

Date: August 24, 2018

Subject: Information on the First Year of Nationwide Reduced Payment Rates for Durable Medical Equipment

BACKGROUND

Starting in 2016, CMS expanded the Competitive Bidding Program (CBP) derived DMEPOS payments, resulting in reduced payment rates across the country. Congress requested the GAO review the impact of fully adjusted payments for DME in non-bid areas for the first year of implementation. Specifically, the GAO reviewed the following potential issues in non-bid areas:

1. Payment Rates
2. Number of Supplier Businesses
3. Utilization
4. Beneficiary Access

For the report, GAO reviewed CMS data, stakeholder groups, and CMS staff.

FINDINGS

DME Payment Rates:

GAO found that the average decrease in payment rates for DME between 2015 fee schedule (unadjusted) and 2017 fee schedule (adjusted) was 46% for the top DME items. However, the range of the percent decrease in payment was large across product categories and individual items. For the top 53 items, the range in percent reduction was -6% to -84%.

Table 2: Average Percentage Reduction in Medicare Fee-for-Service (FFS) Payment Rates for the Five Rate-Adjusted Items in Each Product Category with the Largest Share of 2016 Total Expenditures in Non-Bid Areas, 2015 to 2017

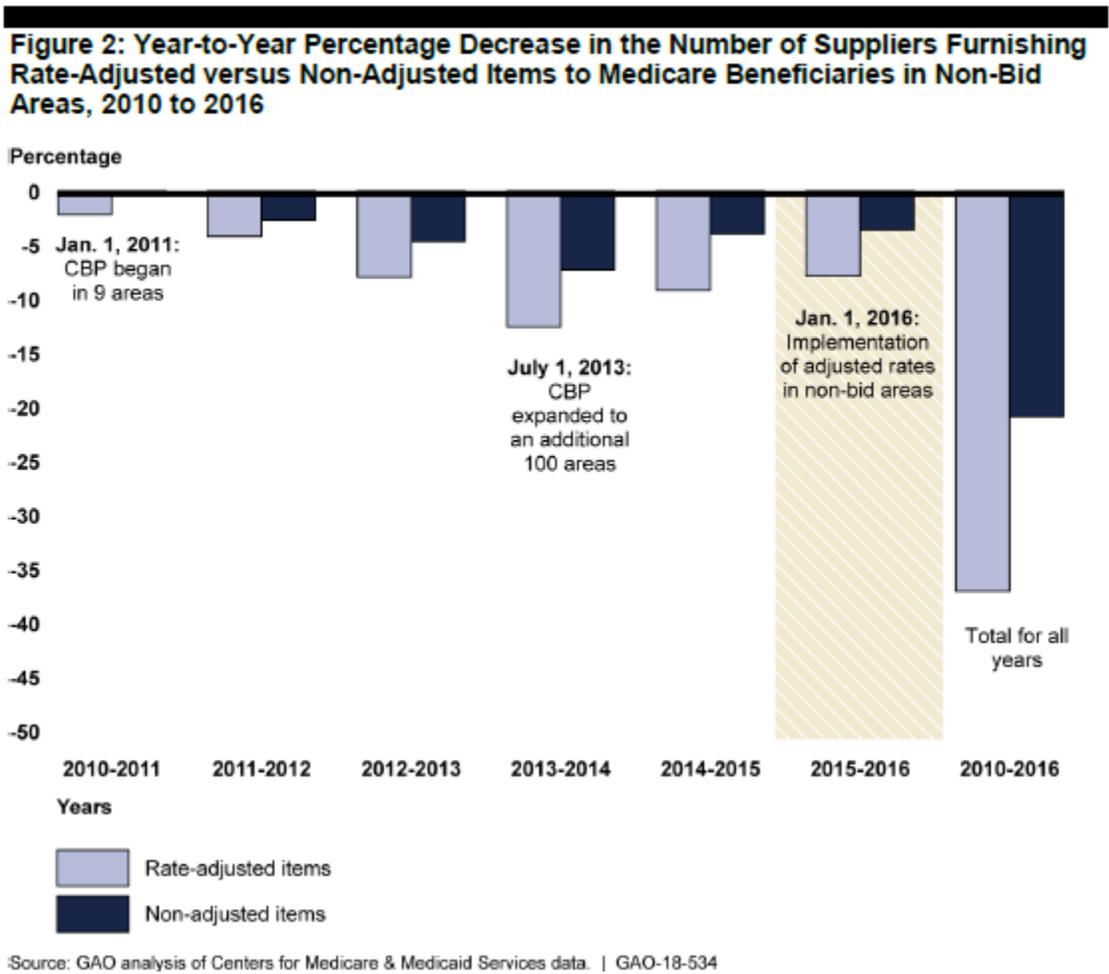
Product category	Percentage of total expenditures ^a	Range in percentage reductions across top 5 items	Average percentage reduction across top 5 items ^b
Oxygen	38	-26 to -61	-39
Continuous positive airway pressure (CPAP) devices and respiratory assist devices (RAD)	19	-50 to -61	-54
Enteral nutrients	5	-46 to -56	-50
Wheelchairs (complex and standard) and related accessories and replacement parts	4	-11 to -65	-46
Infusion pumps	4	-10 to -27	-18
Negative pressure wound therapy (NPWT) ^c	4	-6 to -61	-25
General home equipment (includes commode chairs, hospital beds, patient lifts, and seat lifts)	3	-31 to -56	-47
Walkers	1	-32 to -59	-43
Nebulizers	1	-34 to -69	-51
Support surfaces	1	-23 to -72	-52
Transcutaneous electrical nerve stimulation (TENS)	<1	-54 to -84	-74
Top 53 items	80	-6 to -84	-46

Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

Impact on the Number of Supplier Businesses:

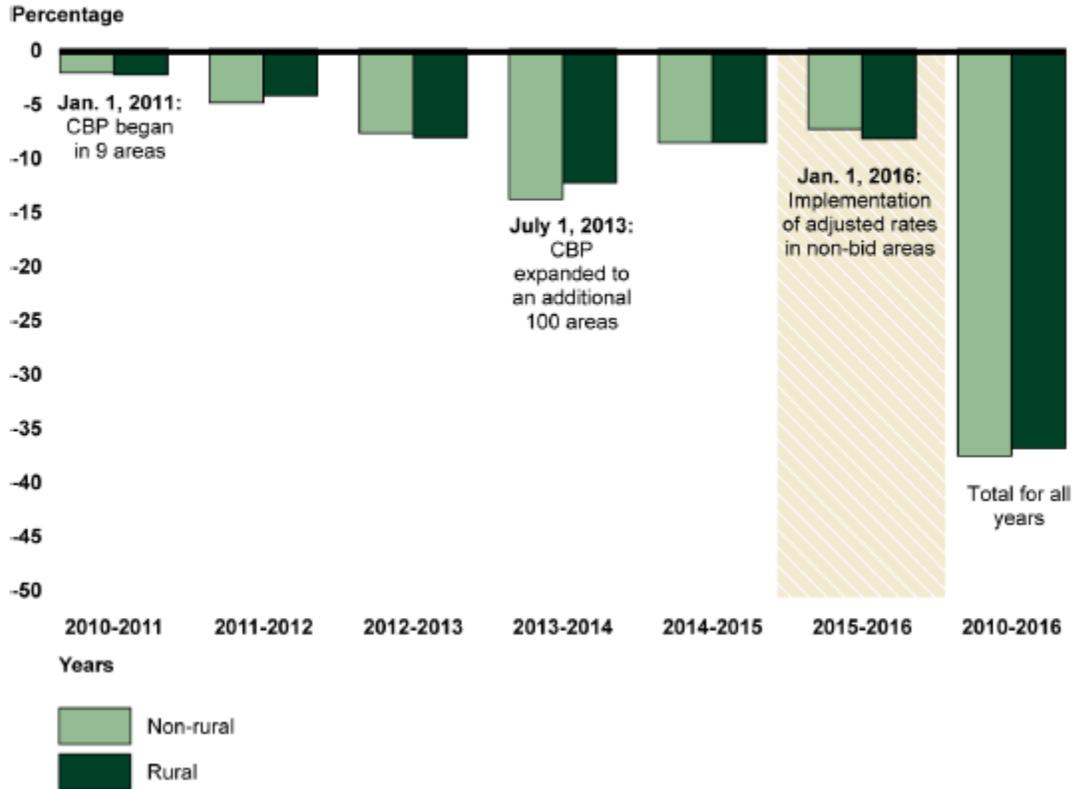
The number of suppliers providing rate-adjusted DME items in non-bid areas decreased by 8% in 2016. However, the GAO states this is a trend going back to 2011. The greatest reduction in suppliers occurred in 2014 at 13%. The GAO

