



## **HME Sector Proposal to Fix Medicare's Competitive Bidding Program for Durable Medical Equipment (DME)**

### **Proposal FAQs September 29, 2011**

Congress' objective in requiring the Medicare Program to use competitive bidding to establish payment amounts for DME was to reduce Medicare and beneficiary expenditures, and ensure that beneficiaries have access to quality items and service. This objective cannot be met because CMS has designed a program that does not hold bidders accountable, does not ensure that bidders are qualified to provide the products in the bid markets, and produces bid rates that are financially unsustainable. 244 economic auction experts from around the world agree that the current Medicare competitive bidding program is unsustainable in its current form. It will create significant barriers to access and will destroy the HME infrastructure upon which our seniors and people with disabilities rely. To fix these serious problems, the HME industry has developed a legislative proposal that fixes the fundamental flaws:

#### **1. What is the Market Pricing Proposal?**

- a. The proposal would require the Centers for Medicare and Medicaid Services (CMS) to make some fundamental changes to ensure a financially sustainable program. It uses an auction system to establish market-based prices around the country.
- b. 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.

#### **2. How Does the Proposal Prevent low ball bids?**

- a. Bids are binding and cash deposits are required to ensure only serious bidders participate.
- b. The bid price is based on the clearing price, not the median price of winners.
- c. The capacity rules are improved to ensure that bidders with no local presence cannot overwhelm local bidders with a vested interest in the market.

#### **3. What are Some Key Features?**

- a. Bid areas are smaller than metropolitan statistical areas (MSAs) and more homogeneous.

- b. 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.
- 4. Would it Include the Same Products?**
- a. Yes, the same product categories CMS has chosen for the bid program would be included.
- 5. Would it Cover the Same Areas?**
- a. Yes, the same geographic areas that CMS has included in its bid program would be included.
  - b. As current law requires, rural areas would be excluded for the short term.
- 6. When Would it Be Effective?**
- a. The revised program would be implemented in the same time that CMS has announced for Round 2: July 2013.
- 7. How Much Will it Cost?**
- a. Our objective is to be budget neutral. We are developing a CBO-type score to determine specific potential additional costs or cost savings.
- 8. The Program Maintains but Improves many of the current Program's Features:**
- a. Grandfathering is permitted to ensure beneficiary continuity of care.
  - b. Providers' capacity is limited to historical utilization, with a ceiling of 20 percent.
- 9. Transparency is Critical**
- a. This includes financial and performance standards, capacity allocation, bidding rules, winning awards and performance accountability.