



## **Hundreds of Medicare Patients and Providers Report Problems with Access to Medically Required Equipment and Services under Controversial “Competitive” Bidding System**

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WASHINGTON, DC, March 7, 2011 ---- Since the January 1 implementation of Medicare’s controversial “competitive” bidding program in nine regions across the U.S., hundreds of patients and providers have reported problems and complaints about getting medically required home medical equipment and services to seniors and people with disabilities.

The program affects millions of Medicare beneficiaries who require oxygen therapy, enteral nutrients (tube feeding), continuous positive air pressure (CPAP) and respiratory assistive devices, power wheelchairs, walkers, hospital beds and support surfaces, and mail-order diabetic supplies. The bidding program was implemented on January 1 in nine metropolitan regions across the U.S. and begins in an additional 91 metropolitan areas later this year. The first nine areas are Charlotte, Cincinnati, Cleveland, Dallas-Fort Worth, Kansas City, Miami, Orlando, Pittsburgh, and Riverside, California.

From this limited test area, the American Association for Homecare has received more than 250 complaints about the program from beneficiaries, case managers, and homecare providers. The Association expects the number of complaints to increase exponentially as the program moves forward in these nine cities and as the program expands across the nation.

By design, this new Medicare program severely restricts the number of companies that are allowed to provide the equipment and services that are subject to bidding. Since the bidding program began on January 1, patients, clinicians, and homecare providers have reported:

- Difficulty finding a local equipment or service provider;
- Delays in obtaining medically required equipment and services;
- Longer than necessary hospital stays due to trouble discharging patients to home-based care;
- Far fewer choices for patients when selecting equipment or providers;
- Reduced quality; and
- Confusing or incorrect information provided by Medicare.

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Among the specific complaints are the following:

- A provider of home medical equipment and services in the Kansas City area reports that hospital discharge planners are sending patients only to those equipment providers that won contracts for multiple categories under the bidding system, effectively excluding those companies that only won contracts for one or two service categories. This further shrinks the pool of homecare providers available to serve Medicare beneficiaries who depend on home medical equipment and services and does nothing to protect small providers.
- A CPAP user in the Orlando area could not find the right supplies from the reduced number of local providers contracted under the bidding system. “I don’t like that the local people were cut out. In our area, there are very few suppliers to choose from.”
- Numerous home medical equipment providers in Cleveland, Cincinnati, and Dallas have laid off staff because of the bidding program.
- A patient in the Charlotte area was required to stay in the hospital for several extra days because of delay in delivery of oxygen equipment to the patient’s home, reports the North Carolina Association for Medical Equipment Services.
- A director of case management at a Dallas hospital said the bidding program has caused problems and burdens with respect to coordination of equipment and services. “Medicare is making it more difficult to provide services to people in need.”

The American Association for Homecare shared a number of problems with the federal Centers for Medicare and Medicaid Services (CMS) earlier in January including:

- Companies awarded Medicare contracts that are bankrupt.
- Companies awarded Medicare contracts that are not licensed to provide items or services.
- Companies awarded Medicare contracts that have credit problems.
- Incorrect information distributed by Medicare about the contract winners and which beneficiaries need to change their home medical equipment providers.

## **MARKET EXPERTS AND CONSUMER GROUPS OPPOSE THE BIDDING SYSTEM**

In November, 2010, 167 leading economists including two Nobel laureates and auction experts who have experience in the design and application of auctions around the world warned Congress that Medicare’s bidding design for medical equipment will fail. Those experts, who design market-based auction systems and do not oppose the concept of using a competitive bidding system to set Medicare prices, found that this particular bidding program designed by CMS has irreparable flaws that will prevent it from achieving its objectives of low cost and high quality equipment and services.

“It’s just weeks into this program and we have received complaints from hundreds of patients, providers, clinicians, and hospital administrators who have expressed grave concerns about this approach to healthcare,” said Tyler J. Wilson, president and CEO of the American Association for Homecare. “We agree with the many patient advocacy groups, economists, and members of Congress who have called for an end to this misguided pricing mechanism.

**“Homecare is already the most cost-effective setting for post-acute care, and this bid system is merely a badly designed solution in search of a problem.”**

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Under the CMS-designed system, the bidding companies are not bound by their bids, which undermine the credibility of the process and encourages “low-ball” bids that create an unsustainable process and threaten the long-term viability of the program.

Ultimately, the experts told Congress, the bid design provides “strong incentives to distort bids away from [actual] costs,” and lacks transparency, which is “unacceptable in a government auction and is in sharp contrast to well-run government auctions.” The experts’ letters conclude, “This collection of problems suggests that the program over time may degenerate into a ‘race to the bottom’ in which suppliers become increasingly unreliable, product and service quality deteriorates, and supply shortages become common. Contract enforcement would become increasingly difficult and fraud and abuse would grow... Implementation of the current design will result in a failed government program.”

Also opposing the controversial bidding program are more than a dozen national consumer and patient advocacy groups including the ALS Association, American Association of People with Disabilities, Muscular Dystrophy Association, National Council on Independent Living, National Spinal Cord Injury Association, and United Spinal Association. Last year, a bipartisan group of 259 members of the U.S. House of Representatives supported legislation to repeal the misguided bidding program.

Medicare beneficiaries, family members, caregivers, hospital discharge planners, and clinicians can report problems, concerns, and feedback about this bidding system by calling a toll-free number, 1-888-990-0499, or by visiting the website: [www.biddingfeedback.com](http://www.biddingfeedback.com). To learn more, visit [www.aahomecare.org/competitivebidding](http://www.aahomecare.org/competitivebidding).

***The American Association for Homecare** represents durable medical equipment providers, manufacturers, and others in the homecare community that serve the medical needs of millions of Americans who require oxygen equipment and therapy, mobility assistive technologies, medical supplies, inhalation drug therapy, and other medical equipment and services in their homes. Members operate more than 3,000 homecare locations in all 50 states. Please visit [www.aahomecare.org/athome](http://www.aahomecare.org/athome).*

***The New England Medical Equipment Dealers Association** is the regional trade association representing providers of home medical equipment and supplies, home oxygen therapy and respiratory equipment, custom wheelchairs and assistive technology, and home infusion therapy in the six New England states. Approximately 80% of Medicare and Medicaid beneficiaries receive their home medical equipment and related services from a NEMED member. Visit [www.nemed.org](http://www.nemed.org).*

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