reviewed the number of suppliers that billed Medicare for that year. The GAO also reviewed suppliers who provided DME items that did not get a rate adjustment and found that in non-bid areas, the number of suppliers decreased by 4% in 2016. In total, in non-bid areas, between 2010-2016, over 35% of suppliers furnishing rate-adjusted items and about 20% of suppliers furnishing non-adjusted items have stopped billing Medicare.



The GAO also reviewed the decrease in the number of suppliers between rural and non-rural areas and found that the decrease between the two areas were about the same—about 35% total decrease between 2011-2016. In 2016, the decrease was 7% in non-rural areas and 8% in rural areas.

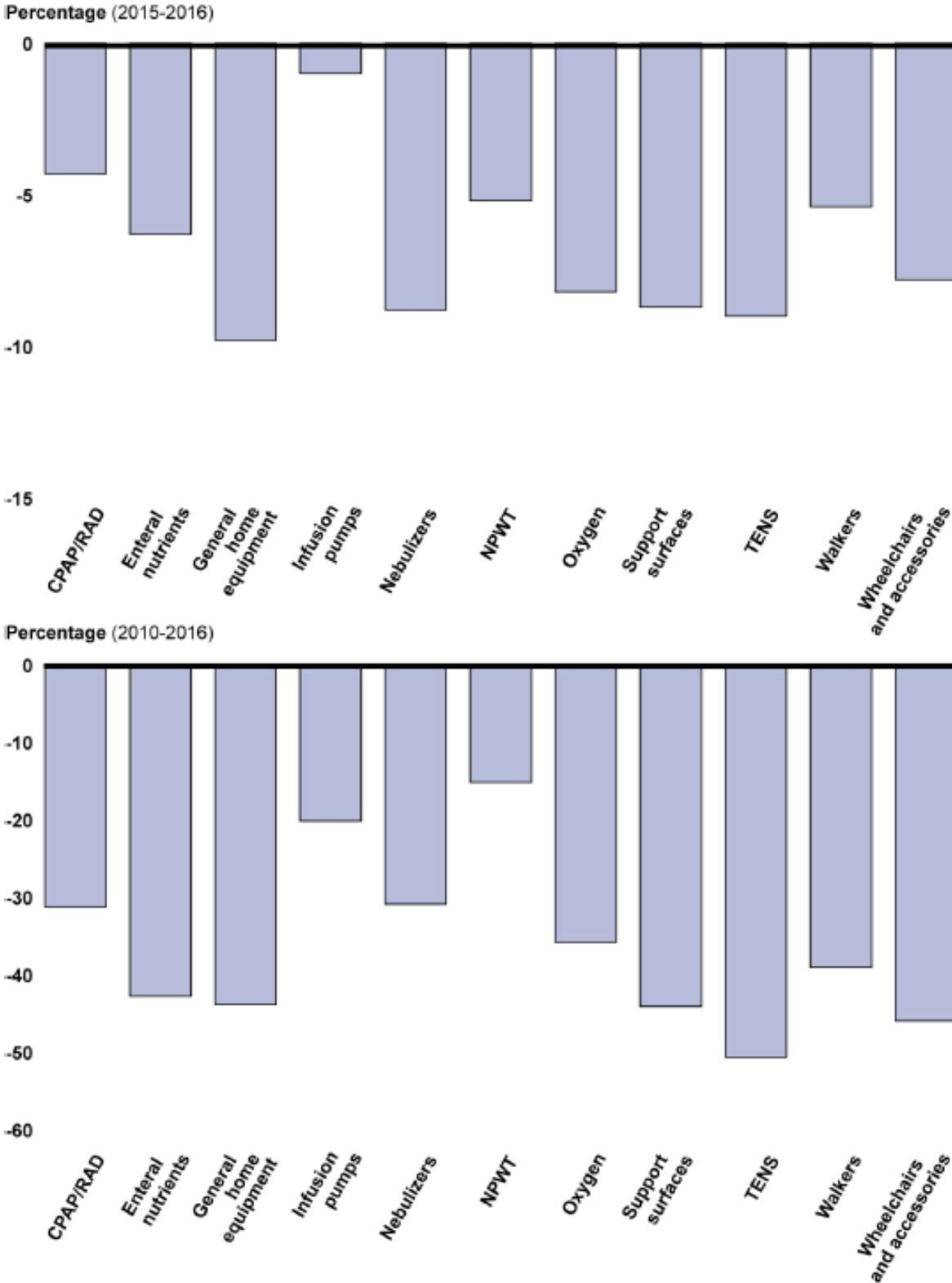
Figure 3: Year-to-Year Percentage Decrease in the Number of Suppliers Furnishing Rate-Adjusted Items to Medicare Beneficiaries in Non-Bid Areas, by Non-Rural versus Rural Areas, 2010 to 2016



