

Centers for Medicare & Medicaid Services
Special Open Door Forum:
Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies
(DMEPOS) Competitive Bidding Program Bidders' Conference-
How a Bid is Evaluated

Tuesday, September 29, 2009
2:00 pm – 3:00 pm Eastern Time
Conference Call Only

Please join us for the fifth in a series of eight Special Open Door Forum (ODF) bidders' conferences for the Round 1 Rebid of the Medicare durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) competitive bidding program. At this Special ODF, we will walk through the bid evaluation process. This will include discussions about the components of bid evaluation and calculations of the single payment amounts.

Reminder: Registration for user IDs and passwords is open. We recommend that Backup Authorized Officials register no later than October 9, 2009. The target deadline for Authorized Officials (AO) interested in participating in the Round 1 Rebid to register was September 14, 2009. If you are an AO who has not yet registered – do it TODAY! To register, go to the Competitive Bidding Implementation Contractor (CBIC) web site: www.dmecompetitivebid.com.

Background:

On August 3, 2009, the Centers for Medicare & Medicaid Service (CMS) issued the bidding timeline for the Round 1 Rebid of the DMEPOS competitive bidding program and initiated a comprehensive bidder education campaign. CMS' Competitive Bidding Implementation Contractor (CBIC) is the focal point for bidder education. Please visit the CBIC's dedicated website, www.dmecompetitivebid.com, for important information, including bidding rules, user guides, frequently asked questions, policy fact sheets, checklists, and bidding information charts. The CBIC toll-free help desk, 1-877-577-5331, is open to help bidders with all of their questions and concerns. All suppliers interested in bidding are urged to sign up for e-mail updates on the home page of the CBIC website.

We look forward to your participation.

Special Open Door Participation Instructions:

Dial: 1-800-837-1935 & Reference Conference ID: 23045547

Note: TTY Communications Relay Services are available for the Hearing Impaired. For TTY services dial 7-1-1 or 1-800-855-2880. A Relay Communications Assistant will help.

An audio recording of this Special Forum will be posted to the Special Open Door Forum website at http://www.cms.hhs.gov/OpenDoorForums/05_ODF_SpecialODF.asp and will be accessible for downloading beginning Tuesday October 7, 2009.

For Open Door Forum schedule updates, E-Mailing list subscriptions, and to view Frequently Asked Questions please visit our website at <http://www.cms.hhs.gov/opendoorforums/>.

Thank you for your interest in CMS Open Door Forums.

Audio file for this transcript: <http://media.cms.hhs.gov/audio/DMEPOSCompetBid092909.mp3>

Centers for Medicare & Medicaid Services
Special Open Door Forum:
Medicare Durable Medical Equipment, Prosthetics, Orthotics, and
Supplies Competitive Bidding Program Bidders'
Conference- How a Bid is Evaluated
Moderator: Natalie Highsmith
September 29, 2009
2:00 pm ET

Operator: Good afternoon. My name is Sarah, and I will be your conference facilitator today.

At this time, I'd like to welcome everyone to the Centers for Medicare & Medicaid Services Special Open Door Forum on Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Competitive Bidding Program Bidders' Conference.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session.

If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad. And if you would like to withdraw your question, please press the pound key.

Ms. Highsmith, you may begin your conference.

Natalie Highsmith: Thanks, Sarah, and good day to everyone, and thank you for joining us in our fifth in a series of eight special Open Door Forums on Medicare DMEPOS Competitive Bidding Bidders' Conference.

Today, our CMS staff will walk through the bid evaluation process including discussion about the components of bid evaluation and calculations of the single payment amount.

I will turn the call over to Ms. Martha Kuespert, who works in our Centers for Medicare Management.

Martha?

Martha Kuespert: Hi. Thank you, Natalie.

Good afternoon, everyone, and thank you all so much for joining us for our fifth Open Door Forum Bidders' Conference for the Round 1 Rebid of the DMEPOS Competitive Program.

We hope you'll find today's call helpful and informative. And as with the previous sessions, we would like to encourage everybody to submit feedback and comments about this Open Door Forum Bidders' conference. We find these suggestions very helpful and appreciate those who have sent in comments.

If you would like to submit a comment, please send us an email addressed to cbic.admin@palmettogba.com . This email address is on the last slide of today's PowerPoint presentation.

As with the other calls, Cindy Dreher, the Policy and Content Lead for the Competitive Bidding Implementation Contractor will once again be providing today's presentation.

So I will pass the mic to her.

Cindy?

Cindy Dreher: Thanks, Martha, and good day, everybody.

Our next call is going to be next week, Wednesday, October 7, at 2 o'clock, Eastern Time. And at that time, we'll talk about how to complete your bid forms and how to submit the hardcopy document.

The last two calls, on October 14 and on November 4, will be dedicated to responding to your questions. There won't be any formal presentation. So you can start emailing us questions today that you'd like for us to answer during that call, and we'll try to get to as many as possible.

I'm going to provide the email address at the end of the presentation and other contact information. If you submit questions that you want us to answer during these open calls, they should be general in nature and not specific to your organization. If you have specific questions about your organization, then just continue to send them to us at cbic.admin@palmettogba.com or you can give us a call.

You can find the schedule for the remaining calls on the CBIC website at DMECompetitiveBid.com. And as a reminder, you don't need to register ahead of time for these calls. Just call in and provide the code.

You can also find today's PowerPoint presentation on the website. You go to the home page and then on the right-hand

column click on the Events Calendar for the Open Door Forum. And once inside there, just click on the link. We've also posted more tools and resources to the Web site recently. So please take advantage of these as you go through the bidding process.

