

GAO Highlights

Highlights of [GAO-14-156](#), a report to the Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

To achieve Medicare savings for DME, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required that CMS implement the CBP for certain DME. In 2008, the Medicare Improvements for Patients and Providers Act 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 CBP payments that began January 1, 2011.

GAO was asked to review issues concerning the rebid's second year of operation—2012. This report reviews the round 1 rebid's effects on (1) Medicare beneficiaries, (2) the market share of contract suppliers, and (3) all suppliers, including both contract and non-contract suppliers (the suppliers not awarded rebid contracts.) To examine the effects on Medicare beneficiaries, GAO compared Medicare claims data for 2011 and 2012 with that for 2010, the year before the round 1 rebid. GAO also examined other information about CMS's efforts to monitor the effects of the CBP, and interviewed DME industry representatives and officials from Medicare beneficiary organizations. To examine the effects on both contract and non-contract suppliers, GAO compared Medicare claims data for 2012 with that for 2010 and analyzed other data provided by CMS.

View [GAO-14-156](#). For more information, contact Kathleen M. King at (202) 512-7114 or kingk@gao.gov.

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MEDICARE

Second Year Update for CMS's Durable Medical Equipment Competitive Bidding Program Round 1 Rebid

What GAO Found

The Medicare competitive bidding program (CBP) for durable medical equipment (DME) is administered by the Centers for Medicare & Medicaid Services (CMS) within the Department of Health and Human Services. Under the CBP, only competitively selected contract suppliers can furnish certain DME product categories (such as oxygen supplies and hospital beds) at competitively determined prices to Medicare beneficiaries in designated competitive bidding areas. The CBP's round 1 rebid was in effect for a 3-year period, from 2011 through 2013. It included nine DME product categories in nine geographic areas. For CBP monitoring purposes, CMS also selected nine comparator areas that were demographically similar to the rebid areas. GAO's analysis found that in 2012, the second year of the round 1 rebid:

- The number of beneficiaries furnished DME items included in the CBP generally decreased more in the CBP areas than in the comparator areas. For example, the number of beneficiaries furnished oxygen supplies decreased by about 22 percent in the CBP areas and by about 16 percent in the comparator areas. According to CMS, CBP may have reduced inappropriate usage of DME and these decreases do not necessarily reflect beneficiary access issues. Based on its monitoring tools, which include comparing changes in the health outcomes of beneficiaries in the CBP areas to those in the comparator areas, CMS has concluded that beneficiaries have not been affected adversely by the CBP.
- In general, a small number of contract suppliers had a large proportion of the market share in the nine competitive bidding areas. The top four contract suppliers generally accounted for a large proportion of the market in all CBP areas, although the top four suppliers for each product category were not the same in every competitive bidding area. CMS has reported that few contract suppliers had contracts terminated by the agency or voluntarily withdrew from Medicare.
- The total number of DME suppliers and Medicare allowed charges decreased more in the CBP areas than in the comparator areas. For example, the number of suppliers in the CBP areas with Medicare allowed charges of \$2,500 or more decreased, on average, 27 percent. In the comparator areas, supplier numbers decreased by 5 percent. The decreases in supplier numbers may reflect other factors, such as CMS's efforts to reduce Medicare DME fraud.

The round 1 rebid's first 2 years achieved Medicare cost savings of about \$400 million as estimated by CMS, and did not appear to have adversely affected beneficiary access to CBP-covered items. However, with CBP's national mail-order diabetic testing supplies program and expansion into an additional 100 bidding areas in July 2013, it will be important for CMS to continue its efforts to monitor the effects of the CBP.

In commenting on a draft of this report, HHS cited the results of CMS's monitoring of beneficiaries' access to CBP items as evidence that CBP has not adversely affected beneficiaries.