

Committee on Ways and Means

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

Medicare DME Freeze And Competitive Bidding Saves Beneficiaries and Taxpayers Money

Study after study by the Office of the Inspector General and the General Accounting Office has found the government-determined fee schedule for durable medical equipment (DME) too high for DME and orthotics and prosthetics. Medicare pays more for the same item than other payors, even more than private citizens who can buy the identical item in a drug store for considerably less. As a result, taxpayers and beneficiaries lose.

The Department of Health and Human Services Inspector General testified in June of last year before the Senate Committee on Appropriations regarding her office's recent price comparison for sixteen medical equipment and supply items. The analysis shows that Medicare often pays more than the private plans that participate in the Federal employees health benefit program. The Inspector General has recommended reducing the payments for these items and services.

The Conference report includes a three year freeze for DME and orthotics and prosthetics. Payments also are reduced for five high volume items where the Medicare program pays more than private plans. A transition to competitive bidding for DME begins in 2007, focusing on the largest cities. To remain competitive, suppliers will need to price their products at market value. Using market forces drives down the cost for both the government and beneficiaries.

Competitive Bidding Demonstration Was Successful. CMS found that under the first round of contracts:

- 77 percent of the winning bidders were small businesses.
- Taxpayers saved money through competitive model.
- Access to quality equipment was maintained.
- An independent agency found that beneficiary satisfaction remained high.
- There was a decline in problems associated with quality.

Competitive Bidding Ensures Choice and Good Service.

- Mandates multiple winners (No winner takes all). The provision cannot discriminate against small suppliers;
- Requires quality standards and accreditation;
- Exempts geographic areas that are not competitive, such as rural areas or others with a low population density;
- Allows physicians to specify brands to avoid adverse health outcomes;
- Exempts orthotic products that are custom-made or custom-fitted;
- Exempts all prosthetics and implantable (Class III) devices;
- Requires a Program Advisory and Oversight Board to oversee and give advice to CMS.