

Slide 1:
Contract Award Process
DMEPOS Competitive Bidding Program

Slide 2:
Receive Bids

- Extract data from on-line system daily
- Validate receipt of hardcopy documents
- Secure documents; accessible to only authorized staff

Requirements:

- Final Rule – §414.412
- RFB - pg. 1-6,10-12

Slide 3:
Evaluate Financial Documents

- Verify receipt of all required financial standards documents

Requirements:

- Final Rule – §414.414 (d)
- RFB - pg.10-11

Slide 4:
Determine Basic Eligibility

- Validate data against NSC database for:
 - Active NSC number
 - Local and state licensure
 - Common Ownership
- Validate data against accreditation report

Requirements:

- Final Rule – §414.412 (e), 414.414(b), (c)
- RFB - pg. 1, 2, 4, 9

Slide 5:
Determine Network Eligibility

- Validate network for:
 - Basic eligibility criteria
 - Number of members (limited to 20)
 - Members small suppliers
 - Market share (not to exceed 20%)
 - Complete application

Requirements:

- Final Rule – §§ 414.414(g), 414.418
- RFB - pg. 1, 4, 11-12

Slide 6:

Determine Bid Eligibility

- Validate bid amount(s):
 - Less than or equal to fee schedule
 - Provided for each item in the product category
 - Bona fide
 - Provided by payment class for oxygen product category

Requirements:

- Final Rule – §§ 414.408(f) – (g), 414.412(b) – (c), 414.414(b)
- RFB - pg. 3 - 5, 15 - 16

Slide 7:

Calculate and Array Composite Bids

- Calculate composite bid for each product category in each CBA
 - Item weight x bid amount; summed across all items in product category
- Array composite bids from lowest to highest

Requirements:

- Final Rule – §§ 414.402, 414.414(e)

Slide 8:

Determine Preliminary Pivotal Bids

- Calculate projected demand
- Calculate cumulative capacity
- Array bids from lowest to highest

Requirements:

- Final Rule – § 414.414 (e)

Slide 9:

Evaluate Financial Strength

- Calculate financial ratios
- Determine aggregate financial score
- Compare score to threshold
- Adjust capacity based on financial score
- Calculate estimated cumulative capacity
- Calculate final pivotal bid

Requirements:

- Final Rule – §414.414(d) – (e)
- RFB – pg. 10-11

Slide 10:

Insufficient Capacity

- In some cases, the cumulative capacity of all eligible bidding suppliers did not equal or exceed projected demand for the product category in the CBA
- Contracts offers were not made for 5 product categories in San Juan

Requirements:

- Final Rule – §414.414(h)

Slide 11:

Determine Single Payment Amount

- Bid amounts at or below the pivotal bid
- Extract the median bid amount for each item
- Median bid became the single payment amount

Requirements:

- Final Rule – §§ 414.416(a), (b)

Slide 12:

Small Supplier Provision

- Determine if minimum of 30% of winning suppliers are small suppliers
- Add small suppliers if necessary to meet small supplier requirement

Requirements:

- Final Rule – §§ 414.402, 414.414(g)

Slide 13:

Award Contracts

- Notification to contract awardees
- Notification to bidders above the winning range (price failure)
- Notification to disqualified bidders
- Request for Review
- Escalation Process

Requirements:

- Final Rule – §414.424

Slide 14:

Contract Offers (Second Wave)

- Situations where one or more of the suppliers rejected contract offers
 - Sent second round of contract offers to next lowest bidding suppliers in cases where cumulative capacity of suppliers that accepted contracts did not equal or exceed projected demand
 - In two cases, additional contract offers were not made because the added capacity for remaining eligible suppliers would not have brought cumulative capacity to the level of projected demand

- Cancellation of contracts (NPWT in Kansas City and San Juan)

Slide 15:

*Weighted average savings based on weighted percentage reductions in Medicare allowed payment amounts items in each product category

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Weights used in calculating average reductions were the same weights assigned to each code as part of the Request for Bids

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PRODUCT CATEGORY	Kansas Miami San									Overall
	Charlotte	Cincinnati	Cleveland	Dallas	City	Orlando	Pittsburgh	Riverside	Juan	
Oxygen	30%	30%	27%	23%	25%	29%	32%	28%	22%	INS
PMD Standard	20%	15%	18%	21%	12%	30%	25%	17%	27%	25%
PMD Complex Rehabilitative	10%	19%	17%	19%	10%	18%	20%	10%	11%	INS
Mail-Order Diabetic Supplies	43%	43%	43%	37%	42%	41%	42%	48%	57%	36%
Enteral Nutrition	25%	29%	28%	26%	20%	30%	25%	29%	22%	INS
CPAP/RADs	31%	33%	33%	25%	30%	30%	31%	31%	24%	20%
Hospital Beds	31%	36%	32%	25%	25%	29%	31%	30%	20%	INS
NPWT	9%	15%	18%	20%	INS	20%	23%	18%	7%	INS
Walkers	25%	34%	24%	30%	24%	31%	29%	32%	30%	10%
Support Surfaces						36%				INS
										Overall

"INS" indicates there were not enough qualified, accredited suppliers that submitted bids to ensure that beneficiaries have access to the items and services. Contracts will not be awarded for these product categories in these areas.

This chart reflects an overall average savings of 26 percent less than Medicare's previous payment amounts. Savings for beneficiary out-of-pocket costs and Medicare savings range from 15 percent on PMD complex rehabilitative devices up to as much as 43 percent on mail-order diabetic supplies.

Existing Suppliers vs. Contract Suppliers
See existing_vs_contract_suppliers.zip file

Percentage of Contract Suppliers that are Small Suppliers
See percent_of_small_suppliers.zip file

[illegible]

By Product Category		258	339	73	1414	451	375	268	15	475	40
Total # of Bids That Lost On Another Exclusion (Incomplete Documentation, Lack of Accreditation, Invalid Supplier #)	1030										
By Product Category		117	132	70	96	63	130	162	101	113	46

OF WINNING
 BIDDERS ACCEPTED
 94% CONTRACTS
 OF BIDS SUBMITTED LOST ON PRICE,
 i.e., WERE HIGHER THAN THE
 60% PIVOTAL BID

Slide 19:

Notification to bidders on receipt of hardcopy documentation

- CMS initially planned to notify bidders of any missing hardcopy documents, but, due to systems issues, instead used bidder home pages to allow bidders to check receipt.
- E-mail/List Serve Messages were sent out to all bidders on four separate occasions 9/13/07, 9/17/07, 9/20/07, 9/24/07
 - “The CBIC will not be able to notify bidders of any specific missing documents.

It is the bidders’ responsibility to ensure that they have submitted the complete package of all required hardcopy documents...”

Slide 20:

Breakdown of Reasons for Reviews from Suppliers (shown as pie chart)

Credit Score only, 20, 5%

Cash flow/income statement 154, 42%

Misc (ie. NSC) 24, 7%

Tax Documents (ie. Schedule L) 122, 33%

Bona Fide Bid Issues 32, 9%

Under Review at CBIC 16, 4%

Slide 21:

Examples of Unacceptable Documents

- Credit report but no credit score
- Credit report from unapproved bureau
- Blank Schedule L
- Projected financials when historical data existed

Slides 22, 23, 24

Three samples of letters from accounting firms (all scanned documents) which show how management had elected to not include all financial information