

GAO Highlights

Highlights of [GAO-15-63](#), 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. The first completed CBP round—the round 1 rebid—operated in nine competitive bidding areas. CMS reported total savings of more than \$580 million at the end of the round 1 rebid's 3-year term due to lower payments and decreased utilization. GAO previously reported on the implementation of the CBP round 1 rebid ([GAO-12-693](#)).

GAO was asked to continue to monitor the CBP as it expands to subsequent rounds. In this report, GAO examines (1) bidding process results for the round 1 recompetes, round 2, and national mail-order program, and how they compare to the concluded round 1 rebid results, and (2) how SPAs for selected HCPCS codes common to the round 1 rebid, round 