

## **Medicare DME 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 certain items. Medicare pays more for the same item than other payers, even more than the private sector pays for the identical item in a drug store. As a result, taxpayers and beneficiaries are losing.

The Department of Health and Human Services Inspector General Janet Rehnquist testified in June of this 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 health care consumers, Federal health insurance plans (e.g., FEHBP), State Medicaid agencies, and the Veterans Administration pay significantly less than Medicare. The following examples are from this report.

<b>Item</b>	<b>Percent Medicare pays more than FEHBP</b>
Hospital Beds	+20%
Walker	+12%
IV pole	+22%

Ms. Rehnquist also testified that competitive bidding has shown promising initial results and suggested, "the Administration and the Congress need to work together to expand the competitive bidding provision beyond the demonstration phase."

H.R. 4954, the "Medicare Modernization and Prescription Drug Act of 2002" includes competitive bidding for DME. Rather than an arbitrary fee schedule with payment cuts by the Centers for Medicare and Medicaid Services (CMS) under "inherent reasonableness authority," this proposal would allow DME suppliers to competitively bid for contracts with CMS. In order to remain competitive, these suppliers will need to price their products at market value. Using these market forces will drive 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, such as liquid oxygen was maintained.
- An independent agency found that beneficiary satisfaction remained high.
- There was a decline in problems associated with quality.

***House Proposal Ensures Choice and Good Service.***

- Mandates multiple winners (No winner takes all);
- Requires quality standards;
- Exempts geographic areas that are not competitive, such as rural areas with low population density;
- Exempts orthotic products that are custom-made or custom-fitted; and,
- Exempts all prosthetics.