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

The GAO found that there was only a 3% decrease in number of suppliers that furnish non-adjusted items in non-rural areas and 4% decrease in rural areas. The GAO also reported that there was a decrease in the number of suppliers furnishing rate-adjusted items across all product categories, but the extent of the decrease varied across the categories. Suppliers that furnish infusion pumps decreased by 1% in 2016, but general home equipment suppliers decreased by 10%.

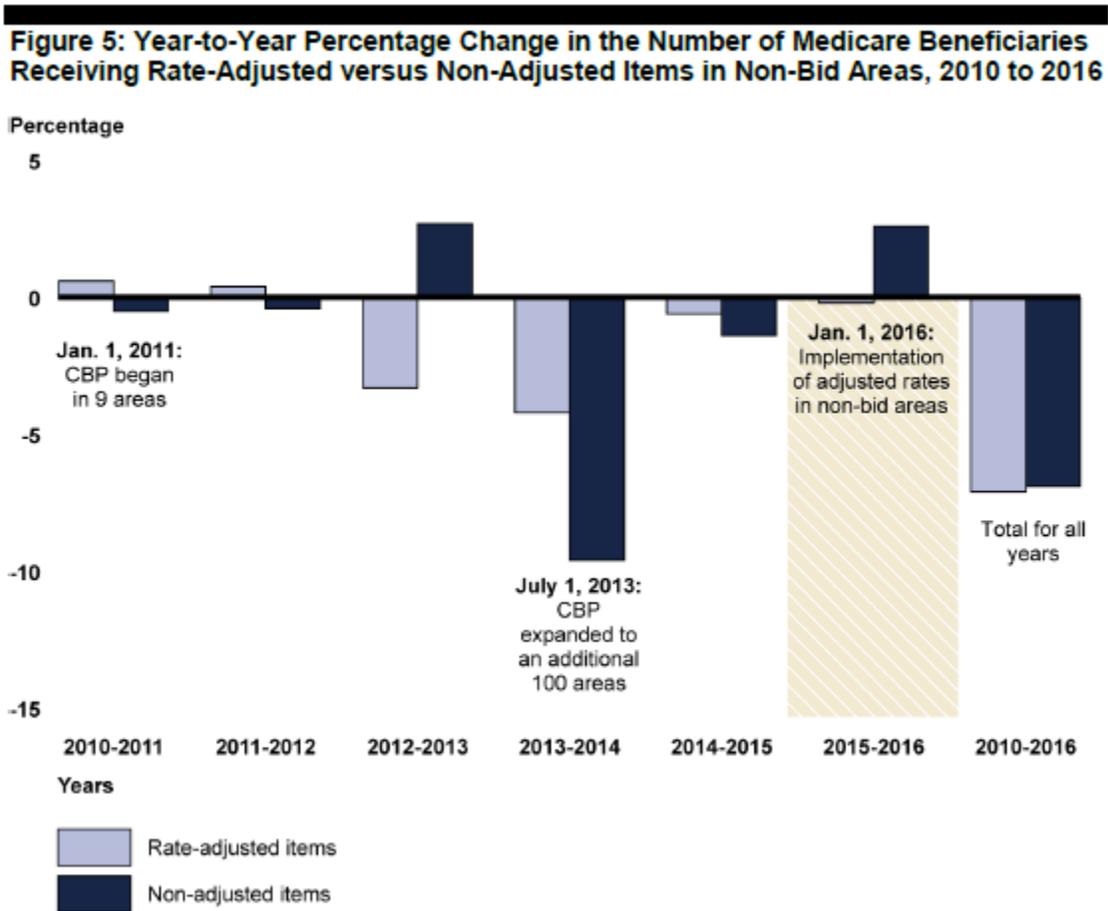
Figure 4: Percentage Decrease in the Number of Suppliers Furnishing Rate-Adjusted Items to Medicare Beneficiaries in Non-Bid Areas, by Product Category, 2015 to 2016 and 2010 to 2016^a



