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MEDICARE FACT SHEET

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1,217 CONTRACTS AWARDED FOR NEW PROGRAM THAT REDUCES COSTS FOR CERTAIN DURABLE MEDICAL EQUIPMENT, PROSTHETICS, ORTHOTICS, AND SUPPLIES

OVERVIEW

The Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program is an essential tool to help Medicare set appropriate payment rates for DMEPOS items and services. Medicare currently pays for DMEPOS items using a fee schedule that is generally based on historic supplier charges from the 1980s which have been periodically updated to account for inflation. 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The DMEPOS Competitive Bidding Program replaces the existing outdated, excessive fee schedule amounts with market-based prices.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. The new, lower payment amounts resulting from the competition will 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 are projected to result in average savings of 32 percent as compared to the current fee schedule prices. These new payment amounts are scheduled to go into effect on January 1, 2011 in nine areas of the country. The program is expected to save more than \$17 billion in Medicare expenditures over ten years. In addition to this positive impact on the Medicare Part B trust fund balance, the program is expected to save beneficiaries more than \$11 billion over the next ten years as a result of lower coinsurance payments and the downward effect on monthly premium payments. The overall combined savings to Medicare and beneficiaries is therefore expected to total more than \$28 billion over the first ten years of the program.

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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. MIPPA also delayed competition for Round Two in 70 additional metropolitan statistical areas (MSAs) until 2011 and in additional areas of the country until after 2011. The Affordable Care Act of 2010 expands the number of Round Two MSAs from 70 to 91 areas and mandates all areas of the country are subject either to DMEPOS competitive bidding or payment rate adjustments using competitively bid rates by 2016.

CONTRACT AWARD PROCESS

CMS has awarded 1,217 DMEPOS competitive bidding program contracts with 356 suppliers. The contract suppliers have 662 locations to serve Medicare beneficiaries in these competitive bidding areas. All contract suppliers are required to comply with Medicare enrollment rules, be licensed and accredited, and meet financial standards. 76 percent of contracts were awarded to suppliers already furnishing contract items in the local area. Additional contract suppliers have furnished other items in the local area or furnished contract items in other areas: fully 97 percent of contracts were awarded to suppliers already established in the competitive bidding area, the product category, or both.

Suppliers that wanted to participate in the DMEPOS Competitive Bidding Program submitted their bids last year. 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, including a 30 percent small supplier target in each competitive bidding area. For the Round 1 Rebid, small suppliers, those with gross revenues of \$3.5 million or less as defined for the program, make up about 51 percent of the contract suppliers.

Bidders that were not offered contracts will be 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 Round Two in 2011 and in future rounds.

A complete list of contract suppliers is available at:

http://www.cms.gov/DMEPOSCompetitiveBid/01A2_Contract_Supplier_Lists.asp

OUTREACH AND EDUCATION

Over the past several months, CMS has provided general information about the program to beneficiary advocates, healthcare professionals who refer beneficiaries for DMEPOS items, and beneficiaries to familiarize them with this upcoming program and its benefits. In the coming weeks, CMS will continue to educate beneficiaries and their caregivers through partners, physicians, referral agents, suppliers, the media and other information intermediaries to ensure they understand the new program and what they need to do before its implementation in the nine competitive bidding areas on January 1, 2011. Next week, CMS will mail an introductory letter and a brochure that explains the new program to all beneficiaries in the nine Round One Rebid areas. A full range of Internet-based and printed program information and educational activities are also planned. CMS will have a contract supplier locator tool and other information on 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, fact sheets, brochures, and national provider calls. Educational materials will be available on the CMS website and will also be communicated through national and state/local provider associations covering all provider types, as well as 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.

PROGRAM MONITORING

CMS will be actively monitoring program implementation through numerous methods and will be prepared to address any issues that may arise. CMS will be seeking feedback from beneficiaries through consumer satisfaction surveys conducted before and after the rollout of the program. CMS will provide a local, on-the-ground presence in each competitive bidding area through the CMS regional offices and local ombudsmen, who will closely monitor transition activities, conduct a local assessment of supplier activities, analyze trends, and identify and address any emerging issues. There will also be 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 will be used to inform beneficiaries and caregivers and help CMS evaluate supplier compliance to certain contract terms. CMS will also conduct real-time claims analysis to identify utilization trends, monitor beneficiary access, address aberrancies in services, and target potential fraud and abuse. Finally, CMS has appointed a Competitive Acquisition Ombudsman who will respond to complaints and inquiries from beneficiaries and suppliers about the application of the program and will issue an annual Report to Congress.

ROUND ONE REBID AREAS AND PRODUCT CATEGORIES

With the exception of Puerto Rico, the Round One Rebid is required to be in the same areas in which the program was briefly implemented in 2008. These areas are:

- Charlotte – Gastonia – Concord (North Carolina and South Carolina)
- Cincinnati – Middletown (Ohio, Kentucky and Indiana)
- Cleveland – Elyria – Mentor (Ohio)
- Dallas – Fort Worth – Arlington (Texas)
- Kansas City (Missouri and Kansas)
- Miami – Fort Lauderdale – Pompano Beach (Florida)
- Orlando – Kissimmee (Florida)
- Pittsburgh (Pennsylvania)
- Riverside – San Bernardino – Ontario (California)

The Round One Rebid is required to include the same items as the 2008 program except that negative pressure wound therapy items and Group 3 complex rehabilitative power wheelchairs are excluded. These items include:

- Oxygen, Oxygen Equipment, and Supplies
- Standard Power Wheelchairs, Scooters, and Related Accessories
- Complex Rehabilitative Power Wheelchairs and Related Accessories (Group 2 only)
- Mail-Order Diabetic Supplies
- Enteral Nutrients, Equipment and Supplies
- Continuous Positive Airway Pressure (CPAP) Devices, Respiratory Assist Devices (RADs), and Related Supplies and Accessories
- Hospital Beds and Related Accessories
- Walkers and Related Accessories
- Support Surfaces (Group 2 mattresses and overlays in Miami-Ft.-Lauderdale-Pompano Beach, FL only)

TIMELINE OF EVENTS

November 2010	CMS announces the Medicare contract suppliers for Round One Rebid
Fall 2010	CMS conducts supplier, referral agent, and beneficiary education program
January 1, 2011	Implementation of Medicare DMEPOS Competitive Bidding Program Round One Rebid contracts and prices

ADDITIONAL INFORMATION

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