

# Competitive Bidding Reform Needed as 40.9% of Traditional HME Suppliers Exit Marketplace Nationwide

## Overview

Unsustainable prices derived from a controversial Medicare auction program, Competitive Bidding Program (CBP) for DMEPOS (Durable Medical Equipment, Prosthetics, Orthotics, and Supplies) has created a severe, 41% contraction of traditional DME (also called the Home Medical Equipment, HME) suppliers. The drastic loss of suppliers has a crippling effect on Medicare beneficiaries' access to critical home medical equipment and services like home oxygen therapy, wheelchairs, hospital beds, and more and jeopardizes the homecare infrastructure that millions rely on to safely maintain their independence at home.

## Background

On January 1, 2011, the Centers for Medicaid and Medicare Services (CMS) began implementing CBP auctions for many HME items and services in eight (8) Metropolitan Statistical Areas (MSAs). The program expanded in July 2013 to encompass 100 of the largest, most densely populated MSAs in the country. In these Competitively Bid Areas, HME suppliers competed for a limited number of contracts to serve Medicare beneficiaries residing in these CBAs through an auction program that awarded contracts to those with the lowest bid amounts, resulting in a drastic reduction in competition for suppliers and opportunity to increase market share.

On January 1, 2016, prices obtained from these competitions were applied nationwide across rural and other non-bid areas over the course of six months even though suppliers did not have an opportunity to submit pricing reflective of the costs of accessing and caring for beneficiaries in these diverse and often remote areas. The January 2016 rates were blended at 50% of the 2015 unadjusted fee schedule and 50% of the CBA-derived rates. In July, reimbursement became 100% based on CBA-derived rates.

In response to Congressional concern for the impact of the bid program on patient access, Congress passed a six month, retroactive extension of the blended rates from July through December 2016 through the 21<sup>st</sup> Century CURES legislation in December 2016. However, the HME Industry has yet to receive the recoupment and became subject to the full CBA-derived rates once more on 1/1/17.

## Impact on Beneficiary Access, Supplier Consolidation

A study by Dobson DaVanzo revealed that suppliers are only reimbursed 88% of their overall costs by Medicare, concluding that "The [Competitive Bidding] process is fundamentally flawed in that CMS is currently paying the industry far less than the total costs incurred in providing DMEPOS goods and services to Medicare beneficiaries" and that it "has the potential to significantly impact beneficiary access to medical equipment and harm the DMEPOS industry as a whole".<sup>1</sup>

**The HME Industry is experiencing a dramatic and unsustainable contraction as businesses close and/or stop accepting Medicare beneficiaries in light of the crushing reimbursement.** According to an analysis of National Provider Identifier (NPI) data available from Medicare:<sup>2</sup>

- Decline from July 2013 (expansion to 100 CBAs across America) to April 2017:
  - **40.9% decline in unique number of companies**
  - **38.7% decline in company locations (rooftops)**
- Decline from January 2016 (expansion of CBP pricing into non-bid America) to April 2017:
  - **26.3% decline in unique number of companies**
  - **23.3% decline in company locations (rooftops)**

**Communities across America are struggling to preserve access to medical equipment as suppliers close or stop taking Medicare beneficiaries.** Without adequate resources, Medicare beneficiaries and family caregivers are having a harder time finding HME companies to meet their needs, which results in beneficiaries going without medically necessary HME and services or bypassing the Medicare benefit entirely to obtain what they need.

**The impact is not just affecting Medicare reimbursement.** Other payors look to Medicare as a benchmark for setting their rates and are following suit, creating a fallout of unsustainable pricing across the board and endangering all citizens who require home medical equipment.

### **Solution**

Congress and the Administration must work quickly to stabilize and strengthen reimbursement for home medical equipment to preserve the HME supplier safety-net that seniors and people with disabilities rely on.

### **Our Ask:**

**AAHomecare strongly urges Congress to work with the Administration to reinstate sustainable reimbursement for home medical equipment.**

### **Resources:**

- 1) Dobson, A., Heath, S., Murray, K., Kilby, D., DaVanzo, J. (2016). *Analysis of the Cost of Providing Durable Medical Equipment to the Medicare Population*.
- 2) <https://data.medicare.gov/>