

Support H.R. 1717 to Fix Medicare’s Bidding System to Protect Access for Home Medical Equipment

AAHomecare urges members of Congress to support a bipartisan bill to fix Medicare’s durable medical equipment (DME) competitive bidding program by enacting a sustainable market pricing program. The *Medicare DMEPOS Market Pricing Program Act of 2013 (H.R. 1717)*, introduced by Representative Tom Price, MD (R-Ga.) and Representative John Larson (D-Conn.), protects patients’ access to medically required home medical equipment and services by implementing a market-based pricing program that is supported by consumer groups, the DME sector, and auction experts and economists.

Problem

The congressional objective in requiring Medicare to use competitive bidding to establish payment amounts for home medical equipment (durable medical equipment) was intended to reduce Medicare and beneficiary expenditures and ensure that beneficiaries have access to quality items and services. 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. More than 240 market auction experts and economists have warned that the Medicare bidding program is unsustainable in its current form. It creates significant barriers to access and will destroy the DME infrastructure upon which seniors and people with disabilities have come to rely on.

Unfortunately, these concerns were realized when CMS announced the Round 2 rates on January 30, 2013. Based on CMS’ calculations, reimbursement rates will be reduced by an average of 45 percent below current fee schedule rate and 72 percent below current allowables for diabetic supplies. Round 2 payment rates are unrealistically low, unsustainable, and a direct result of CMS disregarding recommendations from auction experts, grave concerns expressed by providers and consumers, and a mandate from Congress to fix the fundamentally flawed program prior to implementation. Nearly 80 percent of providers in the bid areas will be excluded from providing bid items. Sequestration will compound the impact of Round 2 with an additional 2 percent cut.

Solution

To fix these serious problems, Representative Price and Representative Larson introduced market pricing program (MPP) legislation, which will require CMS to make fundamental changes to ensure a financially sustainable bid program for DME items. It uses a state-of-the-art auction system to establish market-based reimbursement rates around the country. These changes, supported by independent auction experts and economists, are consistent with Congress’ original intent: to create a program that is based on competition, while maintaining beneficiary access to quality items and services.

Key components of MPP include:

- MPP is a state-of-the-art auction system that is designed to save as much money as the competitive bidding program;
- MPP includes the same DME items as the competitive bidding program;
- The same areas that are exempt under the competitive bidding program will be exempt under MPP;

- 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;
- MPP pricing will be fully implemented nationwide the first year of the program. Auctions will be held in 20 percent of the country the first year and then an additional 10 percent every year after on a rotating basis. Exclusive two-year contracts will be offered for bid items in auction areas. Reimbursement rates for items in non-auction areas will be set by prices established in auction areas on a yearly basis and can be supplied by any qualified provider.
- Two product categories are bid per auction area. Remaining product categories that are in that same area will have prices adjusted based on auctions conducted simultaneously in comparable geographic areas.
- Bid areas are smaller than metropolitan statistical areas (MSAs) and more homogeneous.

Request

AAHomecare urges members of Congress to cosponsor H.R. 1717, which will stop the current, flawed bidding system and replace it with a sustainable market pricing program. To cosponsor this important piece of legislation, members of the House should contact Representative Price or Representative Larson.