



Congress Must Stop Drastic Cuts to DME Items in Rural Areas

Background

On October 31st, 2014, the Centers for Medicare & Medicaid Services (CMS) released the final rule on “Medicare Program: End-Stage Renal Disease Prospective Payment System, Quality Incentive Program, and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies,” which establishes the methodology for making national price adjustments to payments for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) paid under fee schedules. Data used to calculate the fee schedule was based upon information gathered from the DMEPOS competitive bidding programs (CBPs) and phase in special payment rules in a limited number of competitive bidding areas (CBAs) under the CBP for certain, specified DME and enteral nutrition products.

For qualified DME items, the final rule phases in, over 6 months, a new reimbursement rate for non-CBAs. On January 1, 2016, the reimbursement rate for these claims (with dates of service from January 1, 2016 through June 30, 2016) will be based on 50 percent of the un-adjusted fee schedule amount and 50 percent of the adjusted fee schedule amount which will be based on the regional competitive bidding rates. Starting on July 1, 2016, reimbursement rate will be 100% of the adjusted fee schedule amount which will be based on regional competitive bidding rates. The following are examples of these drastic cuts –

HCPCS Code	Region	Current	1/1/16 rate	7/1/16 rate
E1390 (O2 concentrator)	Mideast	\$178.23	\$134.21 (-25%)	\$90.18 (-49%)
EO470 (BiPAP)	Rocky MT	\$241.85	\$178.50 (-26%)	\$115.14 (-52%)
K0003 (standard wheelchair)	Great Lakes	\$97.98	\$68.78 (-30%)	\$39.58 (-60%)
K0823 (standard PMD)	New England	\$568.89	\$424.22 (-25%)	\$279.55 (-51%)

The application of payment rates, set by CMS’s flawed competitive bidding process, to non-CBAs will disrupt Medicare beneficiaries’ access to the DME items they need. In CBAs, suppliers are forced to accept contracts for DME items at a lower rate with the knowledge that there will be a limited number of suppliers that can provide service and supplies in that bid area. Suppliers then try to make up for the drastic payment cuts through increased volume of beneficiaries served in that CBA blended with the higher payments from Beneficiaries served outside of the CBA. As a result of CMS’ final rule, suppliers in non-competitive bid areas will receive the same drastic payment cuts set in CBAs, without exclusive contracts and increase in volume of business or the ability to compensate with higher rates outside of the CBA. The industry also has convincing data that indicates providing DME items in rural areas have a higher cost than in urban areas.

CMS’ final rule also limits the bid ceiling for future rounds of competitive bidding to payment rates set by previous rounds of bidding. Currently, bid limits are set by the fee schedule, which allows for adjustments for inflation. CMS has indicated that it plans to continue competitive bidding for DME items far into the future. Decreasing the bid ceiling limit over many years, while medical inflation continues to rise, will set artificially low rates, which will hamper competition. Ever decreasing bid limits will make it impossible to set market prices through an auction process, without negatively impacting beneficiary care. Congress required CMS to save money compared to the (unadjusted) fee schedules, because taken to its logical conclusion, CMS’ plan would eventually result in suppliers paying the government to provide items and services.

Solution

AAHomecare strongly supports a proposal developed by Congressman Tom Price (R-GA) that will provide relief for homecare patients and providers. This proposal will protect access to DMEPOS items in non-competitive bidding areas and will give providers time to prepare for the reimbursement adjustment.

The following is the legislative specifications for the proposal:

For all DMEPOS in non- competitive bidding areas, the Secretary must

- Establish a 30 percent adjustment to address increased costs suppliers incur in non-competitive bidding areas to be applied to average regional single payment amount as determined by the methodology set forth in 42 C.F.R. 414.210(g) (79 Fed. Reg. 66120 (November 6, 2014)), as well as an update mechanism.
- Provide for a four-year phase-in of the national price adjustments to the DMEPOS fee schedule set forth in 42 C.F.R. 414.210(g) (79 Fed. Reg. 66120 (November 6, 2014)) when implementing them.
- Establish in statute the bid limit ceiling for competitive bid contracts that begin on or after January 1, 2017 at the unadjusted fee schedule payment rates as of Jan 1, 2015.

AAHomecare strongly urges members of Congress to support Congressman Price's proposal. Specifically, members of Congress should contact Congressman Price and join the effort to pass legislation to provide relief for homecare patients and providers in non-competitive bidding areas.