

# **CMS FACT SHEET**

**FOR IMMEDIATE RELEASE**

Contact: CMS Media Relations

Group

April 9, 2013

(202) 690-

6145

## **CONTRACT SUPPLIERS ANNOUNCED FOR EXPANSION OF COMPETITIVE BIDDING PROGRAM THAT WILL INCREASE COMPETITION, MAINTAIN QUALITY, AND SAVE MEDICARE BILLIONS**

### **OVERVIEW**

The Centers for Medicare & Medicaid Services (CMS) today announced the contract suppliers for a major expansion of the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program. This program, already underway in nine areas of the country, is an essential tool to help Medicare set appropriate payment rates for DMEPOS items and save money for beneficiaries and taxpayers. Traditionally, Medicare pays for DMEPOS items using a fee schedule that is generally based on historic supplier charges from the 1980s. 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 single payment amounts resulting from the competition will replace the fee schedule amounts for the bid items in these areas. The first round of the program, which went into effect in nine areas of the country on January 1, 2011, has saved hundreds of millions of dollars while preserving beneficiary access to quality items. The single payment amounts from the supplier competition for Round 2 of the program are projected to result in average savings of 45 percent as compared to the current fee schedule prices. The payment amounts for the national mail-order program for diabetic testing supplies are projected to result in average savings of 72 percent. Round 2 of the program is scheduled to go into effect in 91 major metropolitan areas on July 1, 2013. The national mail-order competition will be implemented at the same time and 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.

## **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 Metropolitan Statistical Areas (MSAs) in 2007. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) temporarily delayed the program in 2008 and made certain limited changes. In accordance with MIPPA, CMS successfully 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 negative impact on beneficiary health status. Health outcomes data are available on the CMS website at [www.cms.gov/DMEPOSCompetitiveBid/](http://www.cms.gov/DMEPOSCompetitiveBid/).

MIPPA also delayed the competition for Round 2 from 2009 to 2011 and authorized national mail-order competitions after 2010. The Affordable Care Act of 2010 (ACA) expanded the number of Round 2 MSAs from 70 to 91 and specified 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.

## **CONTRACT AWARD PROCESS**

For Round 2, CMS has awarded 13,126 DMEPOS competitive bidding program contracts to 799\* suppliers. The Round 2 contract suppliers have 2,988 locations to serve Medicare beneficiaries in these competitive bidding areas. There are 18 national mail-order contract suppliers with 52 locations. All contract suppliers are required to comply with Medicare enrollment rules, be accredited, meet applicable licensing requirements, and meet financial standards. 90 percent of contract suppliers are already established in the competitive bidding area, the product category, or both.

The bid evaluation process ensures that there will be a sufficient number of suppliers, including small suppliers, to meet the needs of the beneficiaries living in the competitive bidding areas. CMS was required to include small supplier protections for the program, and instituted a 30 percent small supplier target in each competitive bidding area. For the Round 2, small suppliers, those with gross

revenues of \$3.5 million or less as defined for the program, make up about 63 percent of the Round 2 contract suppliers.

Bidders that were not offered contracts are being notified by mail of the reasons they did not qualify for the program and how they can inquire about their bid status. Suppliers that are not contract suppliers for this round of the DMEPOS Competitive Bidding Program may bid in future rounds.

A list of contract supplier names is available at [www.dmecompetitivebid.com](http://www.dmecompetitivebid.com). Contract supplier locations for each product category in each competitive bidding area can be found in the Supplier Directory at [www.medicare.gov/supplier](http://www.medicare.gov/supplier).

## **OUTREACH AND EDUCATION**

Over the past several months, CMS has provided general information and webinar training sessions about the program to beneficiary advocates, referral agents (healthcare professionals who refer beneficiaries for DMEPOS items), and beneficiaries to familiarize them with this upcoming program and its benefits. CMS will educate beneficiaries and their caregivers through partners, physicians, referral agents, suppliers, the media and other intermediaries to ensure they understand the new program and what they need to do before its implementation in July, 2013. CMS includes reminders about the new program in the Medicare Summary Notices that beneficiaries receive quarterly. CMS will also mail an introductory letter along with program information to all beneficiaries who use products included in the program in the 91 Round Two Rebid areas and to beneficiaries across the country who use diabetic testing supplies. A full range of Internet-based and printed information materials and educational activities are also planned. CMS will have a contract supplier locator tool and other information on [www.medicare.gov](http://www.medicare.gov); beneficiaries will also be able to call 1-800-MEDICARE or their local State Health Insurance and Assistance Program (SHIP) office for assistance.

Outreach to physicians, social workers, referral agents, discharge planners and others will be delivered through the various CMS listservs, and through The Medicare Learning Network (MLN), via MLN Matters® articles, and fact sheets. Educational materials will be available on the CMS website and shared through national and state/local provider associations covering all provider types. In addition, information will be available through the Medicare Fee-For-Service contractors via their websites, listservs, bulletins and educational seminars.

CMS also plans a special education program for contract suppliers to ensure that they understand all of their obligations.

## **REAL-TIME MONITORING**

The program has maintained beneficiary access to quality products from accredited suppliers in the Round 1 Rebid areas. Extensive real-time monitoring data have shown successful implementation with very few beneficiary complaints and no negative impact on beneficiary health status based on measures such as hospitalizations, length of hospital stay, and number of emergency room visits compared to non-competitive bidding areas. In addition to real-time claims

monitoring, CMS also requested feedback from beneficiaries through consumer satisfaction surveys conducted before and after the rollout of the program. CMS provides a local, on-the-ground presence in each competitive bidding area through the CMS regional offices and local ombudsmen, who closely monitored implementation of the program. There is also a formal complaint process for beneficiaries, caregivers, providers and suppliers to use for reporting concerns about contract suppliers or other competitive bidding implementation issues. In addition, contract suppliers are responsible for submitting quarterly reports identifying the brands of products they furnish, which is used to inform beneficiaries, caregivers, and referral agents. Finally, CMS has appointed a Competitive Acquisition Ombudsman who responds to complaints and inquiries from beneficiaries and suppliers about the application of the program and issues an annual Report to Congress. CMS will employ the same aggressive monitoring program for the MSAs added in Round 2.

## **ROUND 2 PRODUCT CATEGORIES AND AREAS**

The Round 2 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)