

# Medicare Minutes

## New Program Will Save Money for Medicare and Consumers

Medicare pays for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) for people with Medicare under Part B of the Medicare fee-for-service program. Medicare covers thousands of types of equipment and supplies from nebulizers (and the associated medicines) to artificial limbs. Specialized contractors called Durable Medical Equipment Medicare Administrative Contractors (DME MACs), which serve designated geographic areas, pay for claims for these items and services.

Spending on DMEPOS has grown over the years, with annual growth rates as high as 20% over the past decade. In 2005, Medicare spent over \$10 billion on DMEPOS items for its beneficiaries, which is an increase of over \$2 billion from 2002 when Medicare spent about \$8 billion.

Some of this growth in spending is driven by increased utilization for certain equipment but much has been driven by fraud and abuse. For example, CMS noticed that in Harris County, Texas, there were 3000 claims filed for electric wheelchairs in 2001 and 31,000 claims in 2002. Similar increases were being seen across the country. This phenomenal growth in spending led to a 3-year FBI investigation, referred to as Operation Wheeler Dealer, and the ultimate conviction of hundreds of criminals who had been billing Medicare for all sorts of DMEPOS that were never delivered. Another reason for the growth is Medicare's current DMEPOS payment system, which is based on historical Medicare payments.

This rapid growth in spending on DMEPOS led Congress to include language in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) that required the Medicare program to phase in a DMEPOS competitive bidding program. This new program uses bids submitted by suppliers, rather than payments based on historical costs, to set Medicare payment amounts.

## What Areas Are Affected by the New Program and What Items Are Included?

The first phase of the new DMEPOS competitive bidding program will begin on July 1, 2008, in 10 communities around the country, including Charlotte-Gastonia-Concord, NC-SC; Cincinnati-Middletown, OH-KY-IN; Cleveland-Elyria-Mentor, OH; Dallas-Fort Worth-Arlington, TX; Kansas City, MO-KS; Miami-Fort Lauderdale-Miami Beach, FL; Orlando-Kissimmee, FL; Pittsburgh, PA; Riverside-San Bernardino-Ontario, CA; and San Juan-Caguas-Guaynabo, PR.

The 10 product categories are listed in Table 1. Your supplier will be able to tell you if it is a Medicare contract supplier. Your patients may have to get equipment or supplies listed here from a contract supplier for Medicare to pay for the items. A list of contract suppliers is now available at [www.cms.hhs.gov/DMEPOSCompetitiveBid](http://www.cms.hhs.gov/DMEPOSCompetitiveBid). You can also find a Medicare contract supplier at [www.medicare.gov](http://www.medicare.gov) using the DMEPOS supplier locator tool.

## A Better Way for Medicare to Pay for Medical Equipment

Under the new Medicare competitive bidding program, suppliers compete by submitting bids to furnish certain medical equipment and supplies. Medicare uses these bids to set a single payment amount for those items within a particular competitive bidding area. These payment amounts will be lower than the current prices Medicare now pays. Once the new payment program is in place across the country, it is expected to save Medicare and taxpayers about \$1 billion each year. These savings will be passed to consumers in the form of lower coinsurance payments.

## Preserving the Physician-Patient Relationship

CMS recognizes that under existing Medicare law and policies, physicians and other treating professionals sometimes supply certain items of DMEPOS to their patients as part of their professional service. The competitive bidding program allows physicians, physician assistants, clinical nurse specialists, and nurse practitioners to continue furnishing certain types of competitively bid items to their own patients when provided as part of their professional services.

### Table 1. Ten Product Categories Included in Competitive Bidding Program

1. Oxygen supplies and equipment
2. Standard power wheelchairs, scooters, and related accessories (including wheelchair cushions)
3. Complex rehabilitative power wheelchairs and related accessories (including wheelchair cushions)
4. Mail-order diabetic supplies
5. Enteral nutrients, equipment, and supplies
6. Continuous positive-airway pressure (CPAP) devices and respiratory assist devices (RADs) and related supplies
7. Hospital beds and related accessories
8. Negative-pressure wound therapy devices and related supplies and accessories
9. Walkers and related accessories
10. Group 2 support surfaces including mattresses and overlays (in Miami-Fort Lauderdale-Miami Beach, FL only).

Not all product categories are included in Kansas City and Puerto Rico.

without having to be a Medicare contract supplier. The items are limited to crutches, canes, walkers, folding manual wheelchairs, blood glucose monitors, and infusion pumps. Of these items, only walkers are included in the first phase of the competitive bidding program. Physicians and other treating professionals will be paid the single payment amount established for the item of DMEPOS if the item is included in the competitive bidding program and furnished in a competitive bidding area.

The program allows a physician or treating professional to prescribe a specific item or brand or mode of delivery, when necessary, to avoid an adverse medical outcome. When this occurs, the contract supplier must

take the following steps:

- Furnish the particular brand or mode of delivery as prescribed by the physician or treating practitioner.
- Consult with the physician or treating practitioner to find a suitable alternative product for the beneficiary or assist the beneficiary in finding another contract supplier in the area who can provide that particular brand or mode of delivery.
- Any change in the prescription requires a revised written prescription. A contract supplier is prohibited from submitting a claim to Medicare if it furnishes an item different from that specified in the written prescription received from the beneficiary's physician or treating practitioner.

### Preventing Fraud

The new program will help to prevent unscrupulous suppliers from participating in the Medicare competitive bidding program and will require all suppliers to meet Medicare's quality and financial standards and accreditation requirements. If you have any concerns about fraudulent practices, you should call the DME Medicare Administrative Contractor, the local Senior Medicare Patrol Office (visit [www.smpresource.org](http://www.smpresource.org) and select SMP locator), or 1-800-MEDICARE (1-800-633-4227).

### Get More Information

For more information about the new Medicare Competitive Bidding Program, call 1-877-577-5331. TTY users call 1-877-486-2048. You can also visit <http://dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Home> on the Internet and [www.cms.hhs.gov/DMPOSCompetitiveBid](http://www.cms.hhs.gov/DMPOSCompetitiveBid) on the CMS Web site for more details.

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