



February 8, 2012

The Honorable John Barrasso
The Honorable Max Baucus
The Honorable Xavier Becerra
The Honorable Kevin Brady
The Honorable Dave Camp
The Honorable Ben Cardin
The Honorable Bob Casey
The Honorable Mike Crapo
The Honorable Renee Ellmers
The Honorable Nan Hayworth

The Honorable Jon Kyl
The Honorable Sander Levin
The Honorable Tom Price
The Honorable Jack Reed
The Honorable Tom Reed
The Honorable Allyson Schwartz
The Honorable Fred Upton
The Honorable Chris Van Hollen
The Honorable Greg Walden
The Honorable Henry Waxman

Dear Conferee:

On behalf of the American Association for Homecare (AAHomecare), I'm writing to express strong concerns with the current competitive bidding program for durable medical equipment (DME) in Medicare. In addition to objections raised by the homecare community (DME providers, manufacturers and Medicare beneficiaries alike), over 200 economists and auction experts from around the world have publically stated that the current Medicare competitive bidding program is unsustainable in its current form. It will create significant barriers to access and will destroy the DME infrastructure upon which our seniors and people with disabilities rely. I respectfully request that you work for passage of legislation that would replace the current bid program with a sustainable bid system, known as the market pricing program (MPP), which is supported by the DME sector and many beneficiary and consumer groups. Specifically, I request that you add the MPP proposal into the final conference committee report for H.R. 3630, The Middle Class Tax Relief and Job Creation Act of 2011.

As you know, Congress' objective in requiring the Medicare program to use competitive bidding to establish payment amounts for DME was to reduce Medicare and beneficiary expenditures, while maintaining beneficiaries' access to quality items and service. This objective cannot be met because the Centers for Medicare and Medicaid Services (CMS) has designed a program that does not hold bidders accountable for their bids, does not ensure that bidders are qualified to provide the products in the bid markets, and does not establish reimbursement rates that are financially unsustainable. Unfortunately, patients are already experiencing access problems in Round One areas. Since the January 1, 2011, implementation of this program, hundreds of patients and providers have reported problems and complaints about getting physician-prescribed home medical equipment and services. This program has clearly failed and needs to be replaced as soon as possible.

To fix these serious problems within the competitive bidding structure, the DME sector and economists who are experts in auction systems developed a legislative proposal that fixes the structural flaws. The MPP proposal would require that CMS make some fundamental changes to ensure a sustainable program. It uses an auction system to establish market-based prices around the country. MPP is a modern auction format that represents the current best practice. It is based on the best features from a long history of auction practice. These changes are consistent with Congress' original intent: to create a program that is based on competition and market prices while maintaining beneficiary access to quality items and services. The proposal is intended to be at least budget-neutral.

Key components of MPP are:

- MPP includes the same DME items as the competitive bid program and is implemented across the country in the same timeframe as the competitive bidding program;
- Two product categories are bid per geographic area. Eight additional product categories in that same area would have prices reduced based on auctions conducted simultaneously in comparable geographic areas;
- Bid areas are smaller than metropolitan statistical areas (MSAs), making them more homogeneous and reflective of actual geographic markets;
- Bids are binding and cash deposits are required to ensure only serious bidders participate;
- The bid price is based on the clearing price, not the median price of winners;
- The same areas that are exempted under the competitive bidding program will be exempted under MPP.

I am asking you to work for the inclusion of the MPP proposal in final conference committee report for H.R. 3630. Thank you for your attention to this important issue.

Sincerely,

A handwritten signature in black ink that reads "Tyler J. Wilson". The signature is written in a cursive, flowing style.

Tyler J. Wilson
President