



# Medicare's DMEPOS Competitive Bidding Program

## *Frequently Asked Questions*

### **What is the Medicare DMEPOS Competitive Bidding Program?**

Medicare's Competitive Bidding Program for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) is an essential tool to help Medicare set appropriate payment amounts for medical equipment and supplies. It is the successful result of decades of research and testing by economists and health policy experts. The program offers improved value to Medicare and taxpayers by using prices set through competition and ensuring access to quality items furnished by licensed, accredited suppliers that must meet strict quality and financial standards. The program also helps reduce fraud and abuse. Medicare expects to save \$25.7 billion between 2013 and 2022 as a result of the program. Medicare beneficiaries are expected to save \$17.1 billion over the same period.

### **Who benefits from Medicare's DMEPOS Competitive Bidding Program?**

Medicare's Competitive Bidding Program for DMEPOS is for people with Original Medicare (not people with Medicare Advantage plans) who buy or rent certain medical items such as oxygen equipment and supplies, standard wheelchairs, walkers and hospital beds, and who live in (or travel to) a competitive bidding area.

The first round of the program went into effect in nine areas of the country on January 1, 2011. Round Two will expand the program to include an additional 91 large metropolitan areas. A national mail order program for diabetic testing supplies will go into effect at the same time as Round Two.

### **Why is the DMEPOS Competitive Bidding Program needed?**

Except in the nine areas of the country where the competitive bidding program is in effect for certain items, Medicare pays for DMEPOS using a fee schedule that is generally based on historic supplier charges from the 1980s, adjusted for inflation at times, and not on current market prices. The fee schedule prices paid by Medicare are excessive – sometimes three or four times retail prices and the amounts paid by commercial insurers. Taxpayers and Medicare beneficiaries bear the burden of these excessive payments.

Round One of the DMEPOS Competitive Bidding Program implemented new payment amounts for competitively bid items in the nine areas. Here are just two examples of the savings it brought about:

- The average Medicare-allowed monthly payment amount for stationary oxygen equipment (like an oxygen concentrator) was reduced by 33 percent – from \$173.31 to \$116.16 – in the competitive bidding areas.
- Beneficiaries who began renting semi-electric hospital beds in January 2011 saved between \$7.43 (Kansas City) and \$10.80 (Cincinnati and Cleveland) per month for the first three months of rental. Hospital bed rental payments can continue up to 13 months, so total savings amounted to \$72.42 to \$105.34 per beneficiary.

## **What are the benefits of the program?**

The DMEPOS Competitive Bidding program:

- Reduces out-of-pocket costs for consumers and saves the Medicare program -- and taxpayers -- money.
  - In its first year of operation, the program saved \$202.1 million, a drop in expenditures of over 42 percent in the nine markets currently participating in the program.
  - Medicare expects to save \$25.7 billion between 2013 and 2022 as a result of the program. Medicare beneficiaries are expected to save \$17.1 billion over the same period.
- Maintains consumer access to quality equipment, as proven by the successful Round One of the program.
- Strengthens Medicare by taking an important step towards paying appropriately for medical equipment and supplies.
- Helps to prevent Medicare fraud. All suppliers in the program must be licensed, meet strict quality and financial standards, and be accredited by a national accreditation organization. A reduction in excessive payment amounts makes competitively bid items less attractive targets for fraud and abuse.
- Protects small businesses. In Round One, 51 percent of contracts were awarded to small suppliers.

## **How does the program work?**

The DMEPOS Competitive Bidding Program replaces the existing 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 replace the fee schedule amounts for the bid items in these areas.

Once the program begins in an area, people with Medicare generally must purchase or rent competitively bid items from “contract suppliers,” that is, suppliers that have been awarded contracts through competitive bidding.

## **When does the Competitive Bidding Program go into effect?**

The Round One contracts and prices were implemented on January 1, 2011. The program will expand to 91 additional areas in Round Two. Medicare will also implement a national mail order program for diabetic testing supplies at the same time as Round Two. The national mail order program will include all parts of the United States, including the 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa. The target date for implementation of the Round Two and National Mail Order Program contracts and prices is July 2013.

