



**News Flash** - The Medicare Guide to Rural Health Services: Information for Providers, Suppliers, and Physicians (Second Edition), which provides rural information pertaining to rural health facility types, coverage and payment policies, and rural provisions under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the Deficit Reduction Act of 2005 is now available in downloadable format at <http://www.cms.hhs.gov/MLNProducts/downloads/MedicareRuralHealthGuide.pdf>

MLN Matters Number: MM5574

Related Change Request (CR) #: 5574

Related CR Release Date: April 3, 2007

Effective Date: April 2, 2007

Related CR Transmittal #: R1218CP

Implementation Date: April 9, 2007

**Note:** This article was revised on April 5, 2007, to correct a reference to CR5574 and to reflect that the bidding program will start in 2007, not 2008, as originally noted. All other information remains the same.

## Program Instructions Designating the Competitive Bidding Areas and Product Categories Included in the CY 2007 DMEPOS Competitive Bid Program

### Provider Types Affected

Section 1847 of the Social Security Act requires the Secretary of the Department of Health and Human Services (HHS) to establish and implement programs for certain Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) under which competitive bidding areas are established throughout the United States for the furnishing of certain competitively priced items and services for which payment is made under Part B (the Medicare DMEPOS Competitive Bidding Program<sup>1</sup>). **Suppliers who bill Medicare for DMEPOS must be aware of this program.**

### Provider Action Needed

This article and Change Request (CR) 5574, recently released by the Centers for Medicare & Medicaid Services (CMS), provide an overview of the DMEPOS Competitive Bidding Program that will be implemented starting in 2007. **Suppliers who bill Medicare for DMEPOS must be aware of this program.**

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents. CPT only copyright 2007 American Medical Association.

## Background

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Section 1847 of the Social Security Act requires Medicare to establish and implement programs under which competitive bidding areas are established throughout the United States for contract award purposes for the furnishing of certain competitively priced items for which payment is made under Medicare Part B (the “Medicare DMEPOS Competitive Bidding Program”). Competitive bidding provides a way to harness marketplace dynamics to create incentives for suppliers to provide quality items in an efficient manner, at a reasonable cost to the Medicare beneficiaries while producing significant savings to the Medicare program.

Section 1847(a)(1)(A) of the Act requires that competitive bidding programs be established and implemented in areas throughout the United States. Section 1847(a)(1)(B) of the Act provides the Centers for Medicare & Medicaid Services (CMS) with the authority to phase-in competitive bidding programs so that the competition under the programs occurs in 10 of the largest Metropolitan Statistical Areas (MSAs) in 2007; 70 additional MSAs in 2009; and additional areas after 2009.

The CMS will conduct competitive bidding programs in which certain suppliers will be awarded contracts to provide certain DMEPOS items to Medicare beneficiaries. Suppliers must submit bids for items that fall within product categories for which they want to be considered for selection as a contract supplier.

The Medicare DMEPOS Competitive Bidding Program will apply to a variety of DMEPOS product categories. The product categories will be comprised of products identified by individual Healthcare Common Procedure Coding System (HCPCS) codes. Contract suppliers will be selected from the suppliers that have the lowest bids and that meet all relevant Medicare program requirements.

The MSAs, product categories and HCPCS codes for each product category are available at [http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/01\\_overview.asp](http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/01_overview.asp) on the CMS website.

Exceptions to this program may be granted for items and services for which the application of competitive acquisition is not likely to result in significant savings or to permit continuity of an existing relationship between a beneficiary and supplier with respect to furnishing either a rental item or oxygen. The statute also allows CMS to exempt certain areas from the program, such as rural areas or areas with low population density within urban areas that are not competitive, unless there is a significant national market for mail order for a particular item or service.

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## Additional Information

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To view the official instruction, CR5574 issued to your Medicare contractor, go to <http://www.cms.hhs.gov/Transmittals/downloads/R1218CP.pdf> on the CMS website.

Information on the final rule is available by going to [http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/02\\_reqsnotices.asp](http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/02_reqsnotices.asp) on the CMS site. Once there, click on the download for CMS-1270-F.

If you have questions or need assistance regarding competitive bidding, contact the Competitive Bidding Program Helpline at 1-877-577-5331 or use the "Contact Us" feature at <http://www.dmecompetitivebid.com> on the Web.

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