

**Durable Medical Equipment (DME)  
Medicare Administrative Contractor (MAC) Award  
General Fact Sheet**

January 2007

- On January 6, 2006, the Centers for Medicare & Medicaid Services (CMS) announced the names of the companies being awarded the Durable Medical Equipment Medicare Administrative Contractor (DME MAC) contracts. These contracts are for the administration of Medicare claims from suppliers of durable medical equipment, prosthetics and orthotics.
- The awarding of the DME MAC contracts represents a first step in implementing Medicare Contracting Reform, one of CMS' initiatives designed to improve service to beneficiaries and providers, support the delivery of coordinated and quality care, and provide greater administrative efficiency and effectiveness for fee-for-service Medicare.
- These awards are the first step in the significant reengineering of Medicare's claims administration process and signal a change from the "business as usual" of the past 40 years.
- The Federal Acquisition Regulation (FAR) requirements for full and open competition are being applied in selecting MACs. This will lead to more efficiency and greater accountability of our fee-for-service contractors in the new environment.

***Background***

- Section 1874A of the Social Security Act, as added by Section 911 of the Medicare Modernization Act of 2003 (MMA), requires the Secretary to take needed steps by 2011 to implement Medicare Contracting Reform and thereby replace all current intermediaries and carriers with MACs.
- This portion of MMA necessitates that CMS apply FAR rules when conducting procurements for the MACs.

- CMS had determined that conducting simultaneous competitions for the DME workload of the four specialty jurisdictions would be the optimal first step in implementing Medicare Contracting Reform.
  - Competitions for the four DME MAC jurisdictions meant replacing the Durable Medical Equipment Regional Carriers (DMERCs),
  - The DME claims workload is viewed by CMS as being stable and one where the risk of any significant program disruption to the overall provider and beneficiary community would be minimal
  - This procurement strategy was included in the February 7, 2005 Report to Congress entitled “Medicare Contracting Reform: A Blueprint for a Better Medicare,”
- The four Durable Medical Equipment Regional Carriers processed approximately 71.8 million claims in fiscal year 2005 from suppliers of durable medical equipment, orthotics and prosthetics, amounting to Medicare program benefit payouts of \$9.2 billion.
- The geographical jurisdictions for all future MACs, including the DME MACs, were made public on February 22, 2005. The jurisdictions are distinct geographically and non-overlapping.
- The DME MAC jurisdictions A, B, and C each have slight changes in their geographical boundaries from that of the DMERC jurisdictions because of realignments of a few states. Jurisdiction D is unchanged. The changes in geographical boundaries were spelled out in the February 25, 2005 Federal Register (Vol. 70, No.37, pages 9358-9360) and have been displayed appropriately in all maps of the DME MAC (or specialty MAC) jurisdictions.

### *The DME MAC Awards*

- The DME MAC contracts were awarded in January 2006 and include a base period and four 1-year options.
- The DME MAC awards are the first of the new MACs to be procured under section 1874A of the Social Security Act.
- CMS awarded the DME MAC contracts to companies who submitted proposals that offered the best overall value to the government. Best value is determined by a trade-off technique that allows the Government to consider award to other than the lowest priced/cost offeror or other than the highest technically rated offeror in accordance with the FAR.
- The DME MAC contracts are cost plus award fee contracts.
- In accordance with section 1874A(b)(1)(B) of the Social Security Act, the MAC contracts will have to be recompeted no less frequently than once every 5 years.