At the conclusion of today's presentation, we'll open up the phone line to take your questions about the bid evaluation process discussed today. But if you have questions on other topics, then we ask that you hold those for future calls, or you can call our customer services center or email us. An audio cast and a transcript of each call will also be posted to the Web site.

Just as a quick reminder again, registration is still open for the competitive bidding program. Authorized officials should be registered by now but still have time to register. We recommend that the backup authorized officials register no later than October 9, which is less than two weeks away, so that the backup authorized officials can help the authorized officials in approving end users' registration requests.

Remember that you cannot share user IDs and passwords. It's not permitted. Each person who intends to have access to DBiDS or the bidding system must have their own user IDs and passwords.

Registration is going to close on November 4 at 9:00 pm, Eastern Time. No authorized official, backup authorize officials, or end users can register after registration closes.

To register, you just go to the CBIC Web site, click on Suppliers on the homepage, and then choose Registration.

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During the next hour, we're going to walk through process on how a bid is evaluated. As I walk through these steps, I'm going to briefly remind you of the requirements that need to be met.

We've discussed these requirements on previous calls, so today's focus is on how the data is validated and how the bid is evaluated. Again, please review the RFB, the Request for Bids, or bid instructions on the website. The RFB includes a complete list and an explanation of all these requirements.

The first topic I'll discuss is the receipt of electronic bid data and hard copy documents. Next I'll outline the eligibility requirement that's verified. I'll explain how financial strength is evaluated and how demand and capacity is calculated. I'll then discuss how composite bids are calculated and arrayed or ordered, and how the pivotal bid is set. Then, I'll discuss the single payment amount, how it's derived and what it means. I'll recap the small supplier provisions and, finally, the awarding of contracts.

Page 3.

Bid data is entered into the electronic bidding system, which is referred to as DBidS, the DMEPOS Bidding System. The hardcopy documents, such as your financial documents, the subcontracting agreements, the network certification statements, are mailed to the CBIC's document control center.

The required financial documents -- that's including the financial statements, tax returns, and credit reports and scores -- were discussed during last week's call. You can find a list of the required documents in the RFB and also can find other helpful financial tools on the website.

All these documents serve a very important and a necessary purpose to adequately evaluate the bids. The document package must be postmarked by the close of bidding. If it's postmarked after this date, then the entire bid is disqualified. Of course, you must also submit your electronic bid in DBidS by the close of the bid window. We cannot accept late bids.

Suppliers that submitted financial documents by the covered document review date, which is targeted for November 21, are then identified. Those suppliers are sent a notification which identifies any missing financial documents. Suppliers that miss this deadline are not notified of whether any financial documents were missing and are not permitted to submit any documents after bidding closes. This process was also discussed on the call last week, and you can find more information on the covered document review, or CDRD, process on the website.

As a reminder, you must include your bidder number on each page of your documents, and you must complete Form A in DBidS first before you're assigned a bidder number. So, you've got to complete Form A before you can mail your documents. If you're bidding as a part of a network, remember you're supposed to include or you should include your certification statements as well. So, that would require that you complete Form B first before you can send your financial documents

because we need that bidder number on each page of your financial documents.

Again, we encourage bidding suppliers to take advantage of the covered document review process. It's important to remember that once bidding closes, all bids are considered final and cannot be amended or changed.

Page 4.

The bid amounts are verified in accordance with the rules outlined in the final rule. Some of the bid amount requirements are suppliers must submit a bid amount for each item in the product category; the amount must be less than or equal to the fee schedule amount; and certain oxygen items must be bid by payment class. Each requirement is checked and verified. DBidS does not allow bidders to submit bid amounts above the fee schedule or to submit zero bid amounts.

Bids must also be bona fide. We discussed this during a previous call, and I'll talk about it a little bit more today during the eligibility review process.

Suppliers that bid on the oxygen product category must submit a single bid amount by payment class for designated HCPCS codes to make up that payment class. For more information on determining your bid amount and capacity for the oxygen product category, please refer to the bidding charts on the website, and those charts are located under Bidding Process.

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All eligibility requirements are validated. Suppliers must be enrolled in the Medicare program with an active NSC number, or National Supplier Clearinghouse number. The suppliers must have that NSC number for each location that furnishes items to Medicare beneficiaries. Bidders must meet all supplier enrollment and quality standards.

The bid data provided in DBidS and on the hardcopy documents are validated with the supplier's NSC file. So you must have the active NSC number for the location.

Each location must also have the applicable state licenses for the product category. Copies of these licenses must be on file with the NSC at the time of bid submission. The licensure requirements are validated with the NSC in accordance with the individual state's regulations. So any location that does not pass the required state licensure is disqualified. These licensure guides are available on both the CBIC website and the NSC website.

However, these are guides only. You should contact the state licensing agency for the state's specific requirements especially for out-of-state requirements.

You'll notice that I mention often that we validate with the NSC. So, it's very important that your files with the NSC be current and make sure that they are up-to-date.

The final rule also prohibits suppliers from bidding against themselves. So, suppliers that are commonly owned or

commonly controlled must submit a bid, a single bid, for the same product category in the same competitive bidding area or CBA. So, if commonly-owned or commonly-controlled suppliers submit separate bids for the same product category in the same CBA, then those bids will be disqualified.

Only skilled nursing facilities and nursing facilities may bid as specialty suppliers. Bidding suppliers that bid as a specialty supplier are validated with the NSC. So if the supplier is not designated as a SNF or NF with the NSC, then the bid is disqualified.

