

Background

DMEPOS Competitive Bidding Program





Standard Payment Rules – Fee Schedule

- Section 4062 of OBRA 87 added section 1834 to the Act and implemented a fee schedule payment methodology for most durable medical equipment (DME), prosthetic devices, and prosthetics and orthotics furnished after January 1, 1989.
 - Medicare payment for these items is equal to 80 percent of the lesser of the actual charge for the item or the fee schedule amount for the item.
- Separate payment categories of DME:
 - Inexpensive or other routinely purchased items (rent or purchase w/ cap on total payments)
 - Items requiring frequent and substantial servicing (monthly rental – no cap)
 - Oxygen and oxygen equipment (payments for up to 36 months with rules after cap)
 - Other items of DME/Capped Rental (payments for up to 13 months with title transfer following month 13)
 - Enteral nutrition pumps (payments for up to 15 months with rules after cap)



Standard Payment Rules – Fee Schedule (cont.)

- Each category has unique payment rules. Except for customized items, a fee schedule amount is calculated for each item or category of DME that is identified by a HCPCs code.
 - Fees based on average allowed charges from mid 80s and increased by annual update factors.
 - Payment for purchase of enteral nutrients and supplies as well as supplies necessary for the effective use of DME (e.g., lancets and test strips used with blood glucose monitors, CPAP masks, tubing, etc.).
- Fees for new items “gap-filled” using fees for comparable items or retail prices.
 - Example: fee for NPWT pump based on MSRP of \$21,000.
- Competitive bidding & accreditation talked about for years

Competitive Bidding Demonstrations

- **Balance Budget Act of 1997 mandated competitive bidding demonstrations for Medicare Part B items and services, except physician services.**
- **Demonstrations***
 - Polk County, Florida
 - Bidding occurred early 1999 – prices went into effect October 1, 1999
 - San Antonio, Texas
 - Bidding occurred in 2000 – prices went into effect February 1, 2001

*Source: Evaluation of Medicare's Competitive Bidding Demonstration for DMEPOS:
Final Evaluation Report November 2003

Competitive Bidding Demonstrations Results

■ Savings*

- Overall Savings \$9.4 million or 19.1 percent
- Medicare expenditures reduced \$7.5 million
- Beneficiary payments reduced \$1.9 million

■ Access and Quality*

- Beneficiary surveys in both demonstrations concluded there was no effect on access and quality.
- Transition policies helped promote access and prevent disruption of service

■ Beneficiaries remained as satisfied with their DMEPOS suppliers during the demonstration as they were before the demonstration*

*Source: Evaluation of Medicare's Competitive Bidding Demonstration for DMEPOS:
Final Evaluation Report November 2003

Medicare Modernization Act of 2003 (MMA)

- Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the MMA) (Pub. L. 108-173), which amended section 1847 of the Act. Section 1847 of the Act, as amended, requires that competitive bidding programs be established and implemented in areas throughout the United States.
- The competitive bidding program replaces the current DMEPOS fee schedule methodology for determining payment rates for certain DMEPOS items in competitive bidding areas.
- MMA mandated the Medicare Competitive Bidding program Round 1 competition to occur in 10 of the largest Metropolitan Statistical Areas (MSAs) in 2007; 80 of the largest MSAs in 2009; and additional areas after 2009

Medicare Modernization Act of 2003 (MMA)

■ **Authority to Exempt from Competitive Bidding:**

- ☐ Rural areas and areas with low population density within urban areas that are not competitive, unless there is a significant national market through mail order for a particular item or service; and
- ☐ Items and services for which the application of competitive bidding is not likely to result in significant savings.

