

## Program Advisory and Oversight Committee (PAOC) for Quality Standards and Competitive Acquisition of Certain Durable Medical Equipment, Prosthetics, Orthotics, and Supplies

### Meeting 6 Summary October 11, 2007 Baltimore, Maryland

The sixth meeting of the Program Advisory and Oversight Committee (PAOC) was held on Thursday, October 11, 2007. The purpose of the meeting was to brief the members of the committee with an update on the round one bidding.

The meeting opened with remarks from Kerry Weems, Acting CMS Administrator, who thanked the committee members as well as the other attendees for their continued participation and assistance. Mr. Weems stated that CMS has spent a lot of time trying to ensure processes and procedures were accurate. He commented that Herb Kuhn, Acting CMS Deputy Administrator, and his staff are committed to this effort. At this point, the meeting was turned over to Herb Kuhn to provide an update on round one.

### Update on Round One of Competitive Bidding Implementation

Herb Kuhn stated that he was very pleased with the number of suppliers who responded to the bidding process. He added that he was confident CMS will have a robust offering of suppliers for beneficiaries in the first ten Competitive Bidding Areas (CBAs). Mr. Kuhn indicated there are five items that CMS plans to discuss at this PAOC meeting:

1. **Provider Education** – He encouraged members to provide feedback on our education campaign.
2. **Online Registration Process** – CMS is working to identify gaps, improve them and move forward.
3. **Accreditation** – Quality and accreditation standards are important. CMS has established a process to verify accreditation with the Accreditation Organizations.
4. **Number of Bids** – This is sensitive information that cannot be shared at this time; however, CMS is very pleased with the number of bids.
5. **Beneficiary Education** – CMS has a very good detailed plan. However, CMS would like to hear any suggestions that the PAOC can provide to identify gaps in our beneficiary education plan.

### PAOC Discussion

During the discussion that followed Mr. Kuhn's comments, several PAOC members requested the number of suppliers who submitted bids during round one. CMS indicated the CBIC is performing an analysis of the bids and CMS is very pleased with the number of bidders. One member asked if there are rules for the percent of publicly traded companies versus private companies allowed in the bidding program. CMS indicated that no rules exist beyond the considerations for small suppliers. One member questioned whether the financial standards would be published. CMS responded that the financial ratios were published. However, the specific scoring would not be released to preserve the integrity of the process. Several members expressed concern that there was no appeals process. Another member suggested that CMS solicit feedback from suppliers on the competitive bidding process. Several members commented on the complexity of the bidding system and questioned how the system was tested. CMS stated the

system was tested by the developer, CMS and the CBIC and assured the PAOC more intensive testing would occur before round two. One member asked if policy issues would be discussed during the meeting. CMS responded that considerable time had been spent in prior PAOC meetings on policy issues. However, questions may be submitted in writing to CMS to the attention of Ralph Goldberg and they will be addressed.

## **PRESENTATIONS**

### **Round One Bid Submission Software and Registration**

Cathy Carter, Director – CMS Office of Information Systems, announced a name change for the online bidding application to reflect changes from lessons learned in round one. The name will change from the Competitive Bidding Submission System (CBSS) to the DMEPOS Bidding System (DBidS).

Celia Shaunessy, Health Insurance Specialist, CMS Provider Communications Group, provided an overview of the round one online bid submission process. She stated that CMS learned a lot during the round one registration and bid submission periods. She presented CMS' plan for 2008 to streamline the electronic bidding process, perform system reengineering, improve bidder registration procedures, and enhance technical support.