Also, suppliers must be accredited by - in order to submit the bid. We will check with accreditation organizations to ensure that suppliers have met the accreditation deadline. Pending accreditations are not acceptable.

So to recap, we will verify eligibility for each location. The locations must have an active NSC number; they must meet state licensure requirements; the common ownership rules; SNFs and NFs again are the only suppliers that may bid as a specialty supplier; and we will validate with accrediting organizations that the locations have been accredited for the product category for which they're submitting a bid.

Page 6.

A network is considered a single bidder, and we will verify and check each network's bid requirements. Some of those requirements include: each member must be a small supplier as defined in the final rule and not capable of servicing the entire

CBA independently; a network may not consist of greater than 20 members; the network's total market share for each product category in a CBA cannot exceed 20% of the total demand.

All required documents for each member must be submitted in one package. So, if any documents are identified as not acceptable or incomplete or the certification statement is missing, the entire network bid is disqualified.

In addition, each member must meet all eligibility criteria. If any network member is determined to be ineligible, then the network does not receive any further consideration and the bid is disqualified.

Furthermore, if one or more member withdraws from the network after bidding closes, then the network is disqualified from further consideration.

Page 7.

The regulations require that suppliers submit a bona fide bid or a realistic bid amount for each item in the product category. Now, after we check the bid to ensure that they meet all the other eligibility criteria, we then evaluate and screen them to ensure that they are bona fide.

If we identify a bid as potentially non-bona fide, then we might ask for documentation such as a manufacturer's invoice to verify that the item can be furnished at the bid amount.

If we ask you for this information, it's important that you respond with the requested information. If a supplier submits a bid for one or more items, that is determined to be not bona fide and cannot be supported by some type of documentation, then the bid for that product category in the CBA is disqualified.

If you need more information about the bona fide bid process and rules, there is a fact sheet on bona fide bids on the Web site.

Now, it's important to note that a supplier's bid may be disqualified for one product category in a CBA and not for another. For example, if a supplier submits a non-bona fide bid for one product category in a CBA, then only the bid for that specific product category in the CBA is disqualified.

Page 8.

The financial strength of those suppliers that meet all eligibility criteria are evaluated. The competitive bidding law and regulations specify that suppliers must meet certain financial standards. These financial standards are applied to assess the expected quality of suppliers, estimate their total potential capacity, and ensure that they're able to continue to meet market demand for the duration of their contracts.

The RFB states what financial information or documentation is needed to evaluate a supplier's financial viability. As you may recall, we discussed these requirements last week during our call and you can find this information on the website.

It's very important that all the documents be submitted according to the instructions so that we can adequately evaluate your compliance with these standards. Again, if you have any specific questions, please give us a call or send us an email.

The financial statement and tax extracts are used to calculate standard accounting ratios for each bidder. The ratios may be found on the website under Bid Evaluation. An aggregate or total score is determined using the financial ratios and the credit scores.

As a reminder from the call last week, please don't submit self-calculated ratios. Just submit the required financial documents that are outlined in the RFB.

Financial threshold scores are then established and compared to the total score. Suppliers not meeting the minimum financial thresholds or standards are excluded and all of the bids are disqualified.

Supplier's reported estimated capacity may be adjusted if the supplier's financial score and the supplier's expansion documentation does not support the projected capacity stated on Form B in DBiDS. The suppliers' projected capacity may be lowered, as evidenced by its financial documentation and past claims data.

The projected beneficiary demand for the product category in a CBA is calculated using historical claims data plus trending factors. The cumulative capacity for all eligible suppliers bidding in a product category/CBA is calculated to ensure that enough suppliers are selected to meet the projected beneficiary demand.

The supplier's capacity is limited to 20% of the total projected demand to ensure that at least five suppliers are awarded contracts for a product category in a CBA if there are five qualified suppliers.

If a supplier estimates that it can furnish more than 20% of what's determined to be the expected beneficiary demand for the product category in a CBA, then the suppliers' estimated capacity is lowered to 20%.

If a supplier, however, is awarded a contract, these rules do not prevent the supplier from expanding beyond the 20% cap. This cap only applies when determining winning suppliers. As just discussed, a supplier's reported estimated capacity is verified against the supplier's claims history and assessed using the submitted financial documents. If necessary, the capacity is adjusted.

Page 10.

A composite bid for each product category is calculated for each qualified bidder using the formula described in the final rule. The item's weight is multiplied by the supplier's bid amount for the item, and then summed across for all items in the product

category, resulting in a composite bid for the product category in a CBA. So using the DMEPOS historical data, weight estimates are assigned to each item and each product category based on the national volume of items in proportion to the national volume for all items in the product category.

So the weight is the same for all the CBAs. The weights are displayed on the bidding sheet on Form B in DBidS and also listed on the bidding information charts or worksheets posted to the website, and we went over these bidding information charts in our last call.

All the composite bids for the product category in the CBA are then arrayed or ordered from the lowest to the highest.

Page 11.

The pivotal bid is set where 100% of the projected beneficiary demand for all items in the product category is met by the suppliers' cumulative capacity. Suppliers that are at or below the pivotal bid and meet the eligibility, accreditation and financial requirements are offered contracts.

Only qualified bids -- those that are not disqualified for any exclusionary criterion, such as eligibility, common ownership, accreditation, incomplete documentation, poor financials, and so forth -- only the qualified bids are considered in the determination of the pivotal bid.

Page 12.

