



## Objective of the Annual Inflation Adjustment is to Support DMEPOS Suppliers' Ability to Service Patients

The AAHomecare Diabetes Council is an established coalition within the national association representing Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) suppliers, distributors and other stakeholders committed to serving beneficiaries living with diabetes. The Council represents some of the largest suppliers of continuous glucose monitors (CGMs) and diabetes supplies in the country. Our members are proud to be part of the continuum of care that assures Medicare beneficiaries receive cost effective, safe and reliable home care products and services, such as continuous glucose monitors (CGMs) and insulin pumps. During the Public Health Emergency (PHE), DMEPOS supplier services were critical as diabetes was a risk factor for more severe COVID symptoms. Suppliers continue to offer services and support to ensure beneficiaries are cared for as best as possible.

The annual inflation adjustment applied to DMEPOS items is intended to keep the payment rate on track with general price increases. This is a requirement passed by Congress recognizing the need for inflation adjustments for Medicare providers and suppliers. In addition to costs of purchasing an item from manufacturers, suppliers face increased labor costs, infrastructure costs, delivery costs, and other costs associated with taking care of their patients. **The consumer price index for all urban consumers (CPI-U) applied to DMEPOS payment rates helps suppliers address increased expenses and maintain their businesses.**

An industry study corroborated that DMEPOS reimbursement rates are not sustainable. The study found that on average payment rates just cover 88% of overall costs for suppliers.<sup>i</sup> In addition to the already low rates, suppliers today are experiencing higher operating costs due to the pandemic, high inflation, and increased supply chain strains. In the last year, diabetes suppliers have faced many cost challenges, including:

- Increased manufacturer purchase prices—manufacturers raised CGM purchase prices by 5%-8% for 2022 <sup>ii</sup>
- Increased shipping costs occurred at all levels of the supply chain—shipping costs increased by 250% <sup>iii</sup>
- Increased shipping supply costs – cardboard and packaging material prices increased by 10%-20% <sup>iv</sup>
- Highest inflation in 40 years—consumer prices were up 9.1 % <sup>v</sup>

Unlike other industries, DMEPOS suppliers are not able to adjust the price of their services to offset their operational costs. In addition, many other payers follow Medicare rates, which means the annual inflation adjustment is the only opportunity to raise the rate to keep up with cost increases. Due to these limitations, the annual CPI-U adjustment is a lifeline for suppliers to maintain their businesses and continue to serve their patients.

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<sup>i</sup> Dobson DaVanzo & Associates, LLC, Analysis of the Cost of Providing Durable Medical Equipment to the Medicare Population: Measuring the Impact of Competitive Bidding (2016).

[https://www.aahomecare.org/uploads/userfiles/files/documents/Studies/DME%20Cost%20Study/Full\\_Report\\_-\\_AAHomecare\\_Dobson\\_DaVanzo\\_True\\_Cost\\_Study\\_Report\\_10.18.16\\_FIN.pdf](https://www.aahomecare.org/uploads/userfiles/files/documents/Studies/DME%20Cost%20Study/Full_Report_-_AAHomecare_Dobson_DaVanzo_True_Cost_Study_Report_10.18.16_FIN.pdf)

<sup>ii</sup> Provided by AAHomecare Diabetes Council member.

<sup>iii</sup> Health Industry Distributors Association, Supply Chain Issues Put Pressure On Costs. Accessed on July 20, 2022:

<https://www.hida.org/uploadedfiles/resources/covid-19/infographics/supply-chain-issues-pressure-costs.pdf>

<sup>iv</sup> Provided by AAHomecare Diabetes Council member.

<sup>v</sup> U.S. Bureau of Labor Statistics, The Economics Daily. Accessed on July 20, 2022:

<https://www.bls.gov/opub/ted/2022/consumer-prices-up-8-6-percent-over-year-ended-may-2022.htm>