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Contract suppliers selected under new Medicare program

1,217 contracts awarded to suppliers of medical equipment and supplies selected through competitive bidding in nine areas; program saves money for beneficiaries while preserving access to high quality items.

The Centers for Medicare & Medicaid Services (CMS) today released the list of the 356 suppliers that have contracts with Medicare to provide certain medical equipment and supplies to beneficiaries in nine communities across the U.S. at competitive bid rates. This new program, authorized by Congress, is expected to save Medicare and its beneficiaries nearly \$28 billion over 10 years.

“We are pleased that Medicare beneficiaries living in the nine first round communities will be saving money and will continue to receive high quality service and supplies from the suppliers who were awarded contracts in Medicare’s competitive bidding program,” said CMS Administrator Donald Berwick, M.D. “Each of these contract suppliers has met our stringent standards, so beneficiaries can be assured they will receive their equipment and supplies from legitimate and quality suppliers at prices that are more in line with the current market.”

The new competitive bidding program goes into effect on January 1, 2011, for beneficiaries in the Charlotte, Cincinnati, Cleveland, Dallas, Kansas City, Miami, Orlando, Pittsburgh and Riverside areas (more detail on locations below). This program used bids from suppliers that represented the local, competitive marketplace to lower the costs for certain durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) for Medicare beneficiaries to obtain medical items and supplies. Because beneficiaries pay 20 percent coinsurance on the payment amount for DMEPOS, they will directly benefit from the lower prices. Based on bids submitted by these suppliers, beneficiaries and Medicare will see prices, on average, 32 percent lower than Medicare currently pays for the same items.

CMS 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 were 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. Small suppliers, those with gross revenues of \$3.5 million or less as defined for the DMEPOS competitive bidding program, make up about 51 percent of the contract suppliers. CMS received 6,215 bids from 1,011 suppliers during a 60-day bidding period last year.

To take advantage of the lower prices for the items that were part of the competitive bidding program, Medicare beneficiaries living in one of the competitive bidding areas who have ongoing need for a DMEPOS supplier may need to choose a new supplier if their current supplier is not a contract supplier and they wish to have Medicare continue to cover their equipment and supplies. A beneficiary may, in some situations, also be able to continue to receive certain items from a grandfathered supplier. Grandfathered suppliers are non-contract suppliers that provide certain rented equipment under the terms of the program.

CMS will now launch a comprehensive public education effort to ensure that beneficiaries, healthcare professionals, and others have the information they need to understand the new program. This effort will include mailings to beneficiaries, a full range of Internet-based and printed program information, and educational teleconferences. In addition, the 1-800-MEDICARE customer service representatives and case workers will be ready to assist beneficiaries.

CMS will also be monitoring program implementation closely. Monitoring methods will include:

- beneficiary surveys,
- active claims analysis,
- local surveillance and resolution of any program issues by CMS Regional Offices and local ombudsmen, and
- contract supplier reporting and tracking and analysis of complaints and inquiries.

In addition, the Competitive Acquisition Ombudsman will respond to complaints and inquiries from suppliers and beneficiaries about the application of the program and issue an annual Report to Congress.

“Medicare contract suppliers signed contracts that included terms such as protections to ensure that they will furnish beneficiaries with necessary equipment and quality customer service, starting on January 1, 2011,” said Berwick. “Medicare will hold contract suppliers to their obligations and will take action to address any contract performance problems.”

Consumers, physicians and other providers can find a list of Medicare contract suppliers in the nine initial areas of the program by visiting www.medicare.gov (under “Resource Locator” select “Medical Equipment and Supplies”) or by calling 1-800-MEDICARE (TTY users should call 1-877-486-2048). People can also visit the local offices of the various partner groups for help in finding a Medicare contract supplier, such as their State Health Insurance and Assistance Program, Area Office on Aging and a number of community organizations that can provide information on the program.

The Medicare DMEPOS Competitive Bidding Program was established by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), and the program was briefly implemented in 2008 in 10 areas before it was temporarily delayed. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), enacted on July 15, 2008, terminated the supplier contracts in effect at the time, temporarily delayed the program and made certain limited changes to the program. MIPPA also required CMS to conduct the competition again for Round One in 2009, and 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.

With the exception of Puerto Rico, the Round One Rebid was 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 was 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)

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