



Office of Media Affairs

MEDICARE FACT SHEET

FOR IMMEDIATE RELEASE
July 1, 2010

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NEW PROGRAM REDUCES COSTS FOR CERTAIN DURABLE MEDICAL EQUIPMENT, PROSTHETICS, ORTHOTICS, AND SUPPLIES

OVERVIEW

The Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program is an essential tool to help Medicare set appropriate payment rates for DMEPOS items and services. Medicare currently pays for DMEPOS items using a fee schedule that is generally based on historic supplier charges from the 1980s which have been periodically updated to account for inflation. Numerous studies from the Department of Health and Human Services Office of Inspector General and the Government Accountability Office have shown that the fee schedule amounts for certain DMEPOS items are excessive; taxpayers and Medicare beneficiaries bear the burden of these excessive payments.

The DMEPOS Competitive Bidding Program replaces the existing outdated, excessive fee schedule amounts with market-based prices. Under the program, DMEPOS suppliers compete to become Medicare contract suppliers by submitting bids to furnish certain items in competitive bidding areas. The new, lower payment amounts resulting from the competition will replace the fee schedule amounts for the bid items in these areas. The payment amounts from the supplier competition for the first phase of the program are projected to result in average savings of 32 percent as compared to the current fee schedule prices. These new payment amounts are scheduled to go into effect on Jan. 1, 2011 in nine areas of the country. The program is expected to save more than \$17 billion over ten years.

BACKGROUND

The Medicare DMEPOS Competitive Bidding Program was established by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“Medicare Modernization Act” or “MMA”) after the conclusion of successful demonstration projects. The demonstration projects, which were conducted in Polk County, Florida, and San Antonio, Texas, resulted in an average 20 percent savings for Medicare with unchanged access and quality for Medicare beneficiaries.

Under the MMA, DMEPOS Competitive Bidding Programs were to be phased into Medicare so that competition under the program would occur in 10 areas in 2007. Consistent with the statutory mandate, CMS conducted the Round One competition in 10 areas and for 10 DMEPOS product categories, and successfully implemented the program on July 1, 2008, for two weeks. The program's single payment amounts resulted in a projected savings of approximately 26 percent compared to the traditional Medicare fee schedule. This indicated substantial savings for Medicare beneficiaries and taxpayers.

The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) temporarily delayed the program in 2008, terminated the Round One contracts that were in effect, and made other limited changes. As required by MIPPA, CMS conducted the supplier competition again in 2009, referred to as the Round One Rebid. MIPPA also delayed competition for Round Two in 70 additional metropolitan statistical areas (MSAs) until 2011 and in additional areas of the country until after 2011. The Affordable Care Act of 2010 expands the number of Round Two MSAs from 70 to 91 and mandates all areas of the country are subject either to DMEPOS competitive bidding or payment rate adjustments using competitively bid rates by 2016.

NEW PAYMENT RATES

As a result of the competitive bidding process, the amounts that Medicare will pay for the nine product categories included in the Round One Rebid of the DMEPOS Competitive Bidding Program are on average **32 percent** less than Medicare's current fee schedule amounts.

The average percentage savings, to both beneficiaries and Medicare, from the current fee schedule amount for each product category in each area included in the Competitive Bidding Program are as follows:

Charlotte	Cincinnati	Cleveland	Dallas	Kansas City	Miami	Orlando	Pittsburgh	Riverside
29%	32%	33%	33%	28%	35%	34%	34%	30%

The program will lower Medicare payments as well as beneficiary out-of-pocket expenses for certain medical equipment and supplies. The following are examples of savings for three commonly used items (an oxygen concentrator, a semi-electric hospital bed, and a typical monthly supply of 100 diabetic test strips and 100 lancets):

OXYGEN CONCENTRATORS

In the competitive bidding areas, Medicare suppliers are currently paid based on a fee schedule amount of \$173.17 per month for stationary oxygen equipment (e.g., oxygen concentrators), of which the beneficiary pays 20 percent. The supplier is paid \$6,234.12 over the course of the 36 month rental period, of which the beneficiary pays \$1,246.82. Following the 36 month payment cap for oxygen and oxygen equipment, Medicare payments can then be made every 6 months for the maintenance and inspection of the certain supplier owned oxygen equipment. Under the competitive bidding program, the average Medicare allowed monthly payment amount for stationary oxygen equipment in the competitive bidding areas will be reduced from \$173.17 to \$116.16.

HOSPITAL BEDS

In the competitive bidding areas, Medicare suppliers are currently paid based on a fee schedule amount of \$127.12 per month for three months for the rental of a semi-electric hospital bed of which the beneficiary pays 20 percent. Beginning in month four, the rental fee is reduced by 25 percent to approximately \$95.34 per month. After the supplier is paid \$1,334.76 over the course of 13 months, the beneficiary owns the bed. Under the competitive bidding program, the average Medicare allowed monthly payment amount in the competitive bidding areas will be reduced by 36 percent from \$127.12 to \$80.35, and the beneficiary will pay the 20 percent coinsurance.

