Round Two competition in 91 MSAs. Most Round Two MSAs will have only one CBA. However, the three largest MSAs (New York, Los Angeles, and Chicago) will each be subdivided into multiple CBAs, so there will be a total of 100 CBAs. A list of the Round Two 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, www.dmecompetitivebid.com .

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:

- Summer 2011
 - CMS begins pre-bidding supplier awareness program
- Fall 2011
 - CMS announces bidding schedule
 - CMS begins bidder education program
 - Bidder registration period to obtain user ID and passwords begins
- Winter 2012
 - Bidding Begins

Suppliers wishing to bid in Round Two or the National Mail Order Competition should now begin to get ready for the competition, which will begin with registration this fall. All potential bidders, including suppliers that bid in the Round One Rebid, will need to register for user IDs and passwords so that they will be able to submit bids. As in the Round 1 Rebid program, 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.

ADDITIONAL INFORMATION

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

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