The median of the bid amounts submitted for each item by the winning suppliers is identified. The median bid amount is not the highest or the lowest or an average, but the median amount. For example, there are three winning bid amounts for item X in the CBA, say, \$16, \$21, and \$23. The median amount is \$21. This amount then becomes the single payment amount or the new payment amount for that item in the CBA. Contract suppliers would be paid the single payment amount when they provide a bid item to a Medicare beneficiary who resides in and/or visits the CBA.

Now, as a reminder, the payment amount is always based on the permanent residence of the beneficiary. Therefore, whenever a bid item is provided to a beneficiary who permanently resides in a CBA, the supplier will be paid the single payment amount for that CBA.

This also applies to the traveling beneficiary discussed in our previous call. If a beneficiary who lives in a CBA travels to an area that's not included in the competitive bidding program and obtains a bid item, the supplier will be paid the single payment amount for the CBA where the beneficiary permanently resides.

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As we discussed in the call last week, too, the final rule includes a 30% target for small supplier participation in the program. It's important to remember that this process does not limit the number of small suppliers that are offered contracts. And you'll see on this slide an overview of the process that was discussed last week.

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A letter is sent to the qualified suppliers at or below the pivotal bid and to any qualified small supplier that may have been added to meet the small supplier target informing them of the contract offer. The contract; the locations, which are identified by the NSC numbers; and the single payment amount for the items in the product category for the CBA are included with the notification. Only locations identified in DBiDS will be listed on the contract and will be eligible for payment of competitively bid items.

Suppliers whose composite bid amounts for the product category in the CBA that were above the winning range are also notified. In some cases, it may be that a supplier could be offered a contract for one product category in a CBA and not for another in the same or different CBA.

Suppliers that are disqualified because their bids do not meet program requirements are also notified by mail and provided the reason for the exclusion, such as not meeting enrollment standards or not submitting the bona fide bid that complies with the terms in the RFB.

If it's determined that additional suppliers are needed to meet beneficiaries' needs, because a number of suppliers do not accept the contract we offered, then we will offer contracts to qualified suppliers above the winning range. Again, when suppliers are added, either to meet the small supplier target or

after the initial offer, it does not affect the single payment amount determination.

This takes us to the conclusion of the bid evaluation process. But, before we open up the phone lines for your questions, I want to point out again some important resources to assist you with the bidding process.

On the next page, Page 15, you will see the phone number for the Competitive Bidding Customer Service Center, 1-877-577-5331. So give us a call if you have any questions. The center is open from 9:00 am to 9:00 pm Monday through Friday.

Also, we encourage you to please take advantage of the valuable resources on the Web site as you go through the bidding process. New resources and tools will be posted to the website soon.

If you have questions about enrollment, accreditation, licensure, subcontracting, or surety bonds, you can find the information on the NSC website or give them a call. And the CMS website also has important information about these issues and the program.

One more thing before we take your questions, again I want to remind everyone that registration is still open. Authorized officials should be registered by now but still have time to register. And we strongly encourage the backup authorized officials to register by October 9, which is a week from this Friday. Again, early registration allows time for the authorized official and/or the backup authorized official to approve others

request to have access to DBiDS and to make any necessary changes or updates before registration closes on Wednesday, November 4.

As I mentioned earlier at the beginning of this call, on the next call we'll go through the online bidding system, or DBiDS, and also talk about the hardcopy documents (again) that should be included in your package.

Briefly, as a reminder, during the following two calls, there'll be no formal presentation, and we'll spend the time responding to your questions on any topic. You can submit your general questions ahead of time to the email address on the next page. So we'll spend about 30 minutes responding to the submitted questions and then we'll open up the lines for the other questions.

So on Page 16, send your questions to - your general questions that you want answered during the open calls to cbic.teleconference@palmettogba.com . Again, if you've got specific questions about your organization, or if you've got feedback or comments on today's call, then send your email to cbic.admin@palmettogba.com .

Now, we'll open up the phone lines for your questions, and we ask that you please limit your questions to today's topic and only ask one question because of our limited time today.

Natalie Highsmith: Okay, Sarah if you can just remind everyone on how to get into the queue to ask a question. And everyone, please remember when it is your turn, to restate your name, what

state you are calling from, and what provider or organization you are representing today.

Operator: At this time, I'd like to remind everyone in order to ask a question, please press star then the number 1 on your telephone keypad.

And your first question comes from the line of Jerry Waller from California. Your line is open.

Jerry Waller: Hi. Yeah, this is Jerry Waller.

I don't have a question - well, I sort of have a question regarding the accreditation reporting. There's been a lot of confusion stating you have to, if you were accredited prior to 2009 that you had to submit an 855S. But, in checking with the NSC, we find the major accrediting bodies such as the Joint Commission had submitted that information to them electronically, and that the 855S was neither needed nor recommended because of the workload. Do you have any clarification on that?

Cindy Dreher: Jerry, I do not. That's part of the NSC process of the accreditation. So, I don't know anything further on that process.

Jerry Waller: Okay. Thank you.

Operator: Your next question comes from the line of Simon Russell from Florida. Your line is open.

Simon Russell: Hi. This is Simon Russell from CourierMed in Florida.

I was a first round bidder and we're a nationwide diabetic DME. We didn't win a contract or get awarded the contract because the bids came in at 53% off the allowable. I was looking at the bona fide bids, and we put a lot of time into working out what we could bid. And I could pretty much stretch it at 25% off the allowable. Fifty-three percent is very, very hard for me. Most major brands of diabetic supplies I can't even buy with that sort of discount. So, how did the bid come in at 53% off?