DIABETIC TESTING SUPPLIES

In the competitive bidding areas, Medicare suppliers are currently paid based on fee schedule amounts that average \$75.32 per month for mail order diabetic testing supplies (100 lancets and test strips) of which the beneficiary pays 20 percent (approximately \$15.06 per month on average). Under the competitive bidding program, the average Medicare allowed monthly payment amount for these supplies in the competitive bidding areas will be reduced by 56 percent from \$75.32 to \$33.44, in those cases where the beneficiary chooses to obtain the supplies on a mail order basis. If the beneficiary does not wish to receive his or her replacement testing supplies on a mail order basis, he or she can elect to obtain them from a local storefront with no reduction in the allowed payment amount or beneficiary coinsurance amount. In the competitive bidding areas, Medicare suppliers are currently paid based on fee schedule amounts that average \$87.39 per month for non-mail order diabetic testing supplies.

The savings generated for these commonly used items, for which Medicare pays 80 percent and beneficiaries pay 20 percent of the allowed amount following payment of the annual Part B deductible, is summarized in the following chart:

Item/Period of Service	Current Allowed Amount**	New Allowed Amount**	Medicare Savings 80% of Difference	Beneficiary Savings 20% of Difference
Concentrator				
Per month	\$173.17	\$116.16	\$45.61	\$11.40
Per year	\$2,078.04	\$1,393.95	\$547.27	\$136.82
Per 3 years*	\$6,234.12	\$4,181.84	\$1,641.82	\$410.46
Hospital Bed				
Per month	\$127.12	\$80.35	\$37.42	\$9.35
Per 13 months*	\$1,334.76	\$843.63	\$392.91	\$98.23
Diabetic Supplies				
Per month	\$75.32	\$33.44	\$33.51	\$8.38
Per year	\$903.87	\$401.24	\$402.10	\$100.53
Per 3 years	\$2,711.60	\$1,203.72	\$1,206.30	\$301.58

* Beneficiary takes over ownership of equipment after end of rental payment period

** 20% of current and new allowed amount is paid by the beneficiary out-of-pocket

A complete list of payment amounts is available at the following Web site:
<http://www.dmecompetitivebid.com>

CONTRACT AWARD PROCESS

Suppliers that wanted to participate in the DMEPOS Competitive Bidding Program submitted their bids last year. The bid evaluation process ensures that there will be a sufficient number of suppliers, including small suppliers, to meet the needs of the beneficiaries living in the competitive bidding areas. Small suppliers, those with gross revenues of \$3.5 million or less, make up about 48 percent of the suppliers that will be offered contracts. All suppliers who are offered contracts went through a thorough vetting process, are licensed and accredited, and meet financial standards. 72 percent of suppliers that will be offered contracts currently furnish contract items in the area.

CMS will now begin mailing contract offers to winning bidders. 1,287 contract offers will be made to 364 suppliers. The winning suppliers have 622 locations to serve Medicare beneficiaries in the competitive bidding areas. If any contract offers are not accepted, CMS will offer contracts to other bidders as needed to meet beneficiary demand. CMS expects to complete the contracting process in time to announce the contract suppliers in September. Bidders that are not offered contracts will be notified of the reasons why they did not qualify for the program when the contracting process is complete. Suppliers that are not contract suppliers for this round of the DMEPOS Competitive Bidding Program may bid in Round Two in 2011 and in future rounds.

Additional information on the distribution of contract offers is available at the following Web site: <http://www.dmecompetitivebid.com>

ROUND ONE REBID AREAS AND PRODUCT CATEGORIES

With the exception of Puerto Rico, the Round One Rebid affects the same areas in which the program was briefly implemented in 2008. These areas are:

- Charlotte – Gastonia – Concord (North Carolina and South Carolina)
- Cincinnati – Middletown (Ohio, Kentucky and Indiana)
- Cleveland – Elyria – Mentor (Ohio)
- Dallas – Fort Worth – Arlington (Texas)
- Kansas City (Missouri and Kansas)
- Miami – Fort Lauderdale – Pompano Beach (Florida)
- Orlando – Kissimmee (Florida)
- Pittsburgh (Pennsylvania)
- Riverside – San Bernardino – Ontario (California)

The Round One Rebid includes the same items as the 2008 program except that negative pressure wound therapy items and Group 3 complex rehabilitative power wheelchairs are excluded. These items include:

- Oxygen, Oxygen Equipment, and Supplies
- Standard Power Wheelchairs, Scooters, and Related Accessories
- Complex Rehabilitative Power Wheelchairs and Related Accessories (Group 2 only)
- Mail-Order Diabetic Supplies
- Enteral Nutrients, Equipment and Supplies
- Continuous Positive Airway Pressure (CPAP) Devices, Respiratory Assist Devices (RADs), and Related Supplies and Accessories
- Hospital Beds and Related Accessories
- Walkers and Related Accessories
- Support Surfaces (Group 2 mattresses and overlays in Miami-Ft.-Lauderdale-Pompano
- Beach, FL only)

TIMELINE OF EVENTS

July 2010	CMS announces new payment rates for Round One Rebid and begins contracting process with winning suppliers
September 2010	CMS announces the Medicare contract suppliers for Round One Rebid
Early Fall 2010	CMS conducts supplier, referral agent, and beneficiary education program
January 1, 2011	Implementation of Medicare DMEPOS Competitive Bidding Program Round One Rebid contracts and prices

ADDITIONAL INFORMATION

For additional information about the Medicare DMEPOS Competitive Bidding Program, please visit: <http://www.cms.hhs.gov/DMEPOSCompetitiveBid/>.

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