

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Baltimore, Maryland 21244-1850



DATE: June 19, 2008

TO: All Medicare Advantage Organizations, Cost Plans, PACE Organizations and Demonstrations

FROM: Tom Hutchinson, Director
Medicare Plan Payment Group

SUBJECT: DMEPOS Competitive Bidding Program – Impact on Medicare Advantage Plans

Section 1847 of the Social Security Act mandates that competitive bidding payment amounts replace the current Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) fee schedule payment amounts for selected items in selected competitive bidding areas (CBAs). The DMEPOS competitive bidding program changes the way fee-for-service (FFS) Medicare pays for certain DMEPOS items by using bids submitted by DMEPOS suppliers to establish new payment rates and will be phased in beginning in 10 of the largest Metropolitan Statistical Areas (MSAs). The new payment rates will be effective on July 1, 2008 in these 10 areas. In 2009 the program will be expanded into 70 additional MSAs, and into additional areas thereafter. See <http://www.cms.hhs.gov/DMEPOScompetitivebid/> for additional information on this program.

MSAs in which DMEPOS Program Will Be Implemented in July 2008

- 1 – Charlotte-Gastonia-Concord, NC-SC
- 2 – Cincinnati-Middletown, OH-KY-IN
- 3 – Cleveland-Elyria-Mentor, OH
- 4 – Dallas-Fort Worth-Arlington, TX
- 5 – Kansas City, MO-KS
- 6 – Miami-Fort Lauderdale-Miami Beach, FL
- 7 – Orlando, FL
- 8 – Pittsburgh, PA
- 9 – Riverside-San Bernardino-Ontario, CA
- 10 – San Juan-Caguas-Guaynabo, PR

Product Categories for First Round of Competitive Bidding

Round One of the competitive bidding program includes the following 10 DMEPOS product categories.

- 1 – Oxygen Supplies and Equipment*
- 2 – Standard Power Wheelchairs, Scooters, and Related Accessories
- 3 – Complex Rehabilitative Power Wheelchairs and Related Accessories*
- 4 – Mail-Order Diabetic Supplies
- 5 – Enteral Nutrients, Equipment, and Supplies*

- 6 – Continuous Positive Airway Pressure (CPAP) Devices, Respiratory Assist Devices (RADs), and Related Supplies and Accessories
- 7 – Hospital Beds and Related Accessories*
- 8 – Negative Pressure Wound Therapy (NPWT) Pumps and Related Supplies and Accessories*⁺
- 9 – Walkers and Related Accessories
- 10 – Group 2, Support Surfaces - including mattresses and overlays (in Miami CBA only)

* Not included in the Puerto Rico CBA

⁺ Not included in the Kansas City CBA

Impact on Medicare Advantage Plans

The DMEPOS competitive bidding program will potentially impact all MAOs for all MA plan types and Cost HMOs/CMPs since the FFS Medicare reimbursement amount for DMEPOS competitive bid items will be reduced below the current fee schedule payment amount on July 1, 2008 in CBAs. In the unusual event an MAO or Cost HMO/CMP is legally required to reimburse a non-contracting (to the health plan) supplier for DMEPOS competitive bidding items (for instance, in an emergent/urgent situation), the amount reimbursed should be no higher than the original Medicare rate since the supplier is legally required to accept that amount as payment in full. Additionally, all MAOs and Cost HMOs/CMPs should tell members how the DMEPOS competitive bidding program will affect them, including what members should do if they need to change suppliers.

Generally, the DMEPOS competitive bidding program should have no affect on the reimbursement arrangements between MAOs or Cost HMOs/CMPs and contracting (to the health plan) suppliers. That said, since MAOs sponsoring PFFS, MSA, HMOPOS, RPPO and PPO plans are routinely required to reimburse deemed (PFFS only) and non-contracting (to the health plan) suppliers for DMEPOS items, the following items need to be considered.

For MAOs sponsoring PFFS plans that pay “the same as Medicare” to deemed suppliers for whom the amount due for DMEPOS competitive bid items will be reduced on July 1, there are two choices. Such MAOs can either adopt the new DMEPOS competitive bidding reimbursement rates and rules, or they can maintain a higher rate of reimbursement and maintain current rules related DMEPOS access.

MAOs that sponsor PFFS plans that pay “the same as Medicare” to deemed suppliers that adopt the new DMEPOS competitive bidding reimbursement rates and rule must say so in the plan’s Terms and Conditions of payment. They must also inform members of any change this will have on member access to DMEPOS suppliers, member cost sharing for such services, and any transition rules for members currently using such items in a DMEPOS competitive bidding area.

Alternatively, MAOs sponsoring PFFS plans that will not adopt the DMEPOS competitive bidding program rates and rules and that will continue to pay the same, higher pre-July 1st original Medicare rate for DMEPOS competitive bidding items must say so in the plan’s Terms and Conditions of payment. They must also inform members that there will be no change in payment/coverage.

MAOs sponsoring non-PFFS plans where members can routinely self-refer to non-contracting (to the health plan) providers and suppliers (MSA, HMOPOS, RPPO and PPO plans) should tell members if there will be any

new restrictions on the DMEPOS suppliers the MAO will reimburse, or if the amount the MAO will reimburse to DMEPOS suppliers will change.

Finally, Cost HMOs/CMPs should notify members that if they go out-of-network for DMEPOS for competitive bidding items and if they do not follow the original Medicare rules, either the Cost HMO/CMP nor the original Medicare program will pay.

If you have any questions regarding the DMEPOS competitive bidding program, please contact your CMS plan manager. If you have any questions about this HPMS notice, please call Frank Szefflinski at CMS on (303) 844-7119.