

Competitive Bidding Should Not Expand to Include Ostomy & Urological Supplies

Background

The June 2018 MedPAC report recommended that ostomy and urological supplies be added to the Competitive Bidding Program (CBP) for DMEPOS (Durable Medical Equipment, Prosthetics, Orthotics, and Supplies). Under the CBP, durable medical equipment (DME) suppliers, often called home medical equipment (HME) suppliers, compete for a limited number of contracts to serve Medicare beneficiaries residing in Competitive Bid Areas through an auction program that awards contracts to those with the lowest bid amounts, resulting in a dramatic reduction in competition for suppliers and opportunity to increase market share.

Prescribed ostomy and urological products are used to manage medical conditions that interfere with or do not allow for normal bowel and/or bladder function. These product categories are broad and extremely complex; and the supplies are medically necessary for about one million Americans who have compromised bowel and/or bladder functions. An ostomy, which can include a colostomy, ileostomy, and urostomy, is a surgical opening (stoma) in the body by which fecal matter and urine are emptied into a pouch. Urinary incontinence is the involuntary leakage of urine; supplies include catheters which are inserted into the urethra to drain the bladder. The complexity and uniqueness of product is needed to meet the distinct and highly variable needs of patients to appropriately manage biological waste.

The Centers for Medicare and Medicaid Services (CMS) completed a competitive bidding demonstration project in 2004 that included urological supplies and concluded they are “not well suited” for competitive bidding. In this report, Medicare concluded that “quality may suffer” and ostomy and urological supplies present little competitive potential and limited savings potential on a small dollar base on Medicare expenditures.

Competitive Bidding Should Not be Expanded to Include Ostomy and Urologicals

Including ostomy and urological supplies in the Competitive Bidding Program would significantly diminish the number of unique products available to meet beneficiaries’ distinct needs and would compromise patient health while failing to achieve cost-savings goals.

- **Risk for Commoditization** – The Competitive Bidding Program puts ostomy and urology supplies at risk for commoditization, that is the loss of differentiation in function or functionality. Ostomy and urology products are unique to each person’s clinical needs and are not commodity products. When the CBP Demonstration Projects included urological supplies in 1999 and 2001, CMS’ report pointed to the limited savings potential and “deleterious effect on product selection” that the Competitive Bidding program could have in spite of some products being better suited for individuals than others within a single HCPCS code.
- **Adverse Health Effects** – If product variation decreases as CMS anticipated, many individuals’ health will be compromised. Ill-fitting or inappropriately sized products can result in consequences such as severe skin damage, life-threatening infections, and other health issues that can lead to hospitalizations and other increased costs related to use of products not aligned with the individual patient’s physiology. This is not good policy or sound program management.

- **Limited Savings Potential** – CMS’ evaluation of the Demonstration Projects that included ostomy noted that urological supplies “tended to have relatively low allowed charges and low numbers of suppliers. Both characteristics may not indicate sufficient potential for total savings and competition that would lead to significant price reductions.”

Patient advocacy groups, including United Spinal Association and Spina Bifida Association, as well as the United Ostomy Associations of America share AAHomecare’s concern that including these products in the CBP would have a damaging impact on patient access to the variety of customized products needed to manage their medical conditions, and avoid life-threatening infections and complications.

CMS’ own evaluation of the demonstration projects that included urologicals pointed to various challenges with urologicals as a competitively bid item. Below are some of the excerpts from CMS’ reports to Congress:

- “In a product with relatively few suppliers, quality may suffer if several of the winning suppliers are inexperienced, perceived access may fall if patients prefer local suppliers and several of the winning suppliers are located outside the area, and product selection could be reduced if several winning suppliers adopt more limited product lines.”
- “For urological supplies, it became apparent that suppliers need to be knowledgeable about this product and that beneficiaries would benefit from a wide selection of products to accommodate different needs.”
- “Quality problems are most likely to occur in the urological supplies product category.”
- “... Because urological supplies are very personal items, the patient often has brand and product preferences. Moreover, even within a single HCPCS codes, some products may better match a patient’s needs than another.”
- “Some product categories, especially smaller ones such as urological supplies, may be vulnerable to a lessening of product selection under reduced prices. Some urological supplies are associated with strong patient preferences, and therefore may be particularly vulnerable to supplier market strategies that narrow patient choice.”

Solution

CMS should not expand the CBP to include these products in exchange for the potential of immaterial savings and the likelihood of adverse impact on patient health.

Our Ask:

Congress should ensure beneficiaries continue to have access to the broad array of ostomy and urological supplies to meet their unique medical needs.