



Highlights of [GAO-04-765](#), a report to congressional committees.

Why GAO Did This Study

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires the Centers for Medicare & Medicaid Services (CMS) to conduct large-scale competitive bidding for durable medical equipment, supplies, off-the-shelf orthotics, and enteral nutrients and related equipment and supplies provided to beneficiaries. The Balanced Budget Act of 1997 mandated that GAO study an earlier Medicare competitive bidding demonstration. To address this mandate, GAO assessed this past experience in relation to four issues that CMS might consider as it implements large-scale competitive bidding: (1) items for competitive bidding, (2) how to streamline implementation, (3) ways to collect information on specific items provided to beneficiaries, and (4) steps to ensure quality items and services.

What GAO Recommends

GAO is making several recommendations to CMS concerning competitive bidding, including recommendations on ways to increase potential savings, streamline implementation, help ensure that Medicare is paying appropriately for items, and promote beneficiary satisfaction. CMS agreed with most of our recommendations and indicated that it would give serious consideration to this report throughout development and implementation of national competitive bidding.

www.gao.gov/cgi-bin/getrpt?GAO-04-765.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600.

MEDICARE

Past Experience Can Guide Future Competitive Bidding for Medical Equipment and Supplies

What GAO Found

CMS's experience in the Medicare competitive bidding demonstration may prove instructive as the agency implements provisions in MMA to conduct large-scale competitive bidding for durable medical equipment, supplies, off-the-shelf orthotics, and enteral nutrients and related equipment and supplies. The experience gained during the demonstration provides insight as the agency considers four implementation issues:

- **Items for competitive bidding.** Items for competitive bidding could include those selected for the demonstration and others that account for high levels of Medicare spending. For example, nondemonstration items that CMS could choose for competitive bidding include power wheelchairs and lancets and test strips used by diabetics. In 2002, these three items accounted for about \$1.7 billion in charges for the Medicare program and its beneficiaries.
- **How to streamline implementation.** Because of the large scale of future competitive bidding, it will be prudent for CMS to consider ways to streamline implementation. Two ways to streamline are developing a standardized competitive bidding approach that can be replicated in multiple geographic locations and using mail-order delivery for selected items, with uniform fees established through a nationwide competition.
- **Ways to collect information on specific items provided to beneficiaries.** Gathering specific information on competitively bid items provided to beneficiaries could help ensure that suppliers do not substitute lower-priced items to reduce their costs. Currently, CMS is not able, or does not routinely, collect specific information on the items that suppliers provide to beneficiaries.
- **Steps to ensure quality items and services for beneficiaries.** Routine monitoring could help ensure that beneficiaries continue to have access to suppliers that deliver quality items and services. The agency, when implementing significant Medicare changes in the past that affected payment methods, has lacked information on how the changes affected beneficiary access. As competitive bidding expands, small problems could be potentially magnified. Using quality measures to choose multiple suppliers and having suppliers meet more detailed standards than are currently required can also help ensure quality for beneficiaries.