

Fix Medicare's Competitive Bidding Program for Home Medical Equipment and Services (HME)

The congressional objective in requiring Medicare to use competitive bidding to establish payment amounts for home medical equipment was to reduce Medicare and beneficiary expenditures and ensure that beneficiaries have access to quality items and service. This objective cannot be met because the Centers for Medicare and Medicaid Services (CMS) has designed a program that does not hold bidders accountable, does not ensure that bidders are qualified to provide the products in the bid markets, and produces bid rates that are financially unsustainable.

More than 240 market auction experts and economists have warned that the Medicare bidding program is unsustainable in its current form. It will create significant barriers to access and will destroy the HME infrastructure that seniors and people with disabilities depend on. To fix these serious problems, independent auction experts and economists have proposed a market-based pricing system for HME. A legislative proposal for a Market Pricing Program would fix the fundamental flaws in the current system:

1. What Is the Market Pricing Program?

- The market pricing program (MPP) would require CMS to make fundamental changes to ensure a financially sustainable program. It uses a state-of-the-art auction system to establish market-based prices around the country.
- These changes are consistent with Congress' original intent: to create a program that is based on competition and market prices while maintaining beneficiary access to quality items and services.

2. How Does the Proposal Prevent Lowball Bids?

- Bids are binding and cash deposits are required to ensure only serious bidders participate.
- The bid price is based on the clearing price, not the median price of winners.
- The capacity rules are improved to ensure that bidders with no local presence cannot overwhelm local bidders with a vested interest in the market.

3. What Are Some Key Features?

- Bid areas are smaller than metropolitan statistical areas (MSAs) and more homogeneous.
- Two product categories are bid per geographic area. Eight additional product categories in that same area would have prices reduced based on auctions conducted simultaneously in comparable geographic areas.

4. Would It Include the Same Products?

- Yes, the same product categories CMS has chosen for the bid program would be included.

5. Would It Cover the Same Areas?

- Yes, the same geographic areas that CMS has included in its bid program would be included.
- As current law requires, rural areas would be excluded for the short term.

6. When Would It Take Effect?

- The revised program would be implemented in the same time that CMS has announced for Round 2: July 2013.

7. How Much Will It Cost?

- The objective is for the legislation to be budget neutral.

8. What Features of Current Bidding Program Does It Retain or Improve?

- Grandfathering is permitted to ensure beneficiary continuity of care.
- Providers' capacity is limited to historical utilization, with a ceiling of 20 percent.

9. How Will the Program Ensure Transparency?

- Transparency is critical. The MPP will ensure transparency through financial and performance standards, capacity allocation, bidding rules, winning awards, and performance accountability.