

# 2015 – DME Policy Concerns

## The Expansion of the Competitive Bidding Program to Rural America in 2016

### Background

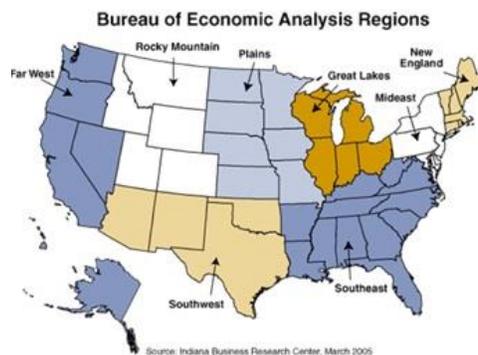
On October 31st, 2014, CMS released a final rule that included making national price reductions to payments for certain DME items paid under fee schedules. The method used to calculate the new (lower) fee schedule was based upon the “single payment amounts” from previous and current competitive bidding programs.

For all previous and currently bid DME items, this rule phases in, over 6 months, a lower reimbursement rate for all U.S. and territorial ZIP codes that are not in non-competitive bidding areas (CBAs). (CBAs will maintain the current bid “single payment amounts”.)

On January 1, 2016, the reimbursement rate for these claims (with dates of service from January 1, 2016 through June 30, 2016) will be based on 50 percent of the un-adjusted fee schedule amount and 50 percent of the adjusted (reduced) fee schedule amount which was based on regional (\*) competitive bidding rates. Starting on July 1, 2016, reimbursement rate will be 100% of the adjusted fee schedule amount which will be based on regional competitive bidding rates. The following are examples of these drastic cuts –

HCPCS Code	Region (*)	Current	1/1/16 rate	7/1/16 rate
E1390 (O2 concentrator)	Mideast	\$180.92	\$135.55 (-25%)	\$90.18 (-50%)
EO470 (BiPAP)	Rocky MT	\$236.78	\$175.96 (-26%)	\$115.14 (-52%)
K0003 (standard wheelchair)	Great Lakes	\$93.72	\$66.65 (-29%)	\$39.58 (-58%)
K0823 (standard PMD)	New England	\$577.42	\$428.48 (-26%)	\$279.55 (-52%)

(\*) Regions are as follows; see additional information/payment rates at [vgmncbservices.com](http://vgmncbservices.com): *Preparing for the Expansion of Competitive Bidding Program to Rural America in 2016*



The application of payment rates, set by a competition, to non-CBAs is flawed and will disrupt Medicare beneficiaries’ access to the DME items they need. In CBAs, suppliers accept contracts for DME items at a lower rate because there will be a reduced number of suppliers that can operate in that bid area. Suppliers try to make up for the drastic payment cuts through increased volume of beneficiaries served. As a result of CMS’ final rule, suppliers in non-competitive bid areas will receive the same drastic payment cuts set in CBAs, without exclusive contracts or increase in volume of business. The industry also has data that indicates providing DME items in rural areas have a higher cost than in urban areas.

CMS’ final rule also limits the bid ceiling for future rounds of competitive bidding to payment rates set by previous rounds of bidding. Currently, bid limits are set by the fee schedule, which allows for adjustments for inflation. CMS has

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indicated that it plans to continue competitive bidding for DME items far into the future. Decreasing the bid ceiling limit over many years, while medical inflation continues to rise, will set artificially low rates, which will hamper competition. Ever decreasing bid limits will make it impossible to set market prices through an auction process, without negatively impacting beneficiary care. Congress required CMS to save money compared to the (unadjusted) fee schedules, because taken to its logical conclusion, CMS' plan would eventually result in suppliers paying the government to provide items and services.

### Reimbursement cuts to the Rocky Mountain region in 2016

HCPCS Code	CURRENT ROCKY MOUNTAIN	ROCKY MTN. 1/1/16	ROCKY MTN. % REDUCTION 1/1/16	ROCKY MOUNTAIN 7/1/16	ROCKY MTN. % REDUCTION 7/1/16
E0601-CPAP	\$ 101.03	\$ 73.33	27%	\$ 45.62	55%
K0001-Wheelchair	\$ 56.19	\$ 41.49	26%	\$ 26.80	52%
E1390-Oxygen Concentrator	\$ 180.92	\$ 136.22	25%	\$ 91.52	49%
E0260-Hospital Bed	\$ 134.38	\$ 102.29	24%	\$ 70.20	48%
E0143-Wheeled Walker	\$ 20.28	\$ 12.84	37%	\$ 5.40	73%



**Current Medicare monthly reimbursement**



**Medicare monthly reimbursement rate by July, 2016**

### Legislative Remedies:

**A house bill (not yet introduced) led by Rep. Tom Price (R-GA), Rep. Tammy Duckworth (D-IL) and others, alongside S. 2312, DME Access and Stabilization Act led by Sen. John Thune (R-SD), Sen. Heidi Heitkamp (D-ND) and others.**

Legislative remedies in these pieces of legislation include:

- Apply a 30% positive adjustment to rural single payment amounts (SPA) (calculated on a national basis) for suppliers in non-bid, "rural\*\*\*" areas as defined by CMS;
- Apply a 20% positive adjustment to regional single payment amount (RSPA) for suppliers in all other non-bid areas;
- **CMS has already agreed to grant a 10 percent adjustment of the bid rates to rural suppliers to replace the loss of volume. The two payment structures would be equitable due to loss of volume and maintaining patient access.**
- Provide a two year phase-in period for bidding-derived pricing for non-bid areas; **this will allow suppliers ample time to alter their market base and adjust to the new reimbursement rates. Mitigating this program is key for allowing the long-term fix to replace competitive bidding entirely.**
- Establish in statute the bid limit ceiling for competitive bid contracts that begin on or after January 1, 2017 at the unadjusted fee schedule payment rates as of Jan 1, 2015. **The current bidding system requires the bidding rates to begin at winning rate from the last bidding session. The bid limit will be reduced with every bidding session making reimbursement rates consistently lower and unattainable.**
- Conduct a demonstration of the Market Pricing Program (MPP) - a state of the art auction system that is designed to save as much money at the competitive bidding program. These bids would be binding and based on the clearing price instead of the median price.

### Online Resources

\*\*High Utilization Items - [http://www.vgmnbcbservices.com/Documents/FinalRuleCBExpansionAnalysis\\_Update0715.pdf](http://www.vgmnbcbservices.com/Documents/FinalRuleCBExpansionAnalysis_Update0715.pdf)

\*\*\*Rural Zip Codes Defined - <http://www.vgm.com/files/EmailPDF/FSS/DMERuralZIP.pdf>

Detailed description of Competitive Bidding Expansion – [vgmnbcbservices.com](http://vgmnbcbservices.com) – *Preparing for Expansion of Competitive Bidding Program to Rural America in 2016*