



Caring that Feels Right at Home

Press Release

FOR IMMEDIATE RELEASE: August 10, 2009

CONTACTS: Michael Reinemer, 703-535-1881, michaelr@aahomecare.org
Tilly Gambill, 703-535-1896, tillyg@aahomecare.org

New Economic Study Exposes Faults in Controversial Medicare Competitive Bidding Program Scheduled to Start this Fall

Study Shows that Competitive Bidding Benefits Insurance Companies and Forces Many Seniors to Use Out-of-State Providers

ARLINGTON, VA, August 10, 2009 – The American Association for Homecare hosted a media conference call this afternoon, unveiling a new economic study that exposes severe flaws in the Medicare competitive bidding program for durable medical equipment and services. The bidding program is set to re-start this October. The study, released today by Brian O’Roark, PhD, of Robert Morris University, found that the federal Centers for Medicare and Medicaid Services drastically misread the marketplace and that the current competitive bidding program reduces overall competition and hurts the quality of patient care.

“There is nothing competitive about this misconceived program,” said Tyler J. Wilson, president of the American Association for Homecare. “This study joins an extensive body of evidence showing that this bidding program will produce fewer competitors, fewer homecare services, and lowest-common-denominator healthcare for older Americans and people with disabilities who require medical care at home.”

The study analyzed the results for round one of the bidding program, which took place in ten areas nationwide last year. The bid program, which began on July 1, 2008, was delayed by Congress on July 15, 2008 because of serious flaws in the bidding process. O’Roark’s study revealed several shocking flaws in the competitive bidding program:

- During the bidding implementation, nearly 40 percent of companies awarded durable medical equipment contracts for Pittsburgh patients were **located outside of Pennsylvania.**
- Had the competitive bidding program continued, homecare providers would have had no choice but to **cut service, lengthen patient response times and give up providing some equipment altogether.** Contracts were also awarded to **unlicensed providers**, which would have violated state standards.

- Reduced access and declining quality of care under competitive bidding will **force patients into institutionalized care**. This will lead to higher long-term costs for Medicare—not lower as CMS suggests.
- One group that would benefit from competitive bidding is **private insurance firms**. Medicare reimbursement rates are the gold standard and the basis for reimbursement by all other forms of health insurance. An artificial lowering of Medicare rates is immediately followed by a lowering of all others. As price schedules fall, insurance firms' costs fall with them.

Despite the glaring flaws identified in this study, the competitive bidding program is set to go into effect in late October, 2009.

“The bidding program forces an unsustainable business model on the DME industry,” said study author Brian O’Roark, PhD. “Ninety percent of providers were excluded from participating because they could not meet the bid. Those who qualify are forced to sustain prices for three years—an untenable position for any business.”

The misguided bidding program would allow the government to selectively contract with only a small group of homecare providers, based on lowest-cost, forcing out providers who use high-quality equipment or provide critical patient services. The bidding program ignores the provider’s ability to serve a geographic market, meaning fewer home visits to patients in rural areas. By ignoring the role of service, bidding will result in fewer resources for setting up and adjusting wheelchairs, walkers, and hospital beds.

Despite its misleading title, this bidding program is anti-competitive. During its initial implementation in 2008, the vast majority of providers were shut out of the program. Of the more than 4,000 providers in the initial bidding areas, only 376 were deemed to have met the bidding program requirements, which were not clearly defined. This “competitive” bidding program, in fact, depresses competition and limits patient access and choice.

Joel Marx, CEO of Medical Service Company in Cleveland, Ohio (a round-one bidding area), said, “If we are fortunate (or unfortunate) to be a winning bidder in this ill-conceived program, we will have a fixed price through 2013, minimal competition, and very few incentives to provide exceptional service. Patients will ultimately bear the burden.”

Rob Brant, general manager of City Medical Services in North Miami Beach, Fla. (a round-one bidding area), commented, “Competitive bidding may work for staplers and hammers, but not in a healthcare sector like home medical equipment which is called upon to work with doctors, hospitals and nursing agencies, to properly and safely train, and to provide products and services so patients can live independently in their homes -- and not in facilities like nursing homes.”

“Healthcare services for the elderly and disabled cannot and should not be auctioned off to the lowest bidder,” said Georgetta Blackburn, vice president of Blackburn’s, a home medical provider in Tarentum, Pa. “Quality and access to care will most definitely suffer as the sixty-

five and over population skyrockets and the government excludes 90 percent of qualified, accredited, community providers from servicing their patients.”

Wilson said, “As designed, this bid program will produce a bureaucratic, anti-competitive price-setting system that will have the unintended consequence of reducing quality of, and access to, care for patients. The result would be similar to a closed-model HMO and will have the effect of government-mandated consolidation in the homecare sector.”

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.