■ **Additional Requirements:**

- ☐ Quality standards & accreditation
- ☐ Financial standards
- ☐ Considerations for small suppliers



Top Ten Items in 2008

Rank	Item Description	Allowed Charges	Beneficiaries	Suppliers
1	Oxygen Concentrator	\$2,506,715,403	1,493,598	9,526
2	Blood Glucose Test Strips	\$1,196,554,023	3,713,035	57,229
3	Standard Power Wheelchair	\$614,382,562	153,335	5,044
4	Hospital Bed, Semi-Electric	\$256,735,702	513,836	11,870
5	CPAP Device	\$251,253,669	616,959	8,721
6	Portable Gaseous Oxygen	\$220,141,597	874,908	9,069
7	Enteral Pump Supplies	\$178,156,226	81,369	6,073
8	Neg. Pressure Wound Pump	\$146,968,371	51,046	302
9	Stationary Liquid Oxygen	\$132,871,592	77,858	3,655
10	Lancets	\$124,907,779	2,668,248	54,754
Total		\$5,628,686,924		

Savings from Round 1

- Overall savings was approximately 26% for competitively bid items and services
- Average savings per product category ranged from 15% to 43%

PRODUCT CATEGORY	Charlotte	Cincinnati	Cleveland	Dallas	Kansas City	Miami	Orlando	Pittsburgh	Riverside	Average
Oxygen and Oxygen Equipment	30%	30%	27%	23%	25%	29%	32%	28%	22%	27%
PMD Complex Rehabilitative*	10%	19%	17%	19%	10%	18%	20%	10%	11%	15%
PMD Standard	20%	15%	18%	21%	12%	30%	25%	17%	27%	21%
Mail-Order Diabetic Supplies	43%	43%	43%	37%	42%	41%	42%	48%	57%	43%
Enteral Nutrition	25%	29%	28%	26%	20%	30%	25%	29%	22%	26%
CPAP/RADs	31%	33%	33%	25%	30%	30%	31%	31%	24%	29%
Hospital Beds	31%	36%	32%	25%	25%	29%	31%	30%	20%	29%
Walkers	25%	34%	24%	30%	24%	31%	29%	32%	30%	27%
Support Surfaces						36%				36%

* Group 3 or higher complex, rehab
PMDs excluded per MIPPA

Round 1 Small Suppliers

■ Winning small suppliers per Competitive Bid Area (CBA):

PRODUCT CATEGORY	Charlotte-Gastonia-Concord, NC-SC	Cincinnati-Middletown, OH-KY-IN	Cleveland-Elyria-Mentor, OH	Dallas-Fort Worth-Arlington, TX	Kansas City, MO-KS	Miami-Fort Lauderdale-Miami Beach, FL	Orlando, FL	Pittsburgh, PA	Riverside-San Bernardino-Ontario, CA
Oxygen and Oxygen Equipment	50%	33%	32%	58%	35%	58%	56%	36%	56%
PMD Standard	36%	23%	33%	83%	43%	56%	69%	27%	84%
PMD Complex Rehabilitative*	40%	29%	33%	91%	50%	50%	50%	0%	50%
Mail-Order Diabetic Supplies	50%	40%	42%	40%	50%	50%	58%	50%	43%
Enteral Nutrition	33%	36%	29%	38%	31%	41%	38%	30%	53%
CPAP/RADs	50%	31%	35%	50%	33%	52%	57%	33%	47%
Hospital Beds	38%	25%	33%	67%	33%	60%	52%	33%	84%
Walkers	38%	30%	30%	70%	50%	60%	50%	43%	58%
Support Surfaces)						65%			

Group 3 or higher complex, rehab
PMDs excluded per MIPPA



Competitive Bidding - MIPPA Changes

MIPPA Changes	Results
Delays Round 1 so that bidding occurs in 2009 in the same manner as the 2007 round of competitive bidding;	Allows time to make additional process improvements to the competitive bidding program.
Establishes a process for supplier feedback on missing financial documents;	Suppliers that submit their documentation timely will have the opportunity to provide missing financial documentation in order to complete their bid(s).
Requires contract suppliers to notify CMS of subcontracting relationships and that each subcontractor meets supplier accreditation requirements.	Enables CMS to identify contract supplier subcontracting relationships which helps to ensure that quality products and services are being provided to Medicare beneficiaries.



Competitive Bidding - MIPPA Changes

MIPPA excludes the following from Round 1 of the competitive bidding program:

- Puerto Rico as an area
- Negative pressure wound therapy (NPWT) as an item
- Group 3 or higher complex rehabilitative wheelchairs from all rounds of competition; and
- Certain DME furnished by a hospital to the hospital's own patients during an admission or on the date of discharge.