## **How do we know beneficiary access to appropriate supplies and equipment and health status outcomes have been preserved?**

Medicare employs a wide range of resources to monitor the program, including the 1-800-MEDICARE call center, an ombudsman program, local environmental scanning, secret shopping, and a sophisticated real-time claims monitoring program.

Medicare has closely monitored the results of the competitive bidding program since implementation to ensure that savings goals of the program have been achieved and – more importantly – to ensure that beneficiary access to appropriate supplies and equipment has not been compromised. To ensure effective monitoring, Medicare implemented a real-time claims monitoring system that analyzes the utilization of the nine product categories in all competitive bidding areas. Medicare’s claims monitoring system was designed to pay particular attention to potential changes in important health status outcomes like hospital admissions, emergency room visits, physician visits, and admissions to skilled nursing facilities before and after the implementation of program.

For the first year of the program, Medicare’s real-time claims monitoring and subsequent follow-up has indicated that beneficiary access to all necessary and appropriate items and supplies has been preserved in the nine Round One areas. Moreover, utilization of hospital services, emergency room visits, physician visits, and skilled nursing facility care has remained consistent with the patterns and trends seen throughout the rest of the country.

Most inquiries to the 1-800-MEDICARE call center have been about routine matters like finding a contract supplier, and there have been very few complaints

Health outcomes data are available at [www.cms.gov/DMEPOSCompetitiveBid/](http://www.cms.gov/DMEPOSCompetitiveBid/).

## **How will Medicare help consumers in the competitive bidding areas find a contract supplier?**

For consumers who live in or travel to one of the nine areas where the Competitive Bidding Program has already been implemented, Medicare has resources to help with finding a supplier, including 1-800-MEDICARE and [www.medicare.gov](http://www.medicare.gov). Consumers can also call their local State Health Insurance Assistance Program (SHIP) for free health insurance counseling and personalized help understanding the program.

Those who live in one of the 91 Round Two areas can continue to get Medicare-covered equipment and supplies from any Medicare-approved supplier until implementation of Round Two and the National Mail Order competitive bidding program in July 2013. When contracts go into effect, you should use a contract supplier or a grandfathered supplier to get medical equipment that is included in the program.

If you have diabetes and get your testing supplies through the mail, you can continue to get your supplies from any Medicare approved supplier unless you live in one of the nine Round One areas. Beneficiaries living in a Round One area should be using a contract supplier if they get their diabetic testing supplies through the mail. When National Mail Order contracts go into effect, you can choose to pick up your diabetic testing supplies in person from any local store that is Medicare-approved or have them shipped or delivered to your home by a mail order contract supplier. If you choose to pick up your supplies at the local store, you will probably pay more for the cost of these supplies than you would if you get them delivered by a mail order contract supplier.

## **Will the National Mail Order competitive bidding program for diabetic testing supplies be in all parts of the country, or will some areas be excluded?**

The National Mail Order program for diabetic testing supplies will include all parts of the United States – the 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

## What are the Round Two Product Categories?

- Oxygen, oxygen equipment, and supplies
- Standard (Power and Manual) wheelchairs, scooters, and related accessories
- Enteral nutrients, equipment, and supplies
- Continuous Positive Airway Pressure (CPAP) devices and Respiratory Assist Devices (RADs) and related supplies and accessories
- Hospital beds and related accessories
- Walkers and related accessories
- Negative Pressure Wound Therapy pumps and related supplies and accessories
- Support surfaces (Group 2 mattresses and overlays)