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

Beneficiary Utilization:

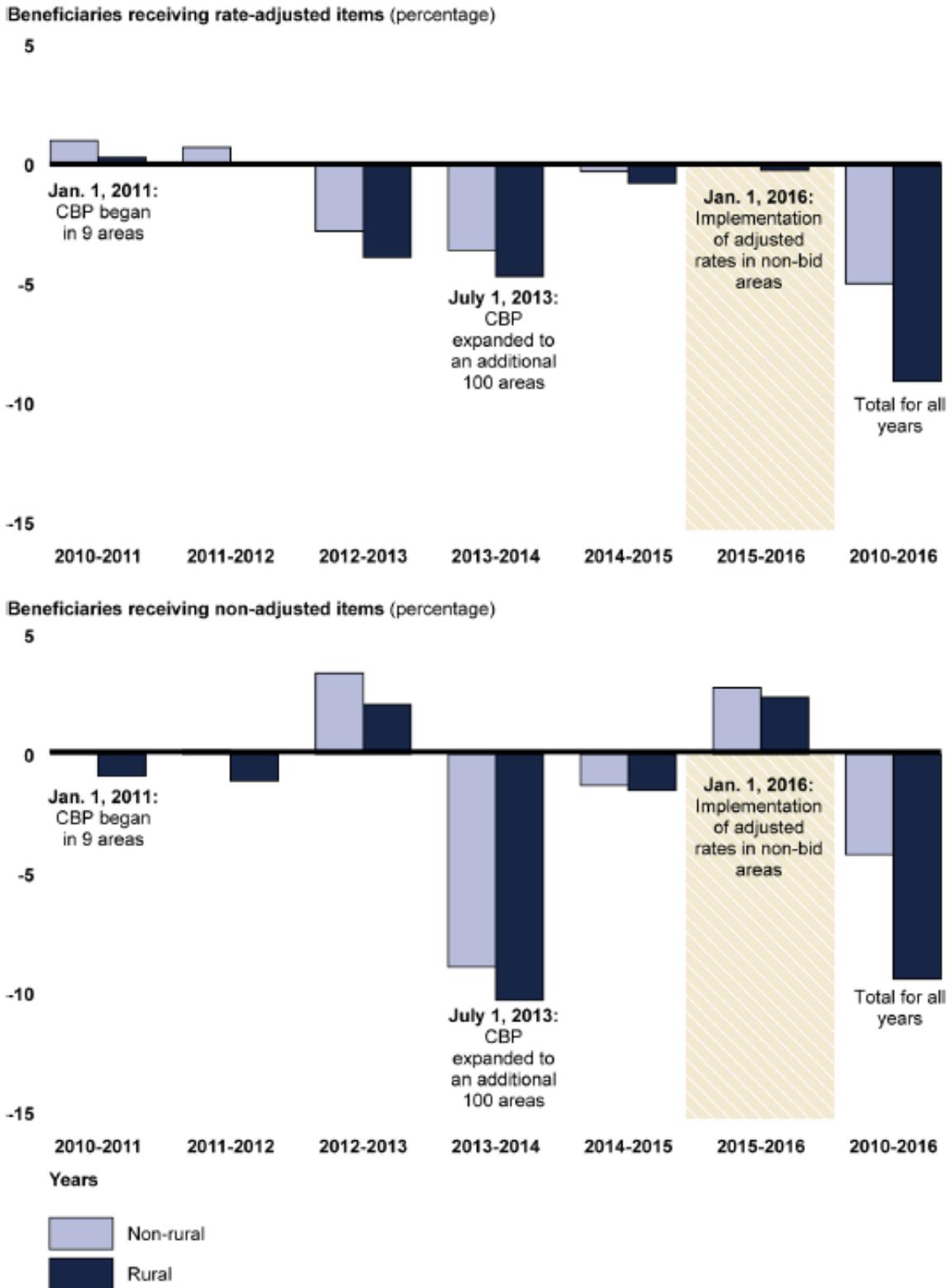
The GAO reviewed the number of beneficiaries in non-bid areas that used at least one rate-adjusted item in 2016. They found that there was less than half of a percentage point in change in this demographic. The greatest decrease in utilization was in 2014 at 4%. The GAO also found that there was a 3% increase in non-adjusted items in non-bid areas in 2016.



