



Congress Must Extend CARES Act Relief for Durable Medical Equipment to Account for the Increased Costs Caused by Covid

Issue

Like many industries, the COVID-19 pandemic has exacerbated acquisition and operational cost challenges for providers of Durable Medical Equipment (DME – also commonly referred to as Home Medical Equipment). However, DME suppliers are constrained under pre-determined, set fee schedules that fail to factor in the increased costs of providing care. This has resulted in an unsustainable reimbursement environment that jeopardizes patient access to care and threatens the financial viability of the DME Industry in meeting their communities' needs.

AAHomecare and other DME stakeholders urge Congress to extend the DME non-Competitive Bidding Area relief included in the CARES Act of 2020 for two years after the public health emergency expires.

Background

On October 31, 2014, CMS released a final rule which established the methodology for making national price adjustments to the fee-for-service payments of specific DME. This methodology applies pricing derived from highly populated Competitive Bidding Areas (CBAs) to all areas of the country and fails to consider the unique attributes of health care in rural America, which have distinct cost difference from their urban counterparts and are stripping communities of DME resources.

On January 1, 2016, the first phase of the two-part reimbursement adjustment for suppliers serving patients outside of CBAs took effect. On July 1, 2016, the prices were fully phased in, slashing Medicare reimbursement by over 50% on average.

Due to mounting concerns about the impacts of cost-cuts on access to care, especially in non-CBAs and rural America, Congress intervened and included language in the 21st Century Cures Act to extend the reimbursement rates in effect on January 1, 2016 through December 31, 2016. This provided retroactive relief to DME suppliers, but on January 1, 2017, the full reimbursement cut went back into effect. It is estimated that over 40% of traditional DME companies nationwide have either closed or are no longer taking Medicare patients due to these unsustainable payment cuts.

At the urging of Congress, patients, and providers, CMS issued an Interim Final Rule on May 9, 2018 that provided emergency relief to rural areas until the end of 2018 at the 50/50 blended reimbursement rate. On November 1, 2018, CMS finalized the ESRD/DMEPOS rule which extended the rural relief until the end of 2020.

As a result of the increased cost and supply change issues created by the pandemic, Congress provided additional DME non-competitive bidding area relief in the CARES Act of 2020. This provision provided a 50/50 blended rate for rural areas and a 75/25 blended rate for non-rural, non-competitive areas throughout the public health emergency.

Continued Effects of the Pandemic

Costs have continued to rise throughout the pandemic. The entire supply chain has been affected while demand climbs on key product categories used to treat COVID-19 globally such as oxygen and ventilators as well as non-direct products as a growing number of individuals are being released from hospital to home instead of skilled facilities.

DME manufacturers and distributors cannot absorb the significant cost increases for raw goods, production, shipping, import freights, and supply chain economics, so they are passing it through to suppliers. The Health Industry Distributors Association (HIDA) released data in March 2021 revealing that it takes:

- 2.5 times longer to ship products and 4 times the cost to ship containers.
- 3 times longer to dock and unload when arriving at ports, resulting in 1-2 week unloading delays in US ports.
- 62% increase in e-commerce over the past year, exacerbating driver shortages.
- 37% increase in freight volume by truck over the last year.

These costs are being shouldered by DME suppliers who continue receiving price increase notifications from their vendor partners as well as increased delivery and operational costs while facing fixed reimbursement rates. **Delivery costs alone have increased by 33%** on average during the pandemic including roundtrip expenses with vehicle cost, labor, PPE, and time to set up equipment, educate beneficiaries and/or family caregivers, and pick up equipment. Many of these added cost pressures will continue long after the PHE concludes and threaten the viability of DME suppliers to continue to meet the needs of their communities.

From seniors to those with disabilities or chronic conditions, people across the country rely on DME to go about their daily lives and manage their medical needs in a cost-effective home environment. However, this equipment cannot save lives if it is not available to those who need it most, especially in rural communities where we know barriers to access health care already exist.

The Solution

In 2020, Congress took swift and decisive action to protect non-bid areas affected by the pandemic by providing a 50/50 blended rate for rural areas and a 75/25 blended rate for non-bid, non-rural areas in the CARES Act of 2020. After the passage of the CARES Act, CMS issued a DME final rule which provides the 50/50 blended rate for rural areas after the PHE. This rule did not extend the relief to non-bid, non-rural areas. As costs continue to climb, Congress must act to extend the 75/25 blended rate for non-bid, non-rural areas for two years after the end of the PHE.

Our Ask:

We specifically ask Congress to support legislation that would extend the 75/25 blended rate in non-rural, non-competitive bidding areas for DME items for 2 years after the end of the public health emergency.

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