

Pursuant to provisions of the Balanced Budget Act of 1997, this demonstration tests the feasibility and effectiveness of establishing Medicare fees for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) through a competitive bidding process. In the first site of the demonstration, Polk County, Florida, the Centers for Medicare & Medicaid Services (CMS) conducted two rounds of bidding in 1999 and 2001, respectively. Five categories of DMEPOS were put up for bidding: oxygen, hospital beds, urological supplies, surgical dressings, and enteral nutrition. A new fee schedule resulted from the bidding, replacing the statutory fee schedule in the demonstration area. In each round, 16 suppliers were selected; about half of the initial winning suppliers won again in the second round. Texas is the second site of the demonstration. In San Antonio's Bexar, Comal, and Guadalupe counties, the CMS conducted bidding in 2000 for oxygen, hospital beds, wheelchairs and accessories, general orthotics, and nebulizer drugs. Fifty-one suppliers were selected and served Medicare beneficiaries for 23 months beginning in February 2001.

Two interim evaluation reports by the evaluation team (led by Research Triangle Institute) indicated that the demonstration went smoothly. Estimates suggest significant savings from competitive bidding. No major access, quality, or product selection issues surfaced. Medicare's payment procedures under the new system functioned well. Suppliers appear to have adjusted satisfactorily to the new arrangements.

### **Evaluation Highlights:**

- Estimates suggest substantial Medicare savings—17% to 22%--resulted from the three competitions. Fees for most items were reduced by 10 to 30 percent.
- The evaluation has found no significant adverse effects on beneficiaries. Beneficiaries' overall satisfaction with the service from DMEPOS suppliers was similarly high both before and during the demonstration.
- With the possible exception of urological supplies, there have been no systematic reports of a reduction in the quality and selection of goods and services provided to beneficiaries under the demonstration. Available data from site visits and beneficiary surveys suggest that the quality and selection of urological items probably have not deteriorated.
- Survey data from Florida indicated statistically significant declines in access to portable oxygen by new oxygen users, and access to training for surgical dressing and urological supplies users; a possible shift away from home deliveries; and less frequent routine maintenance visits to new medical equipment users.
- During site visits in Texas, some informants described incidents where suppliers provided wheelchair items that were not ordered or not properly adjusted.
- Industry competition has generally remained healthy in the presence of the demonstration.
- Most informants believed that public information and notification activities among beneficiaries, referral agents, and others were effective. Bidding suppliers reported few problems in preparing their bids.