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

The total decrease in beneficiaries ordering at least one DME item between 2010-2016 was about 7% for both rate-adjusted and non-adjusted items in non-bid areas. However, when looking at non-rural v rural areas, the GAO found that utilization in rural areas decreased by 9% between 2010-2016 for both rate-adjusted and non-adjusted items. The utilization decrease was most significant in rural areas for un-adjusted items in 2014 at 10%, but in 2016, there was an increase of about 3%.

Figure 6: Year-to-Year Percentage Change in the Number of Medicare Beneficiaries Receiving Rate-Adjusted versus Non-Adjusted Items in Non-Rural versus Rural Non-Bid Areas, 2010 to 2016

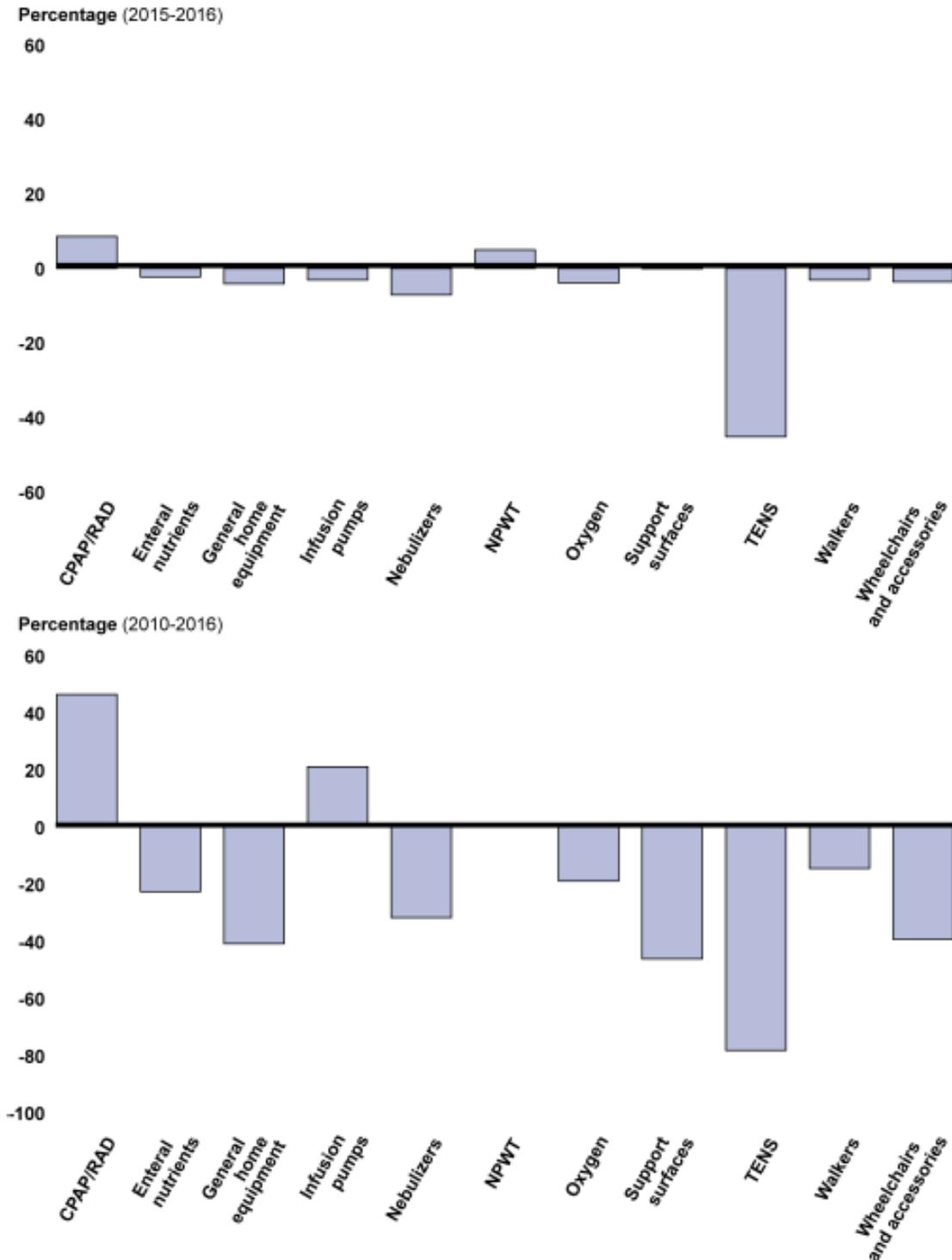


Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

The GAO found that 9 of the 11 CBP product categories experienced a utilization decrease in 2016 in non-bid areas.

There was a general decrease in utilization between 2010-2016, but the greatest decreases occurred in bid areas.

Figure 7: Percentage Change in the Number of Medicare Beneficiaries Receiving Rate-Adjusted Items in Non-Bid Areas, by Product Category, 2015 to 2016 and 2010 to 2016^a



Source: GAO analysis of Centers for Medicare & Medicaid Services data. | GAO-18-534

Beneficiary Access:

GAO reports CMS internally monitors CBP by reviewing:

1. 1-800-MEDICARE Calls
2. Health Status Monitoring Tools
3. Number of suppliers and utilization rates
4. Assignment rates

CMS conducted a beneficiary satisfaction survey in bid areas before and after implementation but has not disseminated a similar survey in non-bid areas.

Health status monitoring tool has not indicated changes in health outcomes in non-bid areas in 2016.

CMS did not see any changes in the percentage of participating suppliers and the percentage of assigned claims between 2015 and 2016 but saw a 1% decrease between 2015 and 2017.

