2015 – DME Policy Concerns

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

Background

On October 31st, 2014, the Centers for Medicare & Medicaid Services (CMS) released the final rule on "Medicare Program: End-Stage Renal Disease Prospective Payment System, Quality Incentive Program, and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies," which establishes the methodology for making national price adjustments to payments for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) paid under fee schedules. Data used to calculate the fee schedule was based upon information gathered from the DMEPOS competitive bidding programs (CBPs) and phase in special payment rules in a limited number of competitive bidding areas (CBAs) under the CBP for certain, specified DME and enteral nutrition products.

For qualified DME items, the final rule phases in, over 6 months, a new reimbursement rate for non-CBAs. 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 fee schedule amount which will be based on the 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%)

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 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.

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Reimbursement cuts to the Far West region in 2016

HCPCS Code	CURRENT Far West	Far West 1/1/16	Far West % REDUCTION 1/1/16	Far West 7/1/16	Far West % REDUCTION 7/1/16
E0601-CPAP	$ 105.33	$ 75.93	28%	$ 46.53	56%
K0001-Wheelchair	$ 59.08	$ 42.88	27%	$ 26.68	55%
E1390-Oxygen Concentrator	$ 180.92	$ 136.06	25%	$ 91.20	50%
E0260-Hospital Bed	$ 134.38	$ 102.48	24%	$ 70.57	47%
E0143-Wheeled Walker	$ 113.04	$ 84.35	25%	$ 55.65	51%

Current Medicare reimbursement per month

Medicare monthly reimbursement rate by July, 2016

DMEPOS Rule Relief Legislative Specifications:

For all DMEPOS, the Secretary must:

- Establish a 30 percent adjustment to address increased costs suppliers incur in non- CBAs to be applied to average regional single payment amount as determined by the methodology set forth in 42 C.F.R. 414.210(g)-(79 *Fed. Reg.* 66120 (November 6, 2014)), as well as an update mechanism. **CMS has already agreed to grant a 10 percent adjustment of the bid rates to rural suppliers to replace the loss of volume. 30 percent would be equitable due to loss of volume and maintaining patient access.**

- Provide for a four-year phase-in of the national price adjustments to the DMEPOS fee schedule set forth in 42 C.F.R. 414.210(g) (79 *Fed. Reg.* 66120 (November 6, 2014)) when implementing them. **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.**

Home healthcare is the most patient-preferred and cost-effective health care delivery system.
Medicare beneficiaries deserve access to quality care and timely service.