In round two bidding, CMS will only require suppliers to register once to submit a bid. In addition, an extensive education campaign will be directed toward suppliers regarding the National Supplier Clearinghouse (NSC) requirements. The NSC requirements are significant since the NSC data must match what is entered in the DBidS for successful registration. Another enhancement will enable the bidding company's authorized official to authorize other individuals on staff to also obtain User IDs and passwords to access the DBidS. During round one, multiple users attempted to use the same USER ID and password, which caused system instability and system errors. For future rounds, controls will be put into place to prevent multiple users from accessing the system with the same User ID. During round one, the CBSS application contained burdensome duplicate entry requirements, such as the manufacturer information on the bidding sheet. DBidS will enable suppliers bidding in various CBAs to "copy and paste" data from one bid sheet to another. The new system will allow you to save data throughout the application. Status indicators have been simplified to indicate complete or incomplete bids. A new status indicator is now displayed on the home page to indicate whether documentation has been received. CMS intends to create a comprehensive, user-friendly guide to assist bidders in the bid submission process. Finally, steps will be taken to make the system more intuitive and user-friendly and a new interface will allow easier navigation. Ms. Shaunessy encouraged members to e-mail their suggestions to [dbids@cms.hhs.gov](mailto:dbids@cms.hhs.gov).

### **PAOC Discussion**

Many comments were made regarding the testing of the bid application system for round one. Members did not believe it was tested thoroughly to identify the types of problems encountered. CMS outlined the testing which occurred for round one and emphasized more robust testing would occur before the next bidding round. Several PAOC members volunteered to assist CMS in the testing of the DBidS system. However, CMS indicated supplier testing may provide an unfair advantage to those involved in the testing.

### **Round One Bidder Education**

Cindy Dreher, Content & Policy Lead, Competitive Bidding Implementation Contractor (CBIC), presented an update on round one bidder education and outreach activities. She outlined the various types of outreach materials and/or activities provided over the past six months. Ms. Dreher also provided statistics on the number of telephone and written inquiries processed by the contractor. Future plans include continued outreach activities on policies and guidelines for the supplier community regarding round one implementation and round two roll-out. Plans also include assisting CMS with education efforts targeted toward referral agents and beneficiaries. In closing, Ms. Dreher requested feedback from the PAOC members on what the CBIC could do to improve education and outreach efforts and asked that they send their suggestions to [cbic.admin@palmettogba.com](mailto:cbic.admin@palmettogba.com).

### **PAOC Discussion**

The PAOC members commented on the customer service representatives' training and release of information targeted to different stakeholders. Ms. Dreher stated the CBIC conducts on-going training with the customer service representatives to ensure consistency and to ensure that current information is provided to suppliers. A PAOC member inquired about extending an appeals process should a caller be provided incorrect information. Ms. Dreher advised that the competitive bidding program does not allow for an appeals process for contract award. She also stated that every effort is made to ensure that all information provided on the competitive bidding program Website is accurate. One member suggested sending a listserv message when content is changed or updated on the competitive bidding program Website.

### **Round One Beneficiary Education**

Walt Gutowski, CMS Office of External Affairs, provided an update on beneficiary outreach and education during round one. He stated CMS will launch an extensive education campaign starting in March of 2008. CMS will use various media and means of communication including printed material, 1-800-MEDICARE, Medicare.gov Website, Medicare cable programs, and CMS partners to explain competitive bidding to Medicare beneficiaries. CMS plans to tap into all available resources to assist beneficiaries in understanding the competitive bidding program, utilizing SHIP, AoA, AARP, advocacy groups, suppliers and providers, and Medicare contractors. The CMS regional offices will also assist at the local level. One lesson learned from the competitive bidding demonstrations is the importance of local influence when providing beneficiary outreach. Surveys are currently being administered to beneficiaries regarding specific items (identified by HCPCS codes) provided to beneficiaries before implementation of the competitive bidding program to assist in determining the impact of the competitive bidding program on beneficiaries.

### **PAOC Discussion**

The PAOC members suggested the use of messages on Medicare Summary Notices (MSN) regarding the status of suppliers in the competitive bidding program (winning bidder versus non-winning bidder). Members also indicated there was some confusion among home health agencies and hospice. CMS should focus educational efforts to the home health and hospice community. In addition, one member suggested publishing information related to the competitive bidding program separate from other Medicare publications. One member suggested utilizing the supplemental insurance companies to provide additional outreach information. Several questions arose about the specifics of the beneficiary survey. Therefore, CMS requested that Ann Meadows, CMS Office of Research, Development and Information, provide clarification and additional details of the survey methodology.

