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American Association for Homecare Applauds President Obama's Plan to Aid Small Businesses

Vast Majority of Home Medical Equipment Small Businesses Will Be Closed By Bush Medicare Competitive Bidding Plan

ARLINGTON, VA, March 18, 2009 ----- The American Association for Homecare and its members applaud President Obama's plan to support struggling small businesses by providing \$15 billion in loans to loosen lines of credit. However, the President and the administration could do more and save thousands of additional small businesses in the Medicare home medical equipment (HME) sector by rescinding Bush's last-minute "competitive" bidding regulations. Those regulations, which will have a negative effect on both patients and HME providers, are set to go into effect next month.

"The current 'competitive' bidding initiative in Medicare is a proposal that actually reduces competition, reduces access to quality care for patients, and shuts out thousands of home medical equipment providers—many of which are small businesses," said American Association for Homecare President Tyler J. Wilson. "The process selectively contracts with a limited number of homecare providers based solely on the lowest-bid prices. This results in lowest-common-denominator health care for seniors and people with disabilities, and it results in job losses and bankruptcies for HME providers at a time when the government is trying to preserve jobs," added Wilson.

Despite its misleading title, "competitive" bidding is actually anti-competitive. During its initial implementation in 2008, the vast majority of providers were shut out of the program, proving that the bidding program, in fact, depresses competition and limits patient access and choice. Under this program, most small HME businesses will be forced to close their doors.

This systematic elimination of thousands of homecare providers threatens the quality of and access to care for patients who rely on homecare services and equipment. By increasing the length and cost of hospital stays as the number of home medical equipment providers shrinks, the bidding program will simply shift rising costs to other parts of Medicare. "Competitive" bidding is not the solution to Medicare's reform — and it is not the answer for patients and seniors.

The initial roll-out of the current program in 2008 eliminated 90% of qualified home medical equipment and service providers from serving Medicare's seniors. As predicted by the American Association for Homecare, the program had a negative impact on patients and disastrous results for the thousands of local providers—mostly small businesses—that were excluded from Medicare as a result of the first round of

bidding. The current structure of the bidding program bears no resemblance to the original demonstrations program conducted ten years ago in Polk County, Florida and San Antonio, Texas.

Fortunately, Congress stepped in to delay the program last July. In January, the Centers for Medicare and Medicaid Services (CMS) issued a new rule to implement the program. The Association and its members are asking the President and Congress to rescind this “competitive” bidding rule, which would give Secretary of Health and Human Services designate Gov. Kathleen Sebelius and director of the White House Office of Health Reform, Nancy Ann Minn DeParle, the time required to closely examine this rule and the negative impacts it will have on patients and businesses. For more information about the bidding issue, visit: <http://www.aahomecare.org/competitivebidding>.

Home medical equipment and care is already the most cost-effective, slowest-growing portion of Medicare spending, increasing only 0.75 percent per year according to the most recent National Health Expenditures data. That compares to more than 6 percent annual growth for Medicare spending overall. Home medical equipment represents only 1.6 percent of the Medicare budget. The home medical equipment sector was subjected to a 9.5 percent reimbursement cut that took effect on January 1, 2009.

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The American Association for Homecare represents durable medical equipment providers, manufacturers, and other organizations in the homecare community. Members serve the medical needs of millions of Americans who require oxygen equipment and therapy, mobility assistive technologies, medical supplies, inhalation drug therapy, home infusion, and other medical equipment and services in their homes. The Association’s members operate more than 3,000 homecare locations in all 50 states. Visit www.aahomecare.org.
