



Medicare Officials Continue to Paint Distorted Picture of “Competitive” Bidding Program for Home Medical Equipment

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ARLINGTON, VA, May 13, 2011 ----- The American Association for Homecare today rejected claims in a federal report that Medicare “overpays” for home medical equipment and services. While Medicare paints a glowing picture of the controversial “competitive” bidding program for home medical equipment, economists and consumer groups have lined up to oppose that program.

“There’s a reason why more than two dozen patient advocacy groups, 167 economists, and nearly 100 members of Congress oppose this program: it undermines quality and increases costs,” said Tyler J. Wilson, president of the American Association for Homecare. “Because of this bidding program, beneficiaries will spend more time in expensive institutions, rather than in the far more cost-effective setting – their own homes.”

New restrictions and unsustainable prices based on this controversial bidding system took effect on January 1, 2011, in nine of the largest metropolitan areas: Charlotte, Cincinnati, Cleveland, Dallas-Ft. Worth, Kansas City, Miami, Orlando, Pittsburgh, and Riverside, Calif. Another 91 areas throughout the U.S. will be subjected to the bidding program starting later in 2011. The bidding system affects providers and users of home medical equipment and services such as oxygen therapy, respiratory devices, hospital beds, wheelchairs, and other medically required equipment and supplies needed by seniors and people with disabilities in the Medicare system.

Proponents of the bidding system have conveyed misleading information that exaggerates the benefits and ignores the severe shortcomings of the program.

MYTH #1: Medicare overpays for home medical equipment and services, and the bidding system improves the method for setting reimbursement rates for that equipment and service.

REALITY: Proponents of the bidding system have used out-of-date reimbursement rates and false comparisons of retail costs versus Medicare costs to argue their case. For many years, CMS has set reimbursement rates for home medical equipment through a fee schedule. Over the past decade, those reimbursement rates have dropped nearly 50 percent because of cuts mandated by Congress or imposed by CMS.

The costs of delivering, setting up, maintaining, and servicing medically required equipment in the home are obviously greater than the cost of merely acquiring the equipment. But Medicare does not recognize the costs of these services. So comparing the cost of the equipment to the larger cost of furnishing the full array of required equipment, supplies, and services is false and misleading.

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Moreover, 167 experts, including two Nobel laureates and numerous economics professors from leading universities, warned Congress and regulators last October that this bidding system will fail. The experts, who do not otherwise oppose competitive bidding to set Medicare prices, point out that the system has four fatal flaws:

- The bidders are not bound by their bids, which undermine the credibility of the process.
- Pricing rules encourage “low-ball bids” that will not allow for a sustainable process or a healthy pool of equipment suppliers.
- The bid design provides “strong incentives to distort bids away from costs.”
- There is a lack of transparency in the bid program that is “unacceptable in a government auction and is in sharp contrast to well-run government auctions.”

These concerns have been shared with the federal Centers for Medicare and Medicaid Services (CMS), which designed the bidding system. But the agency has dismissed the concerns.

A September 30, 2010, *New York Times*’ “Freakonomics” article by two of the 167 economists addresses the bidding issue. Yale University economist Ian Ayres and University of Maryland economist Peter Cramton conclude: “The mystery is why the government has failed over a period of more than ten years to engage auction experts in the design and testing of the Medicare auctions.... We suspect the problem is that CMS initially did not realize that auction expertise was required, and once they spent millions of dollars developing the failed approach, they stuck with it rather than admit that mistakes were made.”

See: <http://freakonomics.blogs.nytimes.com/2010/09/30/fix-medicares-bizarre-auction-program/>

MYTH #2: The bidding program will make healthcare more cost-effective.

REALITY: The home is already a highly cost-effective setting for post-acute and long-term care. For many years, home medical equipment providers competed in Medicare on the basis of quality and service to facilitate the hospital discharge process and enable patients to receive cost-effective, high-quality care at home. As more people receive quality equipment and services at home, patients and taxpayers will spend less for hospital stays, emergency room visits, and nursing homes. Home medical equipment is an important part of the solution to the nation’s healthcare funding crisis. Home medical equipment represents approximately 1.5 percent of total Medicare spending. So while this bidding program would make even more severe cuts to reimbursement rates for home medical equipment, that will ultimately result in much higher spending in Medicare and Medicaid for hospital and nursing home stays and for physician and emergency treatments.

MYTH #3: The bidding program will eliminate fraud.

REALITY: CMS continues to describe the bidding program as an anti-fraud tool. In reality, it is a price-setting mechanism that has nothing to do with fraud prevention. In fact, the exact opposite is true, according to the 167 market experts who warned Congress that the CMS bidding program “will lead to a ‘race to the bottom’ fostering fraud and corruption.”

The real solution to keeping criminals out of Medicare is better screening, real-time claims audits, and better enforcement mechanisms for Medicare. Two years ago, the American Association for Homecare proposed to Congress an aggressive, 13-point legislative action plan to combat fraud, and many of those provisions have been included in legislation passed in Congress. Moreover, two important anti-fraud requirements – accreditation and surety bonds – took effect more than one year ago, in October 2009.

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MYTH #4: Only the home medical equipment sector opposes the bidding system.

REALITY: In addition to the 167 economists and bidding experts who have expressed grave concerns about the bidding program, many consumer and patient advocacy organizations have called for a halt to the bidding system. Those groups include the ALS Association, the Brain Injury Association of America, the Christopher and Dana Reeve Foundation, the International Ventilator Users Network, the Muscular Dystrophy Association, National Emphysema and COPD Association, the National Council on Independent Living, the National Spinal Cord Injury Association, and United Spinal Association, among others.

These consumer groups support H.R. 1041, a bill in the U.S. House of Representatives that would eliminate the bidding program. The bipartisan bill has 96 cosponsors so far, including roughly equal proportions of Republicans and Democrats.

MYTH #5: The bidding system is good for Medicare beneficiaries.

REALITY: In January 2011, round one of the bid program was implemented in nine metropolitan areas. Since then, 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.

***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.*

***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.*

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