### **Competitive Bidding Survey Information**

Ann Meadows stated that the surveys were mandated by Congress to determine the impact of the competitive bidding program on beneficiaries. CMS is using 2005 claims data to prepare the baseline for comparison. The survey is being mailed to beneficiaries and suppliers in the Dallas, Cleveland and Orlando CBAs and the control comparative cities are Houston and Tampa. Follow-up will be conducted by telephone. Beneficiaries are being surveyed on power wheelchairs, oxygen, CPAP, hospital beds and walkers. Suppliers are being surveyed on oxygen, hospital beds and walkers. Ms. Meadows stressed that the surveys are aimed at the usage of specific items identified by HCPCS codes and not supplier service.

### **PAOC Discussion**

PAOC members suggested that CMS conduct telephone surveys to beneficiaries. They also expressed an interest in assisting CMS in the survey process. Ms. Meadows indicated that only those persons who were sent information regarding the survey have access to it. However, she asked members to encourage suppliers to respond to the survey.

### **Accreditation Update and Questions**

Sandra Bastinelli, Division Director, CMS Medical Review and Education, Program Integrity Group, provided a DMEPOS accreditation update. She stressed that one of the primary focuses of accreditation is to increase quality and decrease fraud. In addition, this will ensure suppliers are billing appropriately for only those items for which they are accredited. Suppliers cannot bid on any product category for which they are not accredited. Ms. Bastinelli stressed that suppliers need to be ready to receive unannounced surveys. There have been reports of surveyors being turned away because suppliers were not ready for the audits. In addition, Ms. Bastinelli indicated that CMS is developing a timeline for round two. CMS will provide more accreditation outreach training sessions and training opportunities during the coming months.

### **PAOC Discussion**

PAOC members suggested that CMS announce the next 70 CBAs as soon as possible and set a mandatory deadline for accreditation of all suppliers. They also suggested that suppliers be educated on how the accreditation process works. One PAOC member stated that many suppliers were not prepared for their surveys and/or accreditation because they were waiting for the outcome of federal bills and lawsuits pending that may halt the competitive bidding program. Several members asked how many suppliers have been accredited in the round one CBAs. Ms. Bastinelli responded that approximately 2,200 suppliers have been accredited in the ten CBAs.

### **Update on Round Two Timeline**

Martha Kuespert, Director of the CMS Division of DMEPOS Payment Policy, and Joel Kaiser, Deputy Director of the CMS Division of DMEPOS Payment Policy, provided an update on round two. Mr. Kaiser stated that the 70 MSAs and product categories will be announced as soon as possible to provide adequate time for education and the submission of bids.

### **PAOC Discussion**

PAOC members encouraged CMS to name the next 70 CBAs as soon as possible. This would enable suppliers located in those areas to apply for accreditation and prepare for their surveys.

## **Pre-Implementation Nationwide Supplier Education/Referral Agent Education**

The final presentation was conducted by Valerie Haugen, Director, CMS Provider Information Planning & Development. She indicated that the goals are to educate DMEPOS suppliers, physicians and other providers on the competitive bidding program and how it may affect their business practices. In addition, CMS will work in tandem with the CBIC to ensure that all information and educational products are consistent, timely and targeted to the appropriate audience. To date, CMS has sent over 20 DMEPOS competitive bid-related messages out through their information channels. There have been five “MLN Matters” articles published regarding the competitive bidding program. In addition, there were four *MLN Matters*, “Newsflash” updates. Planned pre-implementation activities include the November “Key Medicare News” on competitive bidding targeted to the Medicare physician community and upcoming MLN Matters national articles addressing such issues as the roles of the contract/non-contract suppliers and how competitive bidding DMEPOS claims are processed. Information related to quarterly fee-for-service change requests containing competitive bidding program updates and additional educational products, such as accreditation reminders and information on the Internet supplier locator tool located on [www.medicare.gov](http://www.medicare.gov) were published.

