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**Re: Medicare Auction Conference at the University of Maryland, Friday, 1 April 2011**

Dear Medicare Stakeholder:

I wish to invite you to an important conference on Medicare competitive bidding to be held at the Inn and Conference Center, University of Maryland, College Park, MD. The event is sponsored by the National Science Foundation and the University of Maryland.

The Medicare Auction Conference is an opportunity for collaboration among the stakeholders of the Medicare DME Competitive Bidding program: DME providers, Medicare beneficiaries, government agencies (HHS, CMS, CBO, OMB, and CEA), Congressional staff, and auction experts. The Medicare auction program is currently in a pilot stage, but will soon be expanding nationwide (with Round 2). This is a critical opportunity to debate the basic issues as well as learn about the latest auction methods that could simplify and improve the effectiveness and sustainability of the auction program. In addition, the conference provides a forum to debate whether auctions are feasible in the Medicare setting and how they can best be structured.

The key goals of the conference are:

- To discuss key issues of an auction approach;
- To demonstrate how an efficient auction works; and
- To debate the merits of the auction approach.

This type of conference has been highly effective in informing stakeholders of how modern auction methods work and to identify and make progress on the challenges with an auction approach (many of these challenges are shared by non-auction approaches, such as administrative pricing, so the conference is highly relevant even to those who believe an auction approach is not the best way forward). My colleagues and I have had successful conferences like this in several other sectors, such as transportation (FAA), communication (FCC), and energy (FERC).

A highlight of the conference is a nearly full-scale mock auction. This involves all participants interacting via a commercial auction platform that is programmed with the proposed auction rules. In the mock auction about 90 bidding teams compete to be DME providers for six product categories in nine regions. Each team is given a specific business plan including the company's cost of providing service for the product categories and regions the company is interested in. The teams get to experience the auction first-hand. The task involves active learning: thinking about how the auction works, thinking about bidding strategy, and then actually bidding in the mock auction, just as you would in a real auction.

I hope that you will be able to participate in this important and historic event. The schedule of the event follows on the next page. The conference will begin Friday morning at 8:30am and conclude at 5pm. The

event is scheduled in advance of CMS' PAOC meeting on Tuesday, 5 April 2011, in nearby Baltimore. You can register separately to attend the [PAOC meeting](#).

Space is limited to about 200 participants (roughly 40 from the government and 160 non-government), so please register soon at [123signup.com](http://123signup.com). Registration is on a first-come-first-serve basis. Registration is free for those from the government and \$80 (\$100 after 14 March) for non-government participants. Registration includes lunch and refreshments at morning and afternoon breaks.

Out of town participants can reserve a room at the Inn and Conference Center at the reduced rate of \$174/night by calling hotel reservations at 800-228-9290 or on [the web](#) until 14 March. Be sure to mention the *Medicare Auction Conference* to get the reduced rate. The [conference site](#) is a cab ride away from the three major Washington airports (BWI, DCA, and IAD). You will want to book flights early, as the beginning of April is a busy and beautiful time to visit Washington and see the cherry blossoms and other signs of spring.

I hope to see you at the Medicare Auction Conference on 1 April 2011. [Please register now](#) if you would like to attend. I am confident it will be a productive event for all. Updates and further information is available at <http://www.cramton.umd.edu/papers/health-care/>.

Kind regards,

*Peter Cramton*



### Medicare Auction Conference, Schedule, Friday, 1 April 2011

- Welcome (8:30am)
  - Conference organizer
  - Government keynote
- A proposed auction approach for Round 2 (9am)
  - How it works
  - Why it addresses the problems of Round 1 Rebid

#### *Morning break (9:45am)*

- Auction demonstration (10:15am)
  - A mock auction is conducted with all participants using the proposed rules and a commercial auction platform
  - About 90 bidding teams compete to be DME providers for six product categories in nine regions
  - Each team is given a specific business plan including the company's cost of providing service for the product categories and regions the company is interested in
  - The demonstration is conducted in four steps
    1. Description of the mock auction environment
    2. Description of the auction platform and the mechanics of bidding
    3. Running of the auction
    4. Preliminary presentation of auction results

#### *Lunch break (12:30pm) occurs after approximately 1 or 2 rounds of bidding*

- Finish final two steps of auction demonstration (1:30pm)
  3. Complete running of the auction (5 to 7 rounds total)
  4. Presentation of auction results
- Discussion of key issues to be resolved (2:30pm)
  - 100% exclusion vs. 20% exclusion

#### *Afternoon break (3pm)*

- Optimization of products and regions (3:30pm)
  - Product definitions including obligations
  - Product categories
  - Regions
- Financial guarantees
  - Bid bonds or deposits
  - Performance bonds or deposits
- Final panel and discussion (4:15pm)
  - Topic: "What have we learned?"

#### *Conference end (5pm)*