



# Medicare's DMEPOS Competitive Bidding Program

## *A Better Way for Medicare to Pay for Medical Equipment*

Medicare's Competitive Bidding Program for durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) is an essential tool to help set appropriate payment amounts for medical equipment and supplies. The program reduces out-of-pocket expenses for Medicare beneficiaries and saves the Medicare program money while ensuring beneficiaries continue to receive quality products from accredited suppliers.

Except in nine areas of the country where the program is now in effect for certain items, Medicare pays for DMEPOS items – including oxygen equipment, walkers, wheelchairs, hospital beds and devices used to treat sleep disorders – using a fee schedule that is generally based on historic supplier charges from the 1980s, adjusted for inflation at times, and not on current market prices. Numerous studies by the Office of Inspector General and the Government Accountability Office have shown that the fee schedule amounts for certain DMEPOS items are excessive – sometimes three or four times retail prices and the amounts paid by commercial insurers. Taxpayers and Medicare beneficiaries bear the burden of these excessive payments. Clearly, Medicare needs a better way to pay for DMEPOS items.

### HOW IT WORKS

Under the DMEPOS Competitive Bidding Program, Medicare beneficiaries with Original Medicare who live in competitive bidding areas (CBAs) 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 uses these bids to set a “single payment amount,” which replaces the “fee schedule amount” as payment for each item. The “single payment amount” must be lower than the “fee schedule amount.” All suppliers are thoroughly screened to make sure they meet Medicare requirements, including eligibility and financial, quality, and accreditation standards, before they are awarded contracts.

Beneficiaries who obtain competitively bid items in CBAs will usually need to get these items from contract suppliers if they want Medicare to help pay for the items. In certain situations, beneficiaries in program areas who rent oxygen or certain other durable medical equipment may continue renting these items from their current suppliers if their current suppliers become grandfathered suppliers.

## PROVEN RESULTS

Competitive bidding for DMEPOS is proven to save money for taxpayers and Medicare beneficiaries while maintaining access to quality DMEPOS items and services.

Round One of the Competitive Bidding Program, which went into effect on January 1, 2011, has resulted in better value for Medicare and beneficiaries, with lower prices and continued access to quality items from qualified suppliers. In its first year of operation alone, the program saved Original Medicare approximately \$202.1 million, while maintaining beneficiary access to quality products from accredited suppliers.

Medicare employs a wide range of resources to monitor the program, including the 1-800-MEDICARE call center, an ombudsman program, local environmental scanning, secret shopping, and a sophisticated real-time claims monitoring system. For Round One:

- Beneficiary health status outcomes have been preserved and are stable in CBAs
- The program has yielded a drop in expenditures of over 42 percent in the nine markets currently participating in the program
- 51 percent of contracts were awarded to small businesses
- Most inquiries to the 1-800-MEDICARE call center have been about routine matters like finding a contract supplier, and there have been very few complaints

Health outcomes data are available at [www.cms.gov/DMEPOSCompetitiveBid/](http://www.cms.gov/DMEPOSCompetitiveBid/).

The program will next expand to an additional 91 areas of the country for some of the most expensive and frequently used DMEPOS items. At the same time, Medicare will also implement a national mail order program for diabetic testing supplies. As a result, millions of Medicare beneficiaries across the country will save money from competitive pricing, while continuing to have access to quality medical equipment from accredited suppliers.

The long-term savings for taxpayers and Medicare beneficiaries will be substantial. Medicare expects to save \$25.7 billion between 2013 and 2022 as a result of the program. Medicare beneficiaries are expected to save \$17.1 billion over the same period.

## IMPLEMENTATION

### ROUND ONE

#### Round One Product Categories:

- Oxygen, oxygen equipment, and supplies
- 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) devices, respiratory assist devices (RADs) and related supplies and accessories
- Hospital beds and related accessories
- Walkers and related accessories
- Support surfaces (Group 2 mattresses and overlays in Miami-Fort Lauderdale-Pompano Beach only)

## **Round One Areas:**

- 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-Kissimmee (Florida)
- Pittsburgh (Pennsylvania)
- Riverside-San Bernardino-Ontario (California)

## ***ROUND TWO AND NATIONAL MAIL ORDER PROGRAM***

### **Round Two Product Categories:**

- Oxygen, oxygen equipment, and supplies
- Standard (Power and Manual) wheelchairs, scooters, and related accessories
- Enteral nutrients, equipment, and supplies
- Continuous Positive Airway Pressure (CPAP) devices and Respiratory Assist Devices (RADs) and related supplies and accessories
- Hospital beds and related accessories
- Walkers and related accessories
- Negative Pressure Wound Therapy pumps and related supplies and accessories
- Support surfaces (Group 2 mattresses and overlays)

Medicare will implement a national mail order program for diabetic testing supplies at the same time as Round Two. The national mail order program will include all parts of the United States, including the 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and American Samoa. The target date for implementation of the new prices and contracts is July 1, 2013.

### **Round Two Areas:**

#### ***Northeast***

- Albany-Schenectady-Troy, NY
- Allentown-Bethlehem-Easton, PA-NJ
- Boston-Cambridge-Quincy, MA-NH
- Bridgeport-Stamford-Norwalk, CT
- Buffalo-Niagara Falls, NY
- Hartford-West Hartford-East Hartford, CT
- New Haven-Milford, CT
- New York-Northern New Jersey-Long Island, NY-NJ-PA
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- Poughkeepsie-Newburgh-Middletown, NY
- Providence-New Bedford-Fall River, RI-MA
- Rochester, NY
- Scranton-Wilkes-Barre, PA
- Springfield, MA
- Syracuse, NY
- Worcester, MA

## Midwest

- Akron, OH
- Chicago-Joliet-Naperville, IL-IN-WI
- Columbus, OH
- Dayton, OH
- Detroit-Warren-Livonia, MI
- Flint, MI
- Grand Rapids-Wyoming, MI
- Huntington-Ashland, WV-KY-OH
- Indianapolis-Carmel, IN
- Milwaukee-Waukesha-West Allis, WI
- Minneapolis-St. Paul-Bloomington, MN-WI
- Omaha-Council Bluffs, NE-IA
- St. Louis, MO-IL
- Toledo, OH
- Wichita, KS
- Youngstown-Warren-Boardman, OH-PA

## West

- Albuquerque, NM
- Bakersfield-Delano, CA
- Boise City-Nampa, ID
- Colorado Springs, CO
- Denver-Aurora-Broomfield, CO
- Fresno, CA
- Honolulu, HI
- Las Vegas-Paradise, NV
- Los Angeles-Long Beach-Santa Ana, CA
- Oxnard-Thousand Oaks-Ventura, CA
- Phoenix-Mesa-Glendale, AZ
- Portland-Vancouver-Hillsboro, OR-WA
- Sacramento--Arden-Arcade--Roseville, CA
- Salt Lake City, UT
- San Diego-Carlsbad-San Marcos, CA
- San Francisco-Oakland-Fremont, CA
- San Jose-Sunnyvale-Santa Clara, CA
- Seattle-Tacoma-Bellevue, WA
- Stockton, CA
- Tucson, AZ
- Visalia-Porterville, CA

## South

- Asheville, NC
- Atlanta-Sandy Springs-Marietta, GA
- Augusta-Richmond County, GA-SC
- Austin-Round Rock-San Marcos, TX
- Baltimore-Towson, MD
- Baton Rouge, LA
- Beaumont-Port Arthur, TX
- Birmingham-Hoover, AL
- Cape Coral-Fort Myers, FL
- Charleston-North Charleston-Summerville, SC
- Chattanooga, TN-GA
- Columbia, SC
- Deltona-Daytona Beach-Ormond Beach, FL
- El Paso, TX
- Greensboro-High Point, NC
- Greenville-Mauldin-Easley, SC
- Houston-Sugar Land-Baytown, TX
- Jackson, MS
- Jacksonville, FL
- Knoxville, TN
- Lakeland-Winter Haven, FL
- Little Rock-North Little Rock-Conway, AR
- Louisville/Jefferson County, KY-IN
- McAllen-Edinburg-Mission, TX
- Memphis, TN-MS-AR
- Nashville-Davidson--Murfreesboro--Franklin, TN
- New Orleans-Metairie-Kenner, LA
- North Port-Bradenton-Sarasota, FL
- Ocala, FL
- Oklahoma City, OK
- Palm Bay-Melbourne-Titusville, FL
- Raleigh-Cary, NC
- Richmond, VA
- San Antonio-New Braunfels, TX
- Tampa-St. Petersburg-Clearwater, FL
- Tulsa, OK
- Virginia Beach-Norfolk-Newport News, VA-NC
- Washington-Arlington-Alexandria, DC-VA-MD-WV

## MORE INFORMATION

To learn more about Medicare's DMEPOS Competitive Bidding Program, visit

[http://www.cms.gov/Outreach-and-Education/Outreach/Partnerships/DMEPOS\\_Toolkit.html](http://www.cms.gov/Outreach-and-Education/Outreach/Partnerships/DMEPOS_Toolkit.html).

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