## What are the Round Two Areas?

### Northeast

- Albany-Schenectady-Troy, NY
- Allentown-Bethlehem-Easton, PA-NJ
- Boston-Cambridge-Quincy, MA-NH
- Bridgeport-Stamford-Norwalk, CT
- Buffalo-Niagara Falls, NY
- Hartford-West Hartford-East Hartford, CT
- New Haven-Milford, CT
- New York-Northern New Jersey-Long Island, NY-NJ-PA
- Philadelphia-Camden-Wilmington, PA-NJ-DE-MD
- Poughkeepsie-Newburgh-Middletown, NY
- Providence-New Bedford-Fall River, RI-MA
- Rochester, NY
- Scranton-Wilkes-Barre, PA
- Springfield, MA
- Syracuse, NY
- Worcester, MA

## Midwest

- Akron, OH
- Chicago-Joliet-Naperville, IL-IN-WI
- Columbus, OH
- Dayton, OH
- Detroit-Warren-Livonia, MI
- Flint, MI
- Grand Rapids-Wyoming, MI
- Huntington-Ashland, WV-KY-OH
- Indianapolis-Carmel, IN
- Milwaukee-Waukesha-West Allis, WI
- Minneapolis-St. Paul-Bloomington, MN-WI
- Omaha-Council Bluffs, NE-IA
- St. Louis, MO-IL
- Toledo, OH
- Wichita, KS
- Youngstown-Warren-Boardman, OH-PA

## West

- Albuquerque, NM
- Bakersfield-Delano, CA
- Boise City-Nampa, ID
- Colorado Springs, CO
- Denver-Aurora-Broomfield, CO
- Fresno, CA
- Honolulu, HI
- Las Vegas-Paradise, NV
- Los Angeles-Long Beach-Santa Ana, CA
- Oxnard-Thousand Oaks-Ventura, CA
- Phoenix-Mesa-Glendale, AZ
- Portland-Vancouver-Hillsboro, OR-WA
- Sacramento--Arden-Arcade--Roseville, CA
- Salt Lake City, UT
- San Diego-Carlsbad-San Marcos, CA
- San Francisco-Oakland-Fremont, CA
- San Jose-Sunnyvale-Santa Clara, CA
- Seattle-Tacoma-Bellevue, WA
- Stockton, CA
- Tucson, AZ
- Visalia-Porterville, CA

## South

- Asheville, NC
- Atlanta-Sandy Springs-Marietta, GA
- Augusta-Richmond County, GA-SC
- Austin-Round Rock-San Marcos, TX
- Baltimore-Towson, MD
- Baton Rouge, LA
- Beaumont-Port Arthur, TX
- Birmingham-Hoover, AL
- Cape Coral-Fort Myers, FL
- Charleston-North Charleston-Summerville, SC
- Chattanooga, TN-GA
- Columbia, SC
- Deltona-Daytona Beach-Ormond Beach, FL
- El Paso, TX
- Greensboro-High Point, NC
- Greenville-Mauldin-Easley, SC
- Houston-Sugar Land-Baytown, TX
- Jackson, MS
- Jacksonville, FL
- Knoxville, TN
- Lakeland-Winter Haven, FL
- Little Rock-North Little Rock-Conway, AR
- Louisville/Jefferson County, KY-IN
- McAllen-Edinburg-Mission, TX
- Memphis, TN-MS-AR
- Nashville-Davidson--Murfreesboro--Franklin, TN
- New Orleans-Metairie-Kenner, LA
- North Port-Bradenton-Sarasota, FL
- Ocala, FL
- Oklahoma City, OK
- Palm Bay-Melbourne-Titusville, FL
- Raleigh-Cary, NC
- Richmond, VA
- San Antonio-New Braunfels, TX
- Tampa-St. Petersburg-Clearwater, FL
- Tulsa, OK
- Virginia Beach-Norfolk-Newport News, VA-NC
- Washington-Arlington-Alexandria, DC-VA-MD-WV

## MORE INFORMATION

To learn more about Medicare's DMEPOS Competitive Bidding Program, visit [http://www.cms.gov/Outreach-and-Education/Outreach/Partnerships/DMEPOS Toolkit.html](http://www.cms.gov/Outreach-and-Education/Outreach/Partnerships/DMEPOS_Toolkit.html).

This information is provided by the United States Department of Health and Human Services.