CMS did not see more calls through 1-800-MEDICARE in 2016. However, CMS does not distinguish calls from non-bid and bid areas. State Health Insurance Assistance Programs also did not report an increase in DME access issues. State Health Insurance Assistance Programs also do not distinguish inquiries from non-bid and bid areas.

The GAO interviewed stakeholder groups but reports that all information received from the groups has been anecdotal and are not evidence of widespread issues. One state hospital association stated case managers in non-bid areas experienced difficulty finding wheelchair or walker suppliers, but the GAO reports this is not a widespread issue. A beneficiary advocacy organization stated they do not receive inquiries from beneficiaries but receives notifications from discharge planners and pharmacies regarding issues with DME. Another beneficiary advocacy group reported reduced delivery services and a decreased number of services for portable oxygen. DME trade associations and suppliers reported that the new adjusted rates caused suppliers to change their business practices by reducing the number of employees, service areas, and/or consolidating deliveries. Suppliers have also reported the need to supply lower quality items and not being able to provide liquid oxygen due to the costs. Trade associations also reported delays in discharge. However, CMS investigated discharge concerns and did not find any changes in length of hospital stays due to adjusted rates. CMS states long-term decrease in utilization is likely due to a decline in unnecessary utilization. Trade associations stated that decrease in utilization may be due to beneficiaries paying out of pocket and the effects of the adjusted rates may not be clear now and may take a few years to assess the true impact. GAO did not find any widespread beneficiary access issues in 2016.