



TIMELINE OF 2022 FORMER COMPETITIVE BIDDING AREA RATES

The 2022 former Competitive Bidding Area (CBA) DMEPOS rates that are in effect today are largely based on bids suppliers submitted in 2015 for the two Competitive Bidding Program (CBP) rounds that went into effect in July 2016 and January 2017.* This document is a timeline of the DMEPOS CBP rates, and the state of the industry and economy at each year.

2015—DMEPOS suppliers bid under flawed CBP.

- Average gas price was \$2.53 per gallon, ranging from \$2.14 to \$2.88.[†]
- Inflation rate at the time was 0.13%.[‡]

2016—Bids submitted in 2015 went into effect; suppliers saw roughly a 7% decrease in rates.

- Average gas price was \$2.25 per gallon, ranging from \$1.87 to \$2.47.
- 6% of suppliers left the DMEPOS industry in the last year.[§]

2017— Over 2 years later, the 2015 bids are in effect with no adjustments.

- Average gas price was \$2.53 per gallon, ranging from \$2.41 to \$2.76.
- Even larger number of suppliers left the industry than the previous year, roughly 11%.

2018 — Over 3 years later, the 2015 bids continued to be in effect with no relief or adjustments.

- Average gas price was \$2.82 per gallon, ranging from \$2.46 to \$2.99.
- Suppliers continue to leave the industry, about 10% of suppliers left the DMEPOS industry between 2017-2018.**

2019—CMS puts a hold on the 2019 Round of CBP due to the flawed bidding format. CMS maintained the 2015 bid-based payment rates and applies an inflation adjustment.

- Former CBAs received an Inflation adjustment of +2.5% to the rates.
- Average gas price was \$2.69 per gallon, ranging from \$2.34 to \$2.95.
- 5% of suppliers left the DMEPOS industry between 2018-2019.
- Since 2013, a year before CBP was expanded nationally, the industry lost 30% of suppliers.

2020—CMS continues the CBP hold and uses the 2015 bid-based payment rates with inflation adjustment. Suppliers begin to experience increased supply chain costs, supply chain delays, and labor shortages due to the COVID-19 pandemic.

- Former CBAs received an Inflation adjustment of +2.4% to the rates.
- Average gas price was \$2.26 per gallon, ranging from \$1.94 to \$2.63.
- While Congress provided rate relief for rural and non-rural areas, former CBAs did not receive any relief.

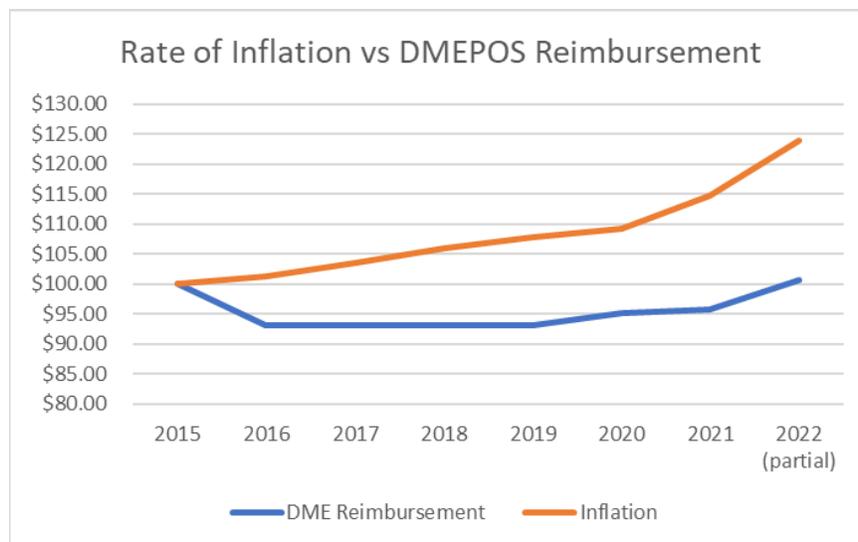
2021 — CMS declines to implement results of the scheduled bidding round intended to set pricing for major HME product categories for 2021 and 2022, citing their view that payment

amounts did not achieve expected savings.^{††} As a result, rates remain tied to the 2015 bid-based payment rates with inflation adjustments. Suppliers continue to experience increased supply chain costs, supply chain delays, and labor shortage.

- Average gas price was \$3.09 per gallon, ranging from \$2.42 to \$3.49.
- Former CBAs received the lowest Inflation adjustment ever of +0.6% to the rates.

2022 — CMS continues the CBP hold and use the 2015 bid-based payment rates with inflation adjustments. Suppliers continue to experience increased supply chain costs, supply chain delays, and labor shortage.

- Gas prices increased by 66% increase since 2015 when former CBA rates were set.
- Average gas price for the first six months of 2022 is \$4.19 per gallon.
- Former CBAs received the highest Inflation adjustment ever of +5%. However, it does not cover the additional costs incurred by suppliers due to increasing gas prices, shipping surcharges, rising manufacturer product prices, and other new operational requirements to ensure safety for patients and staff during the pandemic.
- Consumer prices rose 8.6% between May 2021 to May 2022 – the highest inflation in 40 years.^{††}
- Shipping delays and increased costs are occurring at all levels:^{§§***}
 - o There is a two to three-week backlog of shipping from overseas and costs have increased by 250% since 2021.
 - o At the US ports, the delays on arrivals are three times longer.
 - US ports experiencing one to two week unloading delays.
 - o Truck driver shortages and increased freight volume causing delivery challenges.
 - Truck drivers lowest in three years.
 - o Raw material costs have increased by 56%.
- Overall, there has been a 30% decrease in the number of DMEPOS suppliers since CBP was implemented nationally.
- Since bids were submitted in 2015, \$100 then is now equivalent to \$124 due to inflation, while DME reimbursement has only been adjusted to the equivalent of \$101 today.^{†††}



IN SUMMARY: Today’s DMEPOS payment rates were created under a flawed bidding program that is not sustainable for the DMEPOS industry. There is a strong need for rates to be adjusted based on the market clearing price and they must be updated based on the state of the economy.

* Competitive Bidding Program Round 2 Recompete bid window closed in March 2015, and the rates were implemented in July 2016. Round 1 2017 bid window closed in December 2015 and the rates were implemented January 2017.

† U.S. Energy Information Administration, U.S. All Grades All Formulations Retail Gasoline Prices. Accessed on July 20, 2022: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m

‡ 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>

§ GAO-19-153R Reductions in DME Payment Rates

** AAHomecare analysis of registered Medicare DMEPOS suppliers. Data retrieved from CMS' Pricing, Data Analysis and Coding contractor. Analysis includes suppliers that provide at least two of the following product categories: hospital beds, wheelchairs (complex/standard), oxygen, RAD, CPAP, support surfaces, NPWT, ostomy, urological, and enteral.

†† Round 2021 DMEPOS Competitive Bidding Program Single Payment Amounts and Contract Offers. Accessed on July 27, 2022: <https://www.cms.gov/files/document/round-2021-dmepos-cbp-single-payment-amts-fact-sheet.pdf>

‡‡ 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>

§§ Health Industry Distributors Association, Shipping Challenges Cause Medical Supply Delays Infographic. Accessed on July 20, 2022: <https://www.hida.org/UploadedFiles/Resources/COVID-19/infographic-shipping-challenges-medical-supply-delays.pdf>

*** 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>