

REJECT COMPETITIVE BIDDING FOR HOME MEDICAL EQUIPMENT (HME)

ISSUE: Competitive bidding allows Medicare to award contracts for particular items or services to suppliers that submit low bids. Congress authorized five demonstration projects in the Balanced Budget Act of 1997 and the Centers for Medicare & Medicaid Services (CMS) has initiated two demonstrations in Florida and Texas. CMS' own analyses in 2001 and 2002 of the demonstration projects in Polk County, Florida, and San Antonio, Texas, state that it is "premature" to declare competitive bidding appropriate or inappropriate as a reimbursement mechanism for home medical equipment (HME). Similarly, in its testimony before the Senate Appropriations Committee on June 12, 2002, the General Accounting Office (GAO) stated, "[T]he recent demonstrations that set payments for items through competitive bidding were instructive, but the positive results achieved may be neither applicable nor practical on a wider scale for many products." Despite this GAO analysis, Congress and the Administration continue to propose competitive bidding, in some form, for HME.

The National Association for Home Care & Hospice (NAHC) and its HME affiliate, the Home Medical Equipment Association of America (HMEAA), urges Congress to resist any attempts to impose national competitive bidding for HME for the following reasons:

RATIONALE:

Competitive bidding can limit access to medically necessary products and services.

- In order to ensure delivery of safe, effective, high-quality care, suppliers provide many essential services with the delivery of HME, like respiratory therapists and 24-hour on-call assistance and access to specialists in rehab technology. Suppliers also offer beneficiaries a broad selection of items from which to choose. Under competitive bidding, suppliers may find it necessary to lower their bids by reducing or eliminating innovative product lines or more intensive beneficiary services in order to win Medicare contracts. Even for products that appear to be interchangeable commodities, such as incontinence supplies, personal preference is extremely important to the individual beneficiary. Competitive bidding can have a detrimental effect on the quality, comfort, convenience and continuity of care because it limits a patient's choice of products and forces patients with needs for multiple products to obtain them from many different suppliers.

Competitive bidding imposes significant restrictions on choice of suppliers.

- Even in cases where suppliers continue providing services along with medical equipment, many Medicare patients and physicians will no longer be able to obtain these services from the supplier of their choice. Many Medicare beneficiaries have a longstanding relationship with their supplier, often the key component to compliance with their therapeutic regimen. Competitive bidding would force all Medicare beneficiaries to obtain their HME and technology from a supplier chosen by the federal government to serve the "competitive acquisition area" where they reside.

Competitive bidding will retard medical innovation.

- Suppliers that win bids based on the costs of current medical technology and services will be unwilling to adopt new technologies that improve clinical outcomes or quality of life but raise up-front costs. Suppliers may turn to cheaper products, further reducing a manufacturer's incentives to develop new technologies. Already manufacturers report reluctance of suppliers to invest in new technologies because of the prospect of competitive bidding, which offers rewards

to those supplying the most inexpensive HME, technology, orthotics, and supplies instead of rewarding those that offer higher quality and service.

Competitive bidding is anti-competitive and threatens the viability of many small businesses.

- Medicare "competitive bidding" is a misnomer. Medicare competitive bidding will, in fact, reduce competition, destroying many small businesses that are valuable assets to their communities. Because the competitive bidding process awards contracts only to those suppliers capable of offering a qualifying price, many businesses will be excluded from this marketplace. The elimination of businesses means there will be fewer bidders when it is time to update or renew the bidding process. Bid prices will likely rise and patient choice will likely diminish as more suppliers are eliminated. Indeed, in one of the ongoing demonstration projects, after two rounds of bidding, one national company receives about 70 percent of the Medicare referrals for oxygen.

Competitive bidding is costly and creates complexity and confusion.

- A competitive bidding system would require that CMS establish hundreds of "competitive acquisition areas" and would authorize CMS to subject an unlimited number of items and services to the competitive bidding process. Multinational Business Services, Inc. studied a proposed competitive bidding plan and concluded that its implementation would require CMS to increase its workforce by more than 1600 employees, increasing its size by more than one-third.

**For more information, contact the National Association for Home Care & Hospice (NAHC)
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