



**News Flash** – The fifth annual national administration of the Medicare Contractor Provider Satisfaction Survey (MCPSS) is now underway. If you received a letter indicating that you were randomly selected to participate in the 2010 MCPSS, CMS urges you to take a few minutes to go online and complete this important survey via a secure Internet website. Responding online is a convenient, easy, and quick way to provide CMS with your feedback on the performance of the FFS contractor that processes and pays your Medicare claims. Survey questionnaires can also be submitted by mail, secure fax, and over the telephone. To learn more about the MCPSS, please visit the CMS MCPSS website <http://www.cms.hhs.gov/mcpss> or read the CMS Special Edition MLN Matters article, SE1005, located at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE1005.pdf> on the CMS website.

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## Medicare's DMEPOS Competitive Bidding Program - A Better Way for Medicare to Pay for Medical Equipment

### Provider Types Affected

This MLN Matters® article is informational for physicians, providers, and suppliers submitting claims to the Medicare Program. The article provides an overview of and the rationale for Medicare's Competitive Bidding Program for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) being implemented by the Centers for Medicare & Medicaid Services (CMS).

### What You Need to Know

Medicare's Competitive Bidding Program for durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) is an important step towards paying appropriately for medical items and services. The program will **reduce** out-of-pocket expenses for Medicare beneficiaries and **save** the Medicare program money while ensuring beneficiaries continue to receive **quality** products from **accredited** suppliers.

### Background

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

Examples of DMEPOS include oxygen equipment, walkers, wheelchairs, devices used to treat sleep disorders, and hospital beds. Medicare generally pays 80 percent of the “fee schedule” payment amount for DMEPOS items used in the home by beneficiaries under Part B of Original Medicare, and beneficiaries pay the remaining 20 percent. For most of these items, the “fee schedule” payment amounts are based on historical charges, adjusted for inflation at times, and not on current market prices. Numerous studies by the Office of the Inspector General and the Government Accountability Office have found that the prices paid by Medicare for certain DMEPOS items are excessive --- sometimes three or four times retail prices and the amounts paid by commercial insurers. Clearly, Medicare needs a better way to pay for DMEPOS items.

Under the DMEPOS Competitive Bidding Program, Medicare beneficiaries with Original Medicare who live in competitive bidding areas (CBAs) will pay less for certain DMEPOS items and services. DMEPOS suppliers compete to become Medicare contract suppliers by submitting bids to furnish certain medical equipment and supplies in the CBAs. Medicare will use these bids to set a “single payment amount,” which will replace the “fee schedule” amount as payment for those items. The “single payment amount” must be lower than the “fee schedule amount.” All suppliers are thoroughly screened to make sure they meet Medicare requirements before they are awarded contracts. In certain situations, beneficiaries in CBAs who rent oxygen or certain other durable medical equipment may continue renting these items from their current suppliers when the program takes effect, regardless of whether the supplier is a contract supplier. Beneficiaries who start using competitive bid DMEPOS items after the program begins or who do not continue renting equipment from their current suppliers will need to use contract suppliers in most cases.

Competitive bidding:

- Creates incentives for suppliers to continue to provide quality products and services efficiently and at a reasonable cost.
- Lowers the costs to beneficiaries and to taxpayers. Once fully implemented across the country, total savings are projected to be in the billions of dollars each year.
- Requires that all suppliers in the program meet strict quality and financial standards and be accredited by a Medicare-deemed national accreditation organization.
- Selects multiple winning contract suppliers, both small and large, to ensure beneficiaries have access to quality medical equipment and supplies with a choice of suppliers.

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## Proven Results

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Competitive bidding for DMEPOS is proven to save money for taxpayers and Medicare beneficiaries while maintaining access to quality DMEPOS items and services. The *Balanced Budget Act of 1997* required Medicare to test competitive bidding for DMEPOS items as a new way to set fees. Medicare implemented two demonstration projects in Polk County, Florida and San Antonio, Texas to determine if competitive bidding among suppliers would be successful in driving down costs to a fair market value while maintaining product quality. The demonstration projects showed that competition helps Medicare beneficiaries receive quality medical equipment and supplies at fair and reasonable prices. At the completion of the demonstration projects in 2002, Medicare found that:

- 77 percent of winning bidders were small suppliers;
- Beneficiaries saved 20 percent through the competitive model;
- Access to quality equipment and supplies was maintained; and
- Beneficiary satisfaction remained high.

## Implementation Overview

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After the successful demonstrations, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (MMA) mandated that Medicare phase in the DMEPOS Competitive Bidding Program. Round One of the program was implemented on July 1, 2008 in 10 CBAs and resulted in a projected average savings of 26 percent compared to Medicare's fee schedule amounts. Two weeks after implementation, Congress enacted a temporary delay of the program as part of the *Medicare Improvements for Patients and Providers Act of 2008* (MIPPA) which mandated certain program modifications but did not fundamentally change the nature of the program required by the MMA.

The MIPPA required CMS to terminate supplier contracts awarded in Round One and to conduct a new competition in nine CBAs in 2009. Together with its Competitive Bidding Implementation Contractor, Medicare is currently evaluating bids suppliers submitted in 2009 and expects to announce the competitive bidding payment rates **resulting from the competition** in June 2010. Medicare plans to announce the contract suppliers in September 2010, and the program is scheduled to go into effect in the nine Round One Rebid areas on January 1, 2011. Medicare will begin the supplier competition for the next phase (Round Two) of the program in 2011.

## Round One Rebid Areas and Product Categories

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**The Round One Rebid 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 (Florida);
- Pittsburgh (Pennsylvania); and
- Riverside-San Bernardino-Ontario (California).

**The Round One Rebid Product Categories are:**

- Oxygen supplies and equipment;
- 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) machines and Respiratory Assist Devices (RADs) and related supplies and accessories;
- Hospital beds and related accessories;
- Walkers and related accessories; and
- Support surfaces (Group 2 mattresses and overlays in Miami only).

**Additional Information**

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To learn more about Medicare's DMEPOS Competitive Bidding Program, visit <http://www.cms.hhs.gov/DMEPOSCompetitiveBid/> and [http://www.cms.hhs.gov/Partnerships/03\\_DMEPOS\\_Toolkit.asp#TopOfPage](http://www.cms.hhs.gov/Partnerships/03_DMEPOS_Toolkit.asp#TopOfPage) on the CMS website.

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