



# The Market Pricing Program (MPP) Frequently Asked Questions

## What Is the Market Pricing Program?

- The market pricing program (MPP) would require CMS to make fundamental changes to ensure a financially sustainable program. It uses a state-of-the-art auction system to establish market-based prices around the country.
- These changes are consistent with Congress' original intent: to create a program that is based on competition and market prices while maintaining beneficiary access to quality items and services.

## How Does the Proposal Prevent Lowball Bids?

- Bids are binding and cash deposits are required to ensure only serious bidders participate.
- The bid price is based on the clearing price, not the median price of winners.
- The capacity rules are improved to ensure that bidders with no local presence cannot overwhelm local bidders with a vested interest in the market.

## What Are Some Key Features?

- Bid areas are smaller than metropolitan statistical areas (MSAs) and more homogeneous.
- Two product categories are bid per geographic area. Eight additional product categories in that same area would have prices reduced based on auctions conducted simultaneously in comparable geographic areas.

## Would It Include the Same Products?

- Yes, the same product categories CMS has chosen for the bid program would be included.

## Would It Cover the Same Areas?

- Yes, the same geographic areas that CMS has included in its bid program would be included.
- As current law requires, rural areas would be excluded for the short term.

### **When Would It Take Effect?**

- The revised program would be implemented in the same time that CMS has announced for Round 2: July 2013.

### **How Much Will It Cost?**

- The objective is for the legislation to be budget neutral.

### **What Features of Current Bidding Program Does It Retain or Improve?**

- Grandfathering is permitted to ensure beneficiary continuity of care.
- Providers' capacity is limited to historical utilization, with a ceiling of 20 percent.

### **How Will the Program Ensure Transparency?**

- Transparency is critical. The MPP will ensure transparency through financial and performance standards, capacity allocation, bidding rules, winning awards, and performance accountability.