



# The VGM Bid Calculator

## This Bid Calculator worksheet is designed to:

- Identify category HCPC codes that are most relevant (e.g., have the most impact) in the bidding process.
  - Identify category HCPC codes that have a minimal impact on the bid determination as to be practically irrelevant.
  - Flag bid amounts that may trigger “Bona Fide Bid”<sup>1</sup> evaluation.
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## The Round 2 “Bid Evaluation Process”:

- CMS has calculated the expected beneficiary demand in each competitive bidding area (CBA) for the items in the category using past utilization statistics.
- CMS will calculate total supplier capacity that would meet the expected demand in the CBA. (A supplier-estimated input of capacity - subject to verification/edit - is used to determine this figure.)
- CMS will establish a “composite bid” for each supplier that submits bid for product category. *RFB*: “To allow comparisons among bidders, CMS will establish a composite bid for each supplier for each product category. The composite bid is based on the sum of each item’s bid amount times its weight for the entire product category. Weight of an item is based on volume, which is utilization of the individual item compared to other items within the product category.”

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<sup>1</sup> Reference: *Request for Bid Instructions*. “All bid amounts for each item must be bona fide (rational and feasible for the bidder to furnish at the bid price). Therefore, suppliers should not submit a bid for an item at a loss just to improve their chances of winning a contract. We will evaluate bids to ensure that they are bona fide, and we may request that a supplier submit additional information, such as manufacturer invoices, so that we can verify that the supplier can furnish the item to the beneficiary for the bid price. The entire bid for a product category in a CBA will be eliminated from consideration if there is a non-bona fide bid for any competitively bid item in that product category.”

- *RFB*: “Composite bids allow CMS to compare all suppliers bids submitted for the entire product category. This allows Medicare to select the suppliers with the lowest expected cost for the entire product category.”
- CMS will array composite bids from low to high.
- CMS must contract with enough bidders to ensure supply meets demand. Starting with the lowest qualified bidder, CMS will begin totaling capacities until supply meets demand. The point at which supply meets demand is the “Pivotal Bid”.
- Any qualified supplier bidding below the pivotal bid is offered a contract.
- Any bidder bidding above the pivotal bid is not offered a contract. .

### Commentary on the Round 2 “Bid Evaluation Process”:

- The most impactful codes aren’t necessarily those with the highest “Bid Weight” or “Bid Limit”. It is the correlation between the two that is most important. This bid calculator will assist suppliers in determining which codes most impact the overall category composite bid.
- In most categories only a few codes will impact the composite bid to any significant degree. Utilizing a “sensitivity analysis” of each code within a particular category, it will become evident that many (if not the majority) of the category codes are practically irrelevant. *What this means:* Discounting<sup>2</sup> items with small impact values will not lower your composite bid to any significance (e.g., not increase the likelihood of securing a “winning” bid). Large discounting of these codes may, however, result in an unnecessary lowered 2013 “single payment amount” (formerly fee schedule).
- **IMPORTANT CAVEAT AND DISCLAIMER; NO WARRANTY:** VGM will not suggest specific bid amounts for any supplier on any code or category. This spreadsheet is only designed to enable bidding entities to determine composite bid impact amounts in a more efficient manner and to reduce the likelihood of entering a non-bona fide bid. This software is distributed in the hope that it will be useful, but **WITHOUT ANY WARRANTY**; without the implied warranty of

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<sup>2</sup> Note that the “Bid Price” (the amount a bidder offers to furnish a competitively bid item to Medicare beneficiaries in a specific CBA) MUST be less than the “Bid Limit” (the current Medicare fee schedule). Hence, a discount of at least \$.01 must be entered for all codes.

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## **Instructions**

### **Step 1**

Recognize that the information in each of the first five columns is provided by CMS/CBIC via the "Bid Information Chart." These items are:

- HCPCS Code
  - The codes each bidder is required to bid on
- HCPCS Code Description
  - Description of each code in the product category
- Bidding Unit
  - The unit of measurement for each code. Recognize that some HCPCS codes, while paid for on a monthly rental basis, are actually bid as a one-time purchase.
- Bid Weight
  - Each code is assigned a bid weight. This weight is representative of the frequency of billing of that code relative to the other codes in the product category.
  - Recognize that there is no correlation between cost of a product or spend on a code and the bid weight. This is strictly the percent of billing relative to all codes in the category.
    - A bid weight of .3347826891 would indicate that this code is billed 33% of the time that any code in the category is billed.

