



**News Flash** – CMS has announced the single payment amounts for Round 1 of the Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bidding Program. Visit the CMS website at [www.cms.hhs.gov/CompetitiveAcqforDMEPOS/](http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/) to view additional information. To view the Press Release, please click [http://www.cms.hhs.gov/apps/media/press\\_releases.asp](http://www.cms.hhs.gov/apps/media/press_releases.asp) on the CMS website.

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## Overview of New Medicare Competitive Bidding Program for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) – The first in a series of articles on the implementation of this program.

### Provider Types Affected

Any Medicare Fee-for-Service (FFS) provider that may be in a position of ordering, referring, or supplying DMEPOS to a Medicare beneficiary may be affected by this program. This includes DMEPOS suppliers, physicians (including podiatric physicians), other treating practitioners (nurse practitioners, physician assistants, and clinical nurse specialists), physical and occupational therapists, and institutional providers (especially skilled nursing facilities and their social workers or care coordinators, hospitals and their discharge planners, home health agencies and pharmacists).

Note that those who refer or order DMEPOS for Medicare beneficiaries are being described as “referral agents” throughout this series.

### Provider Action Needed



#### STOP – Impact to You

Effective July 1, 2008, Medicare will begin implementation of a new program for purchasing DMEPOS for Medicare patients. For Medicare beneficiaries whose permanent residence is in 1 of the 10 metropolitan statistical areas (MSAs) affected by the first phase of this program, only contract suppliers, in most

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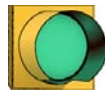
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instances, will be eligible to provide competitive bid items and receive payment from Medicare. While new payment rules may not impact referral agents directly, they may impact your patients. Therefore, the Centers for Medicare & Medicaid Services (CMS) is providing this information to make you aware of the program so you can discuss it with your patients when necessary.



#### **CAUTION – What You Need to Know**

This program, initially, will affect patients obtaining DMEPOS in 10 Competitive Bidding Areas (CBAs) that align with the 10 MSAs affected by the first phase of this program and will include 10 product categories of DMEPOS. These areas and product categories will be identified later in this article. In general, if your patients reside in one of the CBAs, they must use a Medicare contract supplier for competitive bid items, unless they are willing to be responsible for full payment of these items. This means that some of your patients may have to change from a noncontract supplier to a contract supplier. Also, certain suppliers that rent DMEPOS that were not awarded contracts may be “grandfathered” under this program and may be able to continue to supply certain DMEPOS items/services should the beneficiary choose to continue to receive these items from a grandfathered supplier.



#### **GO – What You Need to Do**

It is important that all affected providers know this information. This program determines how much Medicare will pay for competitive bidding items and which suppliers are eligible to receive Medicare payments for these items. Be aware that the new program impacts payment amounts for certain DMEPOS items received by beneficiaries residing in one of the CBAs no matter where in the country they obtain their DMEPOS.

Be prepared for this program if you treat Medicare patients in one of the 10 areas affected by the first phase of this program, which are listed later in this article. Note that the program will expand to 70 additional MSAs in 2009.

## **Background**

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Currently, Medicare payment for most DMEPOS is based on fee schedules. Recent amendments to the Social Security Act (the Act), however, will alter the process for determining payment amounts for certain DMEPOS items. Specifically, Section 1847 of the Act mandates that competitive bidding payment amounts replace the current DMEPOS fee schedule payment amounts for selected items in selected areas. The intent is to improve the effectiveness of the Medicare methodology for setting DMEPOS payment amounts, which will reduce beneficiary out-of-pocket expenses

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and save the Medicare program money while ensuring beneficiary access to quality items and services. The new method brings the payment amount for these items in line with that of a competitive market and reduces your patients' out-of-pocket expenses. The program also ensures the availability of a sufficient number of accredited suppliers for access to quality items and services. For more information on accreditation of DME suppliers, visit [http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/04\\_New\\_Quality\\_Standards.asp](http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/04_New_Quality_Standards.asp) on the CMS website.

The law also provides for phasing in competitive bidding beginning in 10 of the largest MSAs. The program will be expanded into 70 additional MSAs in 2009 and the program will be expanded into additional areas after 2009. Areas that may be exempt from competitive acquisition of DMEPOS include rural areas and areas with low population density that are not competitive, unless there is a significant national market through mail order for a particular item or service. An area is chosen for the Competitive Bidding Program based on several variables, including the size of its Medicare population and the amount of money spent on medical equipment and supplies in those areas.

### ***Definitions***

The following definitions are provided to explain several terms and their usage in this series of articles:

- *Contract Supplier* - An entity that is awarded a contract by CMS to furnish items under a competitive bidding program.
- *Noncontract Supplier* - A supplier that is not awarded a contract by CMS to furnish items included in a competitive bidding program.
- *Referral Agents* - This term applies to the range of physicians, practitioners or providers who prescribe DMEPOS (in essence, "order" or "refer") for their patients.
- *Grandfathered Supplier* - A noncontract supplier that chooses to continue to furnish grandfathered items to a beneficiary in a CBA.
- *Grandfathered Item* - Any one of the items (as described in CFR §414.220, 222, 226, and 229) for which payment is made on a rental basis prior to the implementation of a competitive bidding program and for which payment is made after implementation of a competitive bidding program to a grandfathered supplier that continues to furnish the items in accordance with §414.408(j).
- *Single payment amount* means the allowed payment for an item furnished under a competitive bidding program.

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For more information on single payment amounts, visit <http://dmecompetitivebid.com/SPA> on the Internet.

### ***Initial Competitive Bidding Areas (CBAs)***

Effective July 1, 2008, the competitive bidding program will be implemented in the following CBAs within these 10 MSAs:

- Charlotte-Gastonia-Concord, North Carolina and South Carolina;
- Cincinnati-Middletown, Ohio, Kentucky, and Indiana;
- Cleveland-Elyria-Mentor, Ohio;
- Dallas-Fort Worth-Arlington, Texas;
- Kansas City, Missouri and Kansas;
- Miami-Fort Lauderdale-Miami Beach, Florida;
- Orlando-Kissimmee, Florida;
- Pittsburgh, Pennsylvania;
- Riverside-San Bernardino-Ontario, California;
- San Juan-Caguas-Guaynabo, Puerto Rico.

### ***Product Categories***

Effective July 1, 2008, the competitive bidding program will be implemented for the following product categories:

- Oxygen supplies and equipment;
- Standard power wheelchairs, scooters, and related accessories;
- Complex rehabilitative power wheelchairs and related accessories;
- Mail-order diabetic supplies;
- Enteral nutrients, equipment, and supplies;
- Continuous positive airway pressure (CPAP), respiratory assist devices (RADs), and related supplies and accessories;
- Hospital beds and related accessories;
- Negative pressure wound therapy (NPWT) pumps and related supplies and accessories;
- Walkers and related accessories;
- Support surfaces (Group 2 mattresses and overlays **(Miami MSAs only)**).

### ***Traveling Beneficiaries***

As previously mentioned, any beneficiary obtaining competitive bidding items in one of the CBAs is affected by the rules of the Medicare DMEPOS Competitive Bidding Program. Beneficiaries who reside in a CBA and travels outside their

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CBAs may obtain competitive bid items and the supplier will be paid the single payment amount under the program.

In addition, beneficiaries who do not reside in CBAs and who travel to CBAs are also affected. If they require competitive bid items, they must obtain competitive bid items from a contract supplier for that CBA. In such instances, Medicare will pay that contract supplier the DMEPOS fee schedule amount.

The following table details how DMEPOS supplies may be acquired, given different scenarios:

If a beneficiary permanently lives in...	And travels to...	Type of supplier a beneficiary may go to...
A competitive bidding area	A competitive bidding area	A beneficiary must get competitively bid items from a contract supplier located in the competitive bidding area to which he/she traveled.
A competitive bidding area	An area <b>NOT</b> covered by the competitive bidding program	A beneficiary may get items from any Medicare-enrolled DME supplier, and the supplier will be paid by Medicare as if it were in the beneficiary's competitive bidding area.
An area <b>NOT</b> covered by the competitive bidding program	A competitive bidding area	A beneficiary must get the competitively bid item from a contract supplier in the competitive bidding area. If the beneficiary does not use a contract supplier, the noncontract supplier must ask him/her to sign an Advance Beneficiary Notice. Medicare will not pay for competitively bid items furnished by noncontract suppliers.
An area <b>NOT</b> covered by the competitive bidding program	An area <b>NOT</b> covered by the competitive bidding program	A beneficiary may get items from any Medicare-enrolled DMEPOS supplier.

CMS is conducting extensive outreach to Medicare beneficiaries who reside in the CBAs and will be offering to help them identify contract suppliers.

If DMEPOS suppliers or referral agents are unsure whether a beneficiary resides in a CBA and is affected by this program effective July 1, they can make that determination by comparing the ZIP code of the patient's residence to the list of ZIP codes for the CBAs, which is available at

<http://dmecompetitivebid.com/Palmetto/Cbic.nsf/docsCat/DMEPOS%20Com>

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[petitive%20Bidding%20Areas%20Zip%20Codes?opendocument](#) on the Internet.

### ***Payment***

Payment for contract DMEPOS items will be the single payment amounts that were announced by CMS on March 20, 2008 (versus the current fee schedule determination of payment) for:

- Contract Suppliers, and
- Noncontract Suppliers that provide item to traveling beneficiaries.

## **Additional Information**

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DMEPOS suppliers should note that previous articles have explained the program in more detail as it relates to DMEPOS suppliers. MLN Matters article SE0714, "Pre-Bidding Activities for the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program," is available at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0714.pdf> on the CMS website. Also, MLN Matters article MM5574, "Program Instructions Designating the Competitive Bidding Areas and Product Categories Included in the CY 2007 DMEPOS Competitive Bid Program," is available at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5574.pdf> on the CMS website.

In addition, all providers may find more detailed information at <http://www.dmecompetitivebid.com> on the Internet and at <http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/> on the CMS website.

As this is the first in a series of MLN Matters articles on this issue, further articles will be released in the very near future.

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