## **PAOC Discussion**

One PAOC member commented that he would encourage his association members to enroll with the MLN listserv. He stated that the messages provide a lot of useful information.

## **Public Comments**

Nine commenters spoke during the public comment section:

### **1. Commenter**

The commenter said there is a perception in the industry that there was a low turnout of bidders for round one. He emphasized early education and assistance is crucial as small suppliers represent 85 percent of the DME companies. He stated there are concerns from small suppliers regarding financial standards, which have not been revealed. The commenter said small suppliers need further guidance and education on the financial requirements as many operate on a cash basis. The commenter encouraged CMS to set a deadline for national accreditation.

### **2. Commenter**

The commenter thanked CMS for assisting bidders submitting their bids on-line and for developing an on line bidding tool. He stressed that the accreditation date should be set soon and that accreditation of all suppliers is the biggest way to decrease fraud and abuse and increase quality. The commenter asked CMS to share information, have dialog and work more closely with the PAOC members to implement the program. He stated that defining the required financial standards will raise the bar and should be revealed. In addition, he stated that there should be an appeals system to address any mistakes made during the bid evaluation process and asked how CMS will address specific issues when suppliers are not awarded a contract.

### **3. Commenter**

The commenter expressed concern that physicians who also serve as DMEPOS suppliers have received little consideration in the process and should not be required to meet additional accreditation standards.

#### **4. Commenter**

The commenter stated that more disclosure of details regarding the bidding process would lead to a higher level of comfort among suppliers about the results. He suggested allowance for more time in all phases, including education on the processes and registration. He also suggested that more frequent PAOC meetings be scheduled to plan for round two.

#### **5. Commenter**

The commenter offered to help with issues, such as the design of the program to help ensure beneficiaries are safeguarded and have access to quality products and services. He also offered to assist in designing a survey and collecting data to help improve quality. He also thanked CMS for inviting Ann Meadows to discuss the beneficiary and supplier surveys. He offered assistance in educating beneficiaries and with providing supplier education but added he needed the context of the data presented during the meeting to adequately assist.

#### **6. Commenter**

The commenter noted that the competitive bidding program is more significant in terms of systems operations than the Six Point Plan and DMERC transition. She suggested an operational issues open forum with the CBIC, DME MACs and CMS. She also requested that CMS open the CWF data elements for the competitive bidding program to assist with issues such as beneficiaries moving to CBAs, repairs/replacements and traveling beneficiaries. In addition, she asked that access to the NSC database be available for registration purposes.

#### **7. Commenter**

The commenter urged CMS to evaluate clinical outcomes of the competitive bidding program, such as longer hospital stays for chronic conditions. She encouraged on-going, strong education programs for all and suggested a separate provider education committee. The commenter encouraged CMS to carefully evaluate capacity to determine if sufficient suppliers are available to meet beneficiary need. The commenter asked CMS to provide more transparency on the financial standards and evaluation and not to exclude bidding suppliers because of process issues. The commenter stated round two should be delayed until round one could be adequately evaluated. She referenced the May 1 letter to CMS expressing concerns about the program and encouraged CMS to adjust the timeline to accommodate changes.

#### **8. Commenter**

The commenter asked about how the surety bound requirement would be coordinated with the competitive bidding program and asked CMS to waive the requirement for suppliers participating in round one of the program.

#### **9. Commenter**

The commenter stated that the competitive bidding process is a bad idea and will lead to regret and the elimination of good suppliers. The commenter expressed concern that competitive bidding will eliminate competition and patient care will suffer. The commenter requested that PAOC members as well as others be allowed to review and test DBidS. The commenter asked that CMS release information regarding the number of bidders, as it is a common industry bidding practice to release numbers and names and is a matter of accountability that ensures the integrity of the process.