- Note that most codes carry a weight of less than .010000000, meaning the majority of the billing comes from the minority of the codes.

- Bid Limit

- The maximum amount that can be bid on any code is \$.01 below the bid limit.
- The bid limit is representative of the current fee schedule.

HCPCS Code	HCPCS Code Description	Bidding Unit	Bid Weight	Bid Limit	Desi Bi Amo
E0143	Walker, Folding, Wheeled, Adjustable Or Fixed Height	Purchase of one (1) new unit	0.6757517681	\$94.61	
E0156	Seat Attachment, Walker	Purchase of one (1) new unit	0.2173848092	\$20.80	
E0135	Walker, Folding (Pickup), Adjustable Or Fixed Height	Purchase of one (1) new unit	.047002544	\$70.93	
E0149	Walk			66.64	
E0155				83	
E0141	Walker, Rigid, Wheeled, Adjustable Or Fixed Height	Purchase of one (1) new unit	0.0054567228	\$90.73	
E0140	Walker, Heavy Duty, Without Wheels, Rigid	Purchase of one (1) new unit	0.0000000001	\$117.00	

**Provided by CMS**

## Step 2

Input either a Bid Amount or Bid Discount % into the appropriate column. These columns are shaded in green.

- Desired Bid Amount
  - If you know the specific amount you'd like to bid on a particular code, enter that amount into the "Desired Bid Amount" column on your Bid Calculator.
- Desired Bid Discount %
  - If you know the percent you'd like to discount the bid on a particular code, enter that discount percentage in the "Desired Bid Discount %" column on your Bid Calculator.

Bid Weight	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %
0.6755517681	\$94.61			\$94.61	100.00%
0.2273848092	\$20.80			\$20.80	100.00%
0.0470025474	\$70.93			\$70.93	100.00%
0.01387					100.00%
0.0					100.00%
0.0078609430	\$24.83			\$24.83	100.00%
0.0054567228	\$90.73			\$90.73	100.00%

**Enter Either a Bid Amount or Desired Bid Discount %**

### Step 3

Understand that only one of the "Desired Bid Amount" or "Desired Bid Discount %" can be used per HCPCS code. Once you've utilized one column, the other is inactive.

Also recognize that you need not select Desired Bid Amount or Desired Bid Discount % for the entire category. Utilization of these columns may change on a code-by-code basis.

ht	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %	Final Bid	Weighted Bid	% of Complete Bid
'681	\$94.61	\$85.00		\$9.61	10.00%	\$85.00	\$85.00	100.00%
092	\$20.80			\$20.80	100.00%	\$0.00	\$0.00	0.00%
474	\$70.93			\$70.93	100.00%	\$0.00	\$0.00	0.00%
'39					0.00%	\$0.00	\$0.00	0.00%
.724	\$55.49			\$55.49	100.00%	\$0.00	\$0.00	0.00%

**Inputting a Bid Amount Disallows Use of Desired Bid Discount %**

**Bid Amount**

Or...

Option	Bidding	Bid Weight	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %	Final Bid
Adjust			1.61		20.00%	\$18.92	20.00%	\$
						\$20.80	100.00%	\$
			3			\$70.93	100.00%	\$
led, Rig oe			\$206.64					\$
alker, Each	Purchase of one (1)	0.0128241724	\$55.49			\$55.49	100.00%	\$

**Inputting a Bid Discount % Disallows Use of Desired Bid Amount**

**Bid Discount %**

## Step 4

By inputting either a bid amount or bid discount %, the remaining five columns will automatically be calculated for you. The following three columns are a direct product of your bid amount or discount %:

- Discount Amount
  - This is the dollar amount you will be discounting a particular code.
- Final Discount %
  - This is the percentage you will be discounting a particular code.
    - If you selected "Desired Bid Discount %," this column will match your inputted amount.
- Final Bid Amount
  - **This is the amount you will input on Form B of DBids.**

	Bidding Unit	Bid Weight	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %	Final Bid Amount	Weight
stable Or	Purchase of one (1) new unit	0.6755517681	\$94.61		20.00%	\$18.92	20.00%	\$75.69	\$
r				\$18.00		\$2.80	13.46%	\$18.00	\$
ta				\$60.00		\$10.00			\$
Rigid Or	Purchase of one (1) new unit	0.0138777351	\$206.64	\$200.00					\$
, Each	Purchase of one (1) new unit	0.0128241724	\$55.49		15.00%				\$
o Walker,	Purchase of one (1) new unit	0.0078609430	\$24.83		15.00%	\$3.72	15.00%	\$21.11	\$
le Or Fixed	Purchase of one (1) new unit	0.0054567328	\$90.73		20.00%	\$18.15	20.00%	\$72.58	\$

**Select Either**

**These Will Be Calculated For You**

## Step 5

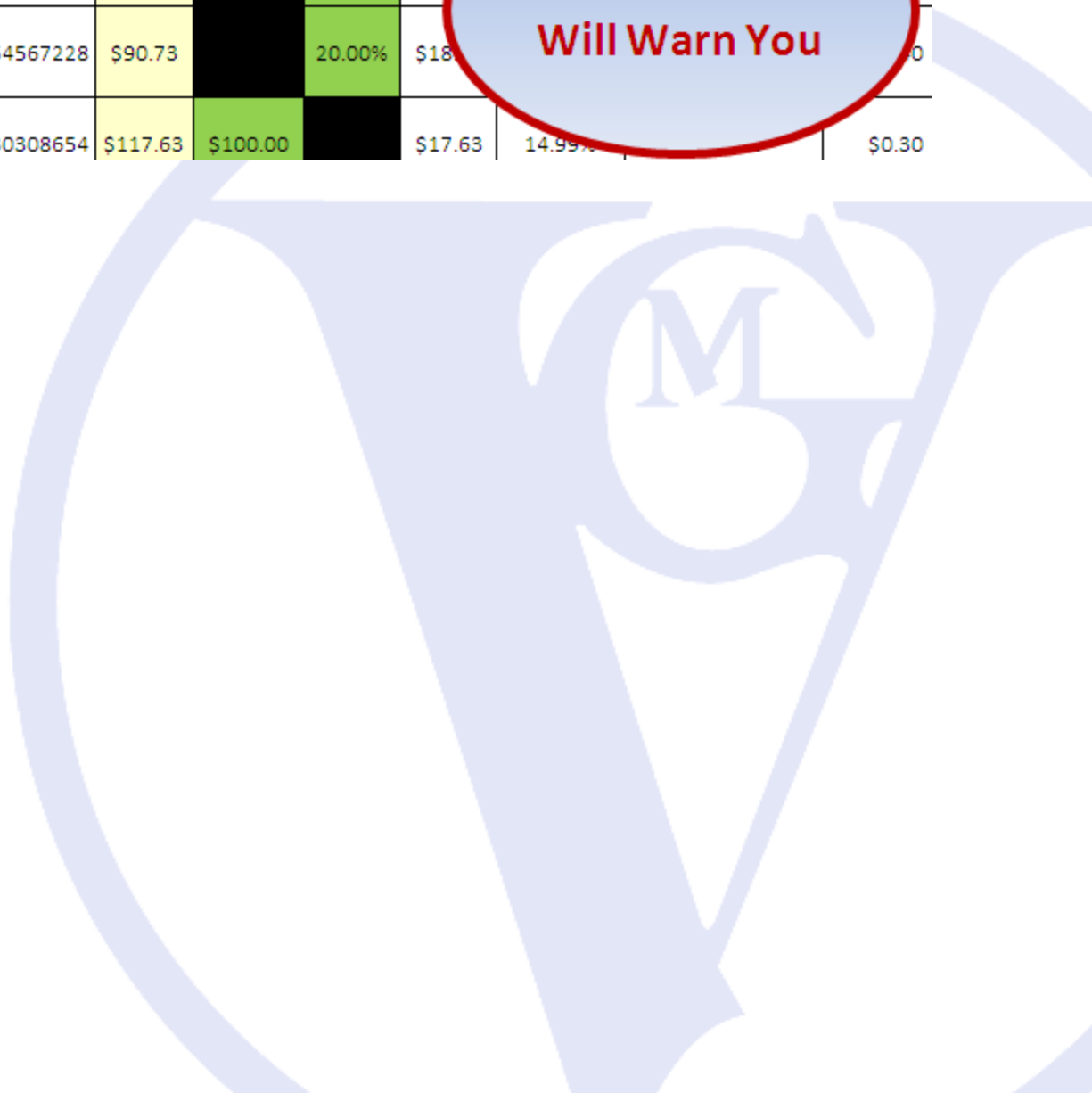
For any given HCPCS code, if the “Final Discount %” and “Final Bid Amount” columns turn red, you’ve entered a bid amount that is likely outside acceptable parameters. You’ve done one of two things:

- Bid Too High
  - Your bid is required to be at least \$.01 below the Bid Limit. If your bid amount is at or above the bid limit, you’ve bid too high.
  
- Bid Too Low
  - CMS does not publish a minimum bid amount. They do, however, require that bidders submit a “Bona Fide Bid” for each HCPCS code. A bona fide bid is one that can be justified. CMS has a red flag threshold built in to their software. Any bid below a certain, undisclosed amount will be red flagged, and a letter will automatically be generated. If you bid below their red flag amount, you’ll receive a letter requesting justification of your low bid amount. You’ll then be required to submit documentation suggesting you can and will provide the product for your bid amount. This will include, but is not limited to invoices showing that your acquisition cost is below your bid amount.
    - Note that VGM does not have access to CMS’ red flag amounts, nor are we in position to tell any bidder how much an appropriate bid amount would be. The red flag threshold built into our Bid Calculator is set at 40% of the Bid Limit, or a 60% discount, and is based on limited anecdotal information from Round One, but is in no way suggesting this is any sort of magic number. A bid below this amount could potentially be justified, and a bid above this amount could be deemed to not be bona fide. **Ultimately, it’s up to each individual bidding entity to determine their own justifiable bona fide bid for each code.**

Bid Weight	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %	Final Bid Amount	Weighted
0.6755517681	\$94.61		80.00%	\$75.69	80.00%	\$18.92	\$12.78
0.2273848092	\$20.80	\$21.00		-\$0.20	-0.96%	\$21.00	\$4.78
0.0470025474	\$70.00			\$10.93	15.47%	\$60.00	\$2.82
0.0000000000					3.21%	\$200.00	\$2.78
0.0128241700				\$8.32	15.00%	\$117.00	\$0.60
0.0078609430	\$24.83		15.00%	\$3.72			\$1.17
0.0054567228	\$90.73		20.00%	\$18.15			\$0.30
0.0030308654	\$117.63	\$100.00		\$17.63	14.99%		\$0.30

**Bid Too High**

**The Red Cells Will Warn You**



## Step 6

Recognize the Weighted Bid column as being a product of Bid Weight and Bid Amount.

Bid Weight	Bid Limit	Desired Bid Amount	Desired Bid Discount %	Discount Amount	Final Discount %	Final Bid Amount	Weighted Bid	% of Composite Bid
0.675551768	\$94.61		20.00%	\$18.92	20.00%	\$75.69	\$51.13	81.47%
0.2273848092	\$20.80	\$15.00		\$5.80	27.88%	\$15.00	\$3.41	5.43%
0.0470025474	\$70.93	\$60.00		\$10.93	15.41%	\$60.00	\$1.82	4.49%
0.0138777351	\$206.64	\$200.00		\$6.64	3.21%	\$200.00	\$6.40	1.57%
0.0128241724					5.00%			
0.0078609430					0.00%			
0.0054567228	\$90.73		20.00%	\$18.15	20.00%	\$72.58	\$0.40	0.63%

**Bid Weight & Bid Amount**

**Weighted Bid = Bid Weight X Bid Amount**

## Step 7

At the bottom of the “Weighted Bid” column, you’ll see a Composite Bid and Category Discount:

- Composite Bid
  - Composite Bid is the total of all Weighted Bids. This is the ONLY number used to determine a bidder’s chance of being awarded a contract or not. CMS will use this number, and only this number, to compare one bidder’s bids for the category to another bidder’s bids for the category.
- Category Discount
  - This is a product of bid amounts and bid weights, and ultimately is just for your information only. You, as a bidding entity, have access to Round One data, including category discount percentages for each product category in each of the nine bid areas. This allows you to understand how much you’ve discounted, and compare to historical figures should you so desire.

Desired Bid Amount	Desired Bid Disco	Discount Amount	Final Discount %	Final Bid Amount	Weighted Bid	% of Composite Bid
	20.00%	\$18.32	20.00%	\$75.63	\$51.13	81.47%
\$15.00		\$5.80	27.88%	\$15.00	\$3.41	5.43%
\$60.00		\$10.33	15.41%	\$60.00	\$2.82	4.43%
\$200.00		\$6.64	3.21%	\$200.00	\$2.78	4.42%
	15.00%	\$8.32	15.00%	\$47.17	\$0.60	0.96%
	15.00%	\$3.72	15.00%	\$21.11	\$0.17	0.26%
	20.00%	\$18.15	20.00%	\$72.58	\$0.40	0.63%
\$100.00		\$17.63	14.93%	\$100.00	\$0.30	0.48%
\$15.00		\$1.54	3.31%	\$15.00	\$0.03	0.05%
\$450.00		\$82.15	15.44%	\$450.00	\$0.86	1.38%
	20.00%	\$11.11	20.00%	\$20.26	\$0.03	0.04%
				\$55.00	\$0.04	0.07%
				\$300.00	\$0.17	0.28%
				\$51.58	\$0.02	0.02%
<b>Composite Bid:</b>					<b>\$62.76</b>	
<b>Category Discount:</b>					<b>19.43%</b>	

Composite Bid  
= Sum of  
Weighted Bids

## Step 8

### **THIS MAY BE THE MOST IMPORTANT STEP, AND IS ULTIMATELY THE PURPOSE OF THE BID CALCULATOR**

The final column, "% of Composite Bid," shows the amount your weighted bid counts toward your composite bid. This column is designed to show you that the most important factors in determining the most important codes are NOT Bid Weight or Bid Amount, but instead the relationship between the two.


- % of Composite Bid = Weighted Bid/Composite Bid
- Recognize that in most categories a small number of codes carry the bulk of your chances of being offered a contract. Most codes count very little.

Item	Final Discount %	Final Bid Amount	Weighted Bid	% of Composite Bid
2	20.00%	\$75.69	\$51.13	81.47%
1	27.88%	\$15.00	\$3.41	5.43%
3	15.41%	\$60.00	\$2.82	4.49%
4	3.21%			4.42%
5				0.63%
3	14.99%	\$100.00	\$0.30	0.48%

**% of Composite Bid = Weighted Bid/Composite Bid**

This Bid Calculator will automatically highlight those codes that count the most (carry at least 5% of the product category).

	Final Discount %	Final Bid Amount	Weighted Bid	% of Composite Bid
	20.00%	\$75.69	\$51.13	81.47%
	27.88%	\$15.00	\$3.41	5.43%
	15.41%	\$60.00	\$2.81	4.49%
	3.21%			4.42%
				%
				6.63%
	14.99%	\$100.00	\$0.30	0.48%



The Most Important Codes Will Be Highlighted In Blue

**HIGHLY RECOMMENDED:**

Please use this bid calculator, and as you're doing so, watch the impact of each bid amount on your composite bid.

- Make drastic adjustments to the codes that matter. You'll see drastic fluctuations in your composite bid.
- Make drastic adjustments to the codes that are insignificant. You'll see minimal, if any fluctuation in your composite bid.

**Note: VGM is not in position to tell any bidding entity how much any appropriate bid might be for any given HCPCS code. This calculator is designed to enable bidding entities to make that decision themselves, and ensure that bidders make necessary adjustments to important codes, and do not make unnecessary adjustments to the codes that do not matter.**