

Why GAO Did This Study

To achieve Medicare savings for DME, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) required that CMS implement the CBP for certain DME. In 2008, the Medicare Improvements for Patients and Providers Act (MIPPA) terminated the first round of supplier contracts and required CMS to repeat the CBP round 1—referred to as the round 1 rebid, resulting in the award of contracts to suppliers with payments that began January 1, 2011. CMS has estimated that the rebid will lead to significant savings for Medicare.

MIPPA requires GAO to examine certain aspects of the CBP. In this report, GAO reviews (1) the outcomes of the CBP round 1 rebid process; (2) the effect of the CBP round 1 rebid on DME suppliers; (3) how the CBP round 1 rebid has affected Medicare beneficiary access to and satisfaction with selected DME; and (4) the extent to which the CBP round 1 rebid has affected the utilization of selected DME items.

To examine CBP outcomes and effects, GAO analyzed data from CMS and its feedback provided to bidding suppliers, analyzed 2011 CBP data about different types of suppliers, and interviewed CMS and CBP contractor officials, DME industry groups, and suppliers. To examine CBP's effects on beneficiary access, GAO analyzed Medicare claims data for the first six months of 2011 because the data for those months were the most complete, and compared it to the same months in 2010.

MEDICARE

Review of the First Year of CMS's Durable Medical Equipment Competitive Bidding Program's Round 1 Rebid

What GAO Found

The Centers for Medicare and Medicaid Services (CMS), within the Department of Health and Human Services (HHS), implemented the durable medical equipment (DME) competitive bidding program's (CBP) bidding process for the round 1 rebid. Nearly the same number of suppliers submitted a similar number of bids for both the CBP round 1 rebid and round 1. Many suppliers continued to have difficulty complying with financial documentation requirements; however, the number of bids disqualified in the round 1 rebid was significantly less than for round 1. After being notified of their bid results, some suppliers were found to have bids that were disqualified incorrectly and were subsequently offered round 1 rebid contracts. About one-third of the bidding suppliers were awarded CBP contracts.

Relatively few CBP contract suppliers (those awarded CBP contracts) had their contracts terminated by CMS, voluntarily canceled their contracts, or were involved in ownership changes. Under the CBP, non-contract suppliers (those not awarded CBP contracts) can grandfather certain rental DME for beneficiaries they were servicing prior to the implementation of CBP until CBP-covered beneficiaries' rental periods expire. Also, some CBP contract suppliers entered into subcontracting agreements with non-contract suppliers to furnish certain services to CBP-covered beneficiaries in the round 1 rebid.

CMS's ongoing multiple monitoring activities generally indicate that beneficiary DME access and satisfaction have not been affected by CBP. Although some of these efforts have limitations, in the aggregate, they provide useful information to CMS regarding beneficiary access and satisfaction.

Early data indicate that utilization has decreased in some CBP-covered DME categories. GAO's review of Medicare claims data found that fewer beneficiaries in competitive bidding areas received some CBP-covered items in any of the first six months of 2011 than in the same month of 2010.

Although the first year of the CBP round 1 rebid has been completed, it is too soon to determine its full effects on Medicare beneficiaries and DME suppliers. GAO found that, in general, the round 1 rebid was successfully implemented. GAO also found that utilization of selected DME declined in the CBP areas; while there are many possible reasons for this, it does not necessarily indicate that beneficiaries have not had access to needed DME. GAO does not assume that all pre-CBP utilization was appropriate and the CBP may have reduced unnecessary utilization of DME. More experience with DME competitive bidding is needed, particularly to see if evidence of beneficiary access problems emerges. For that reason, it is important to continue monitoring changes in the number of suppliers serving CBP-covered beneficiaries.

In commenting on a draft of this report, HHS noted that the CBP round 1 rebid resulted in savings of more than \$200 million in its first year. HHS also cited the results of CMS's monitoring of beneficiaries' access to DME in CBP areas as evidence that the CBP did not affect beneficiaries adversely.