

Dear PMC Members:

The House Committee on Small Business Subcommittee on Rural Development, Entrepreneurship and Trade, chaired by Rep. Heath Shuler (D-NC), held a hearing Wednesday, February 11th entitled *The Impact of Competitive Bidding on Small Businesses in the Durable Medical Equipment Community* examining the consequences of the program on small home medical equipment (HME) providers. Mandatory consolidation of HME providers was implemented through a competitive bidding program for two weeks in July, 2008. Congress then delayed the program for up to 18 months in return for a 9.5% cut in the Medicare fee schedule as part of the Medicare Improvements for Patients and Providers Act (MIPPA).

In his testimony, Laurence Wilson, Director, Chronic Care Policy Group, Centers for Medicare & Medicaid Services (CMS), discussed the importance of competitive bidding touting it as an anti-fraud measure and saving both Medicare and Medicare beneficiaries resources. According to Wilson, Medicare's current DME fee schedule is outdated and reflects historical supplier charge data from more than 20 years ago. Under competitive bidding, CMS projects that the combined savings to both the federal government and Medicare beneficiaries will be approximately 26% in the 1st round of the program alone. When fully implemented, CMS estimates that the program will save the Medicare program upwards of \$1 billion annually.

When drafting the final regulation for the DMEPOS competitive bidding program, CMS took several steps to ensure that small suppliers had ample opportunity to participate in the program, including allowed small suppliers to band together to form "networks" in order to encourage participation and enable more small suppliers to meet the program requirements. Furthermore, the final regulation established a 30% minimum threshold for small supplier participation in the program. Wilson noted that CMS surpassed that goal by awarding nearly half of all contracts in the first round to small suppliers.

In issuing the interim final rule, Wilson explained that CMS was just codifying the changes mandated in MIPPA. Comments have already been solicited on the bidding process and CMS has reestablished the Provider Advocacy and Oversight Committee (PAOC) for further input on competitive bidding implementation.

Several HME providers testified before Congress today detailing the numerous patient and provider harms resulting from the Medicare competitive bidding program for home medical equipment. Georgetta Blackburn, Vice President of Blackburn's, testified on behalf of the American Association for Homecare. Blackburn called on CMS to rescind the program reminding policymakers, "We compete on the basis of quality and service, since Medicare sets reimbursement rates. However, the CMS-designed bidding program is anti-competitive and fundamentally flawed... This government-mandated consolidation of the marketplace will lead to significant job losses. This program will force small providers out of business, often family businesses that have been serving their communities for decades."

Subcommittee members present agreed with HME providers and echoed their calls for a recession of competitive bidding. All mentioned the economic impact of the policy which would drive small HME providers, many who have long-standing roots in their community, out of business.

Other witnesses included Rob Brant from the Accredited Medical Equipment Providers of America, Bill Griffin from Griffin Home Health Care, Charlotte, NC, on behalf of the North Carolina Association for Medical Equipment Services, Gerald Sloan from Progressive Medical Equipment in Lenexa, Kan., Wayne E. Stanfield from the National Association of Independent Medical Equipment Suppliers.

Video highlights of the Subcommittee's hearing can be found at:
http://www.youtube.com/view_play_list?p=98C43859123E190F

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