Cindy Dreher: Simon, what I can tell you is how the single payment amount is derived. And again, what we do is we take the qualified winning supplier's bid and then we take the bid amount, that's the medium amount -- again, that's the amount that's in the middle, not the highest...

Simon Russell: No, no. I understand how you come...

((Crosstalk))

Cindy Dreher: ...single payment amount. And suppliers submit these bid amounts, and that's the amount that they've determined that they are able to provide the items for.

Simon Russell: Okay. I understand.

Cindy Dreher: So beyond that, I can't tell you now the 53% or 20%...

Simon Russell: No, no...

Cindy Dreher: ...or whatever that you mentioned. That's the process in how it works.

Again, for a bona fide bid amount, what we're looking for is a realistic bid amount that can be supported by some kind of documentation like a manufacturer's invoice. So if it comes in unrealistically low, then we will contact that supplier and ask for that type of documentation.

Simon Russell: And I totally understand that. I understand that portion of it. But it does say - I know what I pay and what pretty much of the rest of the industry pays for, you know, different types of the strips and lancets, that kind of stuff. With the 53%, all the major brands become too expensive for us to buy to provide to Medicare providers - to Medicare beneficiaries. So - and it states that we're going to provide them too - we have to provide what we do to non-Medicare beneficiaries, the same as we do some Medicare beneficiaries as laid out in section - where was it? E or C or...

((Crosstalk))

Cindy Dreher: Right. That's part of the contract that you can't discriminate against Medicare beneficiaries.

Simon Russell: That's probably correct. It comes to me that it's essentially impossible, that this is not a viable business at that bid. I mean, you must have waited for you to be able to go the providers if you think the bid is way too low to say give me some of your manufacturer's invoices. There's no way that they could turn

around with the one touches and everything else, and show you an invoice where they're making money on this.

I mean, you must have that information already, to say this is not a bona fide bid because you must know what the cost of - the average cost of these individual products are.

Cindy Dreher: Yeah. And, Simon, we're going to have to go on to the next caller. Again, the process is validated. There're quality checks throughout it and we base those, the single payment amounts, on the winning suppliers' bids that they submitted to us.

Operator: Your next question comes from the line of Dana Picard. Your line is open.

Dana Picard: Yes. I'm Dana (unintelligible)...

Cindy Dreher: Dana, you're breaking up a bit. I can't hear you.

Dana Picard: My name is Dana Picard, I'm calling from Diabetic Solutions in Florida.

Cindy Dreher: Okay.

Dana Picard: And I had a question regarding the - under the Evaluation of Financial Strength, you know, it says that you're going to adjust the capacity based on financial score. Now, let's just say, you know, my financial score is a 90, and XYZ company financial score is an 85. I mean, both scores are excellent scores and it shows that the company is financially strong and so forth, you know, they both qualify. You would throw out, you know, the

score that came in 85 versus my score that came in at a 90 because of, you know, basing capacity based on that?

I mean, that's kind of like a subjective take on things and that's not objective. You're saying to Supplier B, you know, who comes in an 85 credit score, you know, that "Oh, you're not good enough to expand because, you know, a diabetic supply company with score 90 is better for expansion."

((Crosstalk))

Dana Picard: I mean, the whole companies are equally are just about as good.

Cindy Dreher: Dana, there is a - it's not a subjective process, I assure you. The bidders submit financial documents (such as their tax extracts, their financial statements), are assigned a certain point range, and then there is a total score that comes up. Also, we look at their expansion plans and we look at their past claims history.

So, it's not a subjective process. It's been very well thought out with a lot of quality checks, so that suppliers that are financially viable are allowed to participate and continue on through the bid evaluation process. So, it's not as random as described.

((Crosstalk))

Dana Picard: Okay. Let's say it was - our situation (unintelligible) reversed. My credit score was 85 and the other company's credit score

was a 90, it doesn't mean that I can expand better than a company who had a score of a 90, you know, and that's...

Cindy Dreher: That's right. And we're going to look at all of that and...

((Crosstalk))

Cindy Dreher: ...make sure that the suppliers that are allowed to continue further are financially viable and will be evaluated.

Dana Picard: So, my point is, that doesn't mean that I can expand just equally as well as somebody who got a credit score of 90. I mean, I can't expand, you know, and...

Cindy Dreher: Yeah. That's right, and that's what we'll see through your financial documents.

Dana Picard: Well, it's still to me, it sounds like a subjective opinion and really not objective, just because they're based on financial score. I mean, that doesn't say that, you know, I can have a 70 financial score and I can expand because I'm not organized and everything is all - the ducks are in a row, you know.

Joel Kaiser: Yeah. Hi, this is Joel Kaiser from CMS. And...

Dana Picard: Hi, Joel.

Joel Kaiser: Hello. The mandate of the statute is that before we award a contract, we have to make sure that the supplier meets the financial standards set by the Secretary.

So, as we've explained, we have the financial ratios and the credit score that we use to construct a score for each supplier. And, you know, we put a lot of thought and analysis in to considering where the breakpoints are in terms of a supplier has a certain score that's below a certain threshold. That threshold indicates that the supplier is not viable. So, we won't consider them for a contract.

Then, as we've also explained, we have the second threshold. If you score above the first threshold, but below the second threshold, we consider you to be a viable business - that you will be around for the contract period; you'll be able to function as the contract specifies. But we don't, you know, we're not confident that you'll be able to function at an expanded capacity. And so, we discount the capacity down to historic in those situations. And then if you're above both thresholds, then we will accept that expanded capacity that you've reported.

So, you know, there has been a lot of thought into where those cut points are, you know, where the thresholds are for considering you to be a viable supplier and to consider whether or not you're a viable growth supplier. But we have put a lot of thoughts and analysis into that.

Dana Picard: That was very good.

Now the gentleman that just called previously about the diabetic supplies, I mean, I have huge contracts with every one of the major manufacturers. California is pricing on the diabetic supplies at \$17 a box. I mean, there's absolutely no way I could

have accepted a contract at that price because our contract price is higher than that.

And we deal with a lot of endocrinologists who specialize in diabetes, and they are not going to have their patients going on some cheapie generic products. That doesn't work and doesn't have support by a customer service representative who, you know, patients have - elderly folks have problems using products and they needed a customer service line that's going to be able to help them out.

Seventeen dollars a box, there's absolutely no way. And these physicians that we deal with are not going to prescribe inferior products to their patients to how - and we're required to list the brand names and the NDC numbers of the products that we're supplying. People can say they're going to supply them, but I'm going to tell you, what's going to happen. They're not.

And that was the problem that happened last year. How are you going to resolve that to prove way in advance before these contracts, you know, are awarded? I mean, \$17 a box, there's no way a company can - you're losing money. So nobody would take Medicare.

Suppliers like me would not take Medicare when we're going to lose money. How are you going to prevent this from happening upfront?

Joel Kaiser: Well, what we do is, as Cindy explained, we would look at unrealistically, you know, low bids and look at the invoices. So, we will be careful to make sure that there are deals in place

with manufacturers to obtain those testing supplies at or below the amount that they bid. And we'll be doing a thorough analysis of those lower bids to ensure that they are viable, that they are bona fide.

Dana Picard: I mean, at \$17 a box in California, there's no way that anybody can provide a name brand product at \$17 a box. That's a huge problem. Any name brand, I'm talking Johnson & Johnson, Lifescan, Bayer, Roche, Abbott, you cannot supply any of those strips at \$17 a box. None. None.

I mean, so this is, you know, for it to be awarded and already approved, you know, shows that it does not going to work, I mean, but you allowed it to go through last year at \$17 a box. I mean, obviously, you didn't do the checks and balances.

Cindy Dreher: Dana, we're going to have to move on to the next question and we appreciate your comments.

Operator: Your next question comes from the line of Christy Clark from Florida.

Your line is open.

Christy Clark: Hi. My name is Christy Clark from Florida and the name of our company is 3B Financial. And my question is about specialty suppliers. We formed a company, and that company handles only our own nursing homes, which is probably about 10. Are we considered the specialty supplier or do you have to be...

Cindy Dreher: Christy, specialty suppliers are only skilled nursing facilities and nursing facilities. So, if you aren't classified as a SNF or a NF with the NSC, then no, you're not a specialty supplier.

Christy Clark: Even though we only handle SNFs or NFs?

Cindy Dreher: That's right.

((Crosstalk))

Christy Clark: Our own. Yes.

Cindy Dreher: Only SNFs and NFs can bid as a specialty supplier.

Christy Clark: So, we would have to register with the NSC for each nursing home that we have.

Cindy Dreher: You would register with the NSC for your location, for your own...

((Crosstalk))

Cindy Dreher: You can't register with the NSC as a specialty supplier. What you would register with the NSC is you would designate yourself as a SNF or a NF, and that would qualify you as a specialty supplier.

Christy Clark: And I still have time to do that.

Cindy Dreher: If you're a skilled nursing facility.

Man: Does the nursing facility have to be accredited?

Cindy Dreher: Yes.

Man: So, we have our - we're a management company. We have our own Part B billing companies for only our own nursing home. We cannot register as a specialty supplier?

Cindy Dreher: No, you cannot. Only if you are a skilled nursing facility or a nursing facility that has residents.

Man: Okay.

Natalie Highsmith: Okay. Next question, please.

Operator: Your next question comes from the line of Alex Bennewith.

Your line is open.

Alex Bennewith: Thank you. Cindy, thank you for the presentation. I just wanted to clarify one of the points that you made. I'm sorry, I'm with the American Association for Homecare.

You mentioned the notification to contract awardees at or below the pivotal bid, and you mentioned that would include some additional information. Could you repeat that part?

Cindy Dreher: Sure. When we send the contract offers, is that what you're referring to?

Alex Bennewith: Yeah.

Cindy Dreher: Right. Within the contract offer, there's a letter. There's also the contract. There is a listing of the locations that are being included as part of that contract, and they're identified by the NSC number. And there's a listing of the product category, the items in the product categories for which the supplier has won a bid with the single payment amount for those items.

Alex Bennewith: Okay. Thank you.

Cindy Dreher: You're welcome.

Operator: Your next question comes from the line of Troy Olhausen from Arizona.

Your line is open.

Troy Olhausen: Hi. Yes. I have a quick statement I'd like to make, is on your Web site for the CBIC. I'd like to know if you could have a new section. Instead of updating each page, if you could - because right now we have to go through like 20 different pages and find out what's been updated. If you had a "What's New" section we could see at a glance easily without having to spend a lot of time from websites...

((Crosstalk))

Cindy Dreher: Yeah, Troy, that's a great idea and as a matter of fact we're working on that now.

Troy Olhausen: Okay. Then the other question that I had was that if company submits a bid and you go through and you award them a bid or a contract, and then it's found that they did not meet the licensure requirements, are you going to remove all of their bids or just that one area?

Cindy Dreher: Well, first of all, we will check the licensure requirements up front so they will not be awarded a contract if they don't meet that licensure requirement. Now, after a contract is awarded and something may happen to that location or have an inactive NSC number or that's revoked or whatever, then the contract will be considered breached. But, we will check the licensure requirement before the contract is offered.

Troy Olhausen: Okay. Thank you.

Cindy Dreher: Uh-huh.

Operator: Your next question comes from the line of Adelina Amat from Florida.

Your line is open.

Adelina Amat: Hi. We're working with some of the categories. And we went into the PDAC website and found that there were some items that you did not show any manufacturers for, because I guess the products weren't available, they weren't reviewed. What do we do in that instance? Do we just get another product that has not been reviewed?

((Crosstalk))

Cindy Dreher: No. First of all, it's important to remember that the PDAC doesn't have manufacturer information for every item and all the party categories. They only are required to evaluate certain items and certain products. And so you shouldn't rely on the PDAC's information as your sole source.

Adelina Amat: Okay.

Cindy Dreher: So, if you can't find it in the PDAC, then you need to search other places for that manufacturer information.

Adelina Amat: Okay. I just wanted to know that we could use other ones that were not listed there.

Cindy Dreher: Oh, certainly.

Adelina Amat: Okay. Thank you.

Cindy Dreher: Thank you.

Operator: Your next question comes from the line of Richard Pennington from California.

Your line is open.

Richard Pennington: Hi. My question has to deal with capacity and the ability to refuse orders that we receive from hospitals. So, basically if we bid that we can handle 30 oxygen concentrators a month and all of a sudden we get 65 oxygen concentrator orders a month, are we allowed to refuse the excess orders?

Cindy Dreher: Well, Rich we talked about this I think in one of the previous calls. As a contract supplier, you are expected to service of any Medicare beneficiaries that reside in or visit the CBA. And your contract will say that you cannot refuse a beneficiary that's in a contract area.

However, I believe Joel explained it earlier that, if you don't have - for whatever reason- don't have those supplies on hand at that time, then you can work with that beneficiary to find another contract supplier so you can help them. But we will be monitoring that and, you know, it certainly shouldn't occur on a regular basis.

Richard Pennington: Okay. Thank you.

Cindy Dreher: Thank you.

Operator: Your next question comes from the line of Mike Walsh from Utah.

Your line is open.

Mike Walsh: Hello. This is Mike from Western Diabetic Supplies in Utah. And first, I'd like to say that, you know, I support all of the comments about what happened with Round 1 on diabetic supplies. And my concern is that without some sort of statement indicating that maybe those initial bids would have been eliminated, or should have been eliminated, there's a lot of risks that the same thing is going to happen again, and people aren't going to be able to actually, you know, accept

those contracts and provide to beneficiaries and people with truly bona fide bids will be excluded.

Having said that, I guess I'd like to ask a question, and that is, if those financial ratios at the different levels are actually determined, is there any place where those are listed, so we know what the kind of go/no-go criteria are for those financial ratios?

Cindy Dreher: Yeah, the financial ratios have been posted to the website. And so you can find them there.

((Crosstalk))

Cindy Dreher: There are 10 financial measures or ratios.

Mike Walsh: With the specific values that...

Cindy Dreher: The values are not provided; just the measures that we'll use.

Mike Walsh: Would you anticipate providing the values that will be - for which the criteria will be based?

Cindy Dreher: No, we will not be providing the actual scoring of the values that are assigned to each one of those measures because that's considered procurement business sensitive, and it won't be released.

Mike Walsh: Okay.

Cindy Dreher: Just, the measures themselves.

Mike Walsh: Okay. Thank you very much.

Cindy Dreher: Thank you.

Operator: Your next question comes from the line of Jeff Souza from California.

Your line is open.

Jeff Souza: I was following up on the question about the manufacturers and details. I mean going through our form B business, trying to get some of that together, it refers to certain HCPCS that we need to identify utilization on for our company as well as manufacturer's details. But I can't find anywhere on the Web site where those high utilization HCPCS have been identified for any of the product categories for CBAs.

Cindy Dreher: Jeff, that will be showing in the - when you get into the DBidS application itself, it will post those HCPCS codes that you need to provide that information for. So, it will be populated in there.

Jeff Souza: So, there's no way for us to start gathering that information before DBidS opens next.

Cindy Dreher: No, not – right now. It's based on the top HCPCS codes in that product category.

Jeff Souza: All right. Can that be determined by looking at the weighting values at all or is it going to be different?

Cindy Dreher: No, you just have to post once the DBidS opens in October.

Jeff Souza: Okay.

Cindy Dreher: It'll be on that form then.

Jeff Souza: Then, a quick question on accreditation. There's also on the form, it asks about which products were specifically accredited for. Is there a list that's going to be in DBidS? Or how do we know, you know, what the answer is to which product?

Cindy Dreher: Yes. When you go through the DBidS application and when you join us next week for the call and you'll - this will be a lot more clear to you. When we go through the application, you'll be asked to select the product categories in the CBAs. And then you'll be asked is this location accredited for this product category in the CBA.

Jeff Souza: By product category, you're referring to the bidding category?

Cindy Dreher: Exactly.

((Crosstalk))

Cindy Dreher: ...like oxygen or diabetic supplies, those are the product categories.

Jeff Souza: So, you're suggesting that what the accreditation organization submitted to NSC and to CMS relate to the product categories that are used for bidding?

Cindy Dreher: Well, the locations have to be accredited for the specific product category and meet those quality standards. So, we will be verifying that that location is accredited for that particular product category.

Jeff Souza: So in the case of accreditation for a nursing facility, they need to be accredited as a DMEPOS supplier in a particular product category, meaning (unintelligible)?

Cindy Dreher: If the quality standards require a product specific accreditation. And not all product categories require a product specific accreditation.

Jeff Souza: And it's identified on the Web site which ones do and which ones don't.

Cindy Dreher: And you'd have to talk to the accrediting organization.

Jeff Souza: All right. Thank you. I'll do that.

Cindy Dreher: Thank you.

Operator: Your next question comes from the line of Andrew Pyrih from Pennsylvania.

Your line is open.

Andrew Pyrih: Hi. Good afternoon.

Cindy Dreher: Good afternoon.

((Crosstalk))

Andrew Pyrih: I'm representing Landauer-Metropolitan. And my question has to do with - in Round 1 you were able to bid outside into a new CBA area not currently covering. And I'm curious on what standards or how the evaluation is going to differ for somebody who's not currently servicing patients in a CBA that they are considering bidding on?

Cindy Dreher: Well, the rules are the same this time as it was last time. So, if you can submit a bid for a CBA where you don't have a physical location only if your existing locations can serve the beneficiaries in that CBA. So, you cannot submit a bid with the intent of opening a location should you be awarded the contract in that CBA. And that location must meet all of the standards, meet all the eligibility requirements as any other location would.

Andrew Pyrih: Could you restate the first part of that again about the servicing location and then expanding?

Cindy Dreher: Again, that you can submit a bid for a location that's not physically located within a CBA, but your existing locations have to be able to service the beneficiaries in that CBA. You cannot submit a bid with the intent of opening a location should you be awarded the contract...

Andrew Pyrih: Understood.

Cindy Dreher: Because, again as we talked about in an earlier call, we award contracts to locations that are accredited, that are bonded, that

have active NSC numbers. And so, those locations must meet those eligibility requirements.

((Crosstalk))

Martha Kuespert: Hi. This is Martha Kuespert. I would just like to add on to what Cindy said.

You know, it's very important to recognize that these locations that are bidding outside of the area where they're located, they have to be able to furnish services to beneficiaries on day 1. We've talked about eligibility criteria. To submit a bid, you've got to be licensed in that area. We're going to be checking upfront if, you know, you want to bid in an area and you're not licensed, that's not going to work. You have to make sure that you're accredited. You really have to make sure that you are going to be qualified to serve the patients in those areas. And we're going to be looking at this very carefully.

Thank you.

Natalie Highsmith: Okay, Sarah, we have time to take one final question.

Operator: Your next question comes from the line of Chris Rice from California.

Your line is open.

Chris Rice: Hi, this is Chris Rice in Pynn, California. Thanks for taking my call.

And I have one question for you. Am I understanding this correctly, is the manufacturer's cost and being able to prove that the only test for the bona fide status with regards to...

Cindy Dreher: No, Chris, that was just an example. We would just need to see some kind of documentation that supports that bid amount.

Chris Rice: Okay. So how would you account for overhead or anything additional to that?

Cindy Dreher: Now, the bona fide bid check is just based on the cost that you can provide that item for.

Chris Rice: Okay. So if we're challenged on that and they ask us to show a proof that we can provide those items, and we provide an invoice that shows X dollars and it matches our bid, what steps does the CBIC take to evaluate that and can it actually be done?

Cindy Dreher: You have to submit some type of documentation such as the manufacturer's invoice, or cost report, or something like that that verifies if you can purchase that item for that amount and provide it to beneficiaries.

Chris Rice: Okay. I understand that. I understand that we would need to show that we can purchase it for that amount of money and that's great. Let's say we provide that to you. On your end, is there some calculation that you're going to do to that item to add an overhead and profit to make sure that it could legitimately be done? Or is just that cost going to be the bona fide number you're looking for?

Cindy Dreher: Yeah, as we discussed it earlier too, that's all we're going to be doing. We're not going to go in and look at, because there's no way for us to do that, your overhead or your, you know, other types of costs. It's just based on the ability to provide that item at that cost based on some type of documentation.

Chris Rice: But, you have the tax return, so you would, within reason, know what the overhead is.

Cindy Dreher: Again, that's the bona fide bid process, and we would not use the tax return for something like that.

Chris Rice: Okay. Thank you for the answer.

Natalie Highsmith: Okay. Sarah, we have passed our 3 o'clock hour here on the East Coast, and I would turn the call over to Martha Kuespert for closing remarks.

Martha Kuespert: Thank you, Natalie.

I'd like to thank everyone again for joining us on this call today. I'd also like to remind everybody that we're interested in your feedback and comments on these Open Door Forum Bidders' conferences. So, if you have any comments that you would like to share with us, please email us at cbic.admin@palmettogba.com. That's one of the email addresses listed on the last page of your PowerPoint presentation for today.

Also, if you have general questions about the bidding process that you'd like to have answered at the open calls coming up in

the future, there is an email address for you to submit those questions that you'd like to get in the queue to answer at those calls.

Our next Special Open Door Forum Bidders' Conference will be held next Wednesday, October 7 from 2 o'clock to 3 o'clock pm Eastern Time, and we hope that you will join us.

Thank you.

Natalie Highsmith: Sarah, can you tell us how many people joined us on the call today?

Operator: We had 546 participants on the line.

Natalie Highsmith: Wonderful. Thank you everyone.

Operator: This concludes today's conference call. You may now disconnect.

END