



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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## Grassley Urges Medicare Officials to Study Recommendations on Competitive Bidding

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, today said he hopes Medicare officials will study new recommendations as they work to introduce competitive bidding for medical equipment such as power wheelchairs. Grassley had concerns about imposing competitive bidding for durable medical equipment because of the potential impact on small businesses and the fear that access to quality suppliers could be undermined in rural states like Iowa. As a new report points out, competitive bidding could lead to new abuses of the system.

“Careful monitoring of the new competitive bidding program will be necessary to ensure that Medicare is paying appropriately for durable medical equipment and to protect beneficiary access to quality items,” Grassley said. “Inflated payments have resulted in billions of taxpayer dollars being squandered for overpriced medical equipment. This only serves to undermine taxpayer confidence in the Medicare program and to further jeopardize the program’s future ability to pay for the needs of a growing Medicare population. It’s important to strike the right balance between reining in excessive payments and making sure beneficiaries get what they need.”

Grassley was a key architect of the *Medicare Prescription Drug, Improvement and Modernization Act of 2003*. He co-requested a Government Accountability Office (GAO) report, “Medicare: Past Experiences Can Guide Future Competitive Bidding for Medical Equipment and Supplies” (GAO-04-768), released this week.

GAO, which is Congress’ independent oversight agency, examined a prior competitive bidding demonstration project involving Medicare and assessed several issues that the Centers for Medicare and Medicaid Services (CMS) should consider as it moves toward implementing mandated competitive bidding for the purchase of certain types of durable medical equipment, supplies, off-the-shelf orthotics, and other items.

Under traditional reimbursement methods, CMS sets a fixed reimbursement rate for certain classes of medical equipment. However, the GAO and the Department of Health and Human Services’ Office of Inspector General (OIG) have done numerous studies highlighting excessive payments made for certain medical equipment and supplies provided to Medicare recipients.

Grassley cited the OIG’s April testimony before the Senate Finance Committee, disclosing

reimbursements to suppliers of more than \$5,000 for power wheelchairs that otherwise are commonly available for purchase from manufacturers or distributors for a median price of \$1,550. During its testimony, CMS acknowledged that it has “payment prices that were too high.”

As a result of provisions outlined in the *Medicare Prescription Drug, Improvement and Modernization Act of 2003*, CMS will be phasing in a competitive bidding process for certain medical equipment and supplies. There is a three-year freeze on payment amounts for durable medical equipment, orthotics, and prosthetics, with competitive bidding starting in 2007. The Medicare law requires competitive bidding in the 10 largest metropolitan areas for some of Medicare’s more expensive categories of equipment and supplies. That limited competitive bidding effort is to be followed by an additional 70 areas within two years. The application of competitive bidding for the rest of the country is to be in place by 2011.

During the Medicare bill’s consideration, Grassley advocated for a longer, easier transition into competitive bidding, which is why a three-year freeze was implemented. In order to make sure competitive bidding does not adversely affect small and rural providers, Grassley said, Medicare officials should study the GAO’s findings.

The GAO report emphasizes the need for CMS to include careful oversight to prevent suppliers from substituting lower-priced items and to encourage the use of quality measures to ensure quality items and services are provided to Medicare beneficiaries.

“It’s important to continue to promote accountability in the durable medical equipment industry while stressing the need for access to the quality items and services that Medicare beneficiaries rely on today,” Grassley said.

The GAO report is available for downloading at <http://www.gao.gov/cgi-bin/getrpt?GAO-04-765>.