

# New Supplier Issues

## DMEPOS Competitive Bidding Program



# Round 1 Financial Documentation

- For Round 1, 10 financial ratios and a credit score were used to evaluate a suppliers financial status.
- Separate thresholds were used to determine the following:
  - Pass/Fail – if below a certain threshold, a supplier was excluded.
  - Expanded capacity – a suppliers score had to be above a particular threshold to count expanded capacity.
- Scoring thresholds were not revealed to protect integrity of the evaluation process.

# Financial Information Used

## ***10 Ratios:***

- Current ratio
- Collection period
- Working capital
- Accounts payable to sales
- Quick ratio
- Current liabilities to net worth
- Quality of earnings
- Operating cash flow to sales
- Return on sales
- Sales to Inventory

## ***Other:***

- *Credit score*

# Round 1 - Ensuring Sufficient Capacity

- Limited suppliers capacity to 20% of Medicare demand for a product category and Competitive Bidding Area (CBA).
- If financial score did not support projected capacity, we lowered supplier's projected capacity to historical capacity.
- Limiting a supplier to historic capacity did not preclude a supplier from being offered a contract.
- Did help ensure a sufficient number of suppliers were selected to meet beneficiary demand.

# Round 1 Rebid New Supplier Financial Threshold

- PAOC advised CMS to consider a supplier's experience when we evaluate capacity.
- To accept the expanded capacity of a new

threshold by 75%.

- If not met, a contract may still be offered.
- This would generally result in awarding more contracts to suppliers with experience.

# Testing New Supplier Threshold

- Multiple product categories in multiple CRA's
- There was little savings impact, either no change or approximately 1-3% increase in single payment amounts, except for mail order diabetic supplies in Riverside.
- In general, there was a slight increase in number of winning suppliers.

# Questions