DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Room 352-G
200 Independence Avenue, SW
Washington, DC 20201

FACT SHEET

FOR IMMEDIATE RELEASE
February 24, 2014

Contact: CMS Media Relations
(202) 690-6145 or press@cms.hhs.gov

CMS Seeks Input on Next Phase of Competitive Bidding Implementation

OVERVIEW

The Centers for Medicare & Medicaid Services (CMS) today announced that it will seek public comment as it moves toward nationwide implementation of the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program. The Competitive Bidding Program, established by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Medicare Modernization Act or MMA), has saved more than $400 million for beneficiaries and taxpayers in its first two years of operation and is projected to save an additional $17.2 billion for beneficiaries and $25.8 billion for the Medicare program over the next 10 years.

Currently, competitive bidding is in effect for a national mail order program for diabetic testing supplies and for additional items in 100 areas across the country. By 2016, Medicare must implement competitive bidding or competitive bidding pricing for included items to non-competitive bidding areas. CMS is soliciting public comment on the methodology it would use to comply with the statute when using competitive bidding pricing information to adjust payment amounts in non-competitive bidding areas. In addition, CMS is requesting comments regarding ideas for potentially simplifying the payment rules and enhancing beneficiary access to items and services under the competitive bidding programs for certain durable medical equipment (DME) and enteral nutrition.

BACKGROUND

The Medicare DMEPOS Competitive Bidding Program was established by Medicare Modernization Act after the conclusion of successful demonstration projects. The statute, as amended, mandates that the DMEPOS Competitive Bidding Program be phased in throughout the U.S., beginning with nine of the largest Metropolitan Statistical Areas. The program was successfully implemented in the nine Round 1 areas on January 1, 2011. Under competitive bidding, contracts for furnishing items and services may not exceed three years, and the contracts for the nine Round 1 areas were recompeted with new contracts taking effect on January 1, 2014. Contracts for furnishing items and services in 91 additional urban areas throughout the country (Round 2) took effect on July 1, 2013. At the same time, a national mail order program for diabetic testing supplies was launched. Round 2 of the program resulted in savings by establishing new payment amounts that, on average, are 45 percent below the fee schedule while the national mail order program lowered prices on diabetic testing supplies by 72 percent.

Traditionally, Medicare pays for DMEPOS items using a fee schedule that is generally based on what suppliers charged for the items and services during the 1980s and increased by annual update factors. Numerous studies from the Department of Health and Human Services Office of Inspector General and the Government Accountability Office have shown these fee schedule prices to be excessive, and taxpayers and Medicare beneficiaries bear the burden of these excessive payments.

Under the program, DMEPOS suppliers compete to become Medicare contract suppliers by submitting bids to furnish certain items in competitive bidding areas. The new, lower payment amounts resulting from the competition replace the fee schedule amounts for the bid items in these areas, saving billions of dollars while preserving beneficiary access to quality items and services.

CMS employs 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 negative impact on beneficiary health status. Health outcomes data are available on the CMS website at www.cms.gov/DMEPOSCompetitiveBid/.

ADJUSTING THE DMEPOS FEE SCHEDULE IN NON-COMPETITIVE BIDDING AREAS

The Affordable Care Act amended the statute to mandate use of information from the DMEPOS competitive bidding program to adjust the fee schedule amounts for DME in areas where competitive bidding programs are not implemented beginning January 1, 2016. Adjusting the fee schedule based on the Competitive Bidding program presents a number of issues for consideration. While the methodology will be proposed in future rulemaking, CMS is first requesting comments on several aspects that it would consider in developing a methodology to adjust DMEPOS fee schedule amounts or other payment amounts in non-competitive areas based on DMEPOS competitive bidding payment information.

It is especially important to garner feedback from industry, stakeholders, and the public as CMS implements this provision of the law and adjusts prices of DMEPOS items in non-bidding areas. CMS is seeking input in several areas, including:

- Do the costs of furnishing various DMEPOS items and services vary based on the geographic area in which they are furnished?
- Do the costs of furnishing various DMEPOS items and services vary based on the size of the market served in terms of population and/or distance covered or other logistical or demographic reasons?
- Should an interim or different methodology be used to adjust payment amounts for items that have not yet been included in all competitive bidding programs (for example, items such as transcutaneous electrical nerve stimulation (TENS) devices that have only been phased into the nine Round 1 areas thus far)?

CHANGES TO COMPETITIVE BIDDING PROGRAM

CMS is considering whether different payment rules for DME and enteral nutrients, supplies and equipment (enteral nutrition) should be considered under the competitive bidding programs. The current standard payment rules were written in the 1980s in an attempt to save money and depending on the item or payment class the item falls under, allow a purchase basis for certain items. These rules also allow a capped rental basis, with the beneficiary taking ownership of the capped rental equipment after 13 months of continuous use, or a continuous monthly rental basis where the monthly payments are not capped and continue for as long as medical necessity and Part B coverage continues.

Medicare allows additional payments for numerous supplies and accessories furnished for use with beneficiary-owned DME and enteral nutrition equipment. Complicated claims processing systems and edits are needed to count rental months, prevent duplicate payments for thousands of separately coded items, and track utilization of ongoing replacements of supplies and accessories.

CMS is seeking comments on whether it should consider simplifying the payment rules under competitive bidding programs for certain DME and enteral nutrition by making one monthly payment to the supplier for all related items and services needed each month. The monthly payments would continue as long as medical necessity for the covered items continued and the supplier would be responsible for furnishing all items and services needed each month. CMS is seeking input in several areas, including:

- Are lump sum purchases and capped rental payment rules for DME and enteral nutrition equipment still needed?
- Are there reasons why beneficiaries need to own expensive DME or enteral nutrition equipment?
- Would there be any negative impacts associated with continuous bundled monthly payments for enteral nutrients, supplies, and equipment or for certain DME?

The ANPRM is currently on display at http://ofr.gov/inspection.aspx and will be published in the February 26, 2014 Federal Register. The deadline to submit comments is March 28, 2014.

# # #