- The DME MACs will be responsible for processing Medicare claims for durable medical equipment, orthotics and prosthetics.
- There is an overall reduction in the number of staff that the four DME MACs will need to employ in comparison to the current DMERCs. This reduction is due to both increased efficiencies and the shift of certain work to functional contractors.
- DME MACs will not conduct any medical review, benefit integrity, or fraud investigation work on DME claims. These functions were transitioned to payment safeguard contractors who were awarded that workload in early December 2005.
- In addition to working with the payment safeguard contractors, each DME MAC will be working with other functional contractors with responsibility for specific administrative activities:
  - The Beneficiary Contact Center will handle all initial beneficiary inquiries, restricting DME MAC direct involvement with beneficiaries to only the most complex inquiries.
  - Qualified Independent Contractors will handle all second level claims appeals, per section 521 of the Medicare, Medicaid and SCHIP Benefits and Improvement Protection Act (BIPA).
- In the future, CMS anticipates that each DME MAC also will be working with:
  - A Standard Front End maintainer which will receive all electronic media claims submitted by DME suppliers and route them to the appropriate DME MAC for processing.
  - One or Two Consolidated Data Centers which will handle DME MAC data processing support services that currently are performed by the four DMERCs for themselves.
- The DME MAC contracts have a combined potential value, including all options, of approximately \$389 million.
- The awards for Jurisdiction C and D were protested to the Government Accountability Office (GAO) on January 24, 2006. On May 4, 2006 GAO issued its decision.
  - GAO denied the protest of the award of the DME MAC contract for Jurisdiction D. Therefore, implementation activity that had halted as a result of the protest resumed and Jurisdiction D became fully operational on September 30, 2006.
  - GAO sustained the protest of the award of the DME MAC contract for Jurisdiction C and recommended corrective steps to CMS. In response to the recommendations, CMS reopened discussions with the offerors in the competitive range. After evaluating final proposal revisions, CMS awarded the DME MAC contract for Jurisdiction C to CIGNA Government Services (CGS). On October 6, 2006, the award to CGS was protested to GAO. On January 16, 2007, CMS received notification from

GAO of its decision to deny the protest of the award. Therefore, implementation activity that had halted as a result of the protest was resumed.

- The DME MACs for Jurisdictions A and B immediately began transition activities, and assumed full responsibilities for the work on July 1, 2006. The DME MAC for Jurisdiction D became fully operational on September 30, 2006.
- At this time CMS will not be identifying which of the DME MACs will be awarded the additional work of the four options that were included in the DME MAC request for proposal:
  - National Supplier Clearinghouse
  - Data Analysis and Coding
  - Data Center
  - Medicare Electronic Data Interchange System

The MEDIS and the Data Center options were dropped from award consideration because Jurisdictions A, B and D have already been implemented using non-standard front end systems and individual data centers. Future initiatives of CMS do not warrant awarding these options now. Decisions with respect to the NSC and DAC are pending. In the interim, Palmetto GBA will be providing those services through their contracts for the NSC and Statistical Analysis Durable Medical Equipment Regional Contractor.

### *Identification of DME MACs*

- National Heritage Insurance Company (NHIC) has been awarded the DME MAC contract for Jurisdiction A, encompassing the states of Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.
  - NHIC will operate in Biddeford, ME.
  - The total potential contract value, including the base year and four 1-year options, is \$58.8 million.
- AdminaStar Federal, Inc. (AdminaStar) has been awarded the DME MAC contract for Jurisdiction B, encompassing the states of Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin.
  - AdminaStar will operate in Indianapolis, IN.
  - The total potential contract value, including the base year and four 1-year options, is \$89.9 million.
- CIGNA Government Services (CGS) was awarded the DME MAC contract for Jurisdiction C, encompassing the states of Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia, and West Virginia.
  - CGS will operate in Nashville, TN.

- The total potential contract value, including the base year and four 1-year options, is \$144 million.
- Noridian Administrative Services (Noridian) has been awarded the DME MAC contract for Jurisdiction D encompassing the states and territories of Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Northern Mariana Islands, Oregon, South Dakota, Utah, Washington, and Wyoming.
  - Noridian will operate in Fargo, ND.
  - The total potential contract value, including the base year and four 1-year options, is \$97.4 million.
- Individual fact sheets have been prepared for Jurisdictions A, B, C and D which will include data on the total number of beneficiaries, total number of durable medical equipment suppliers and annual claims volume for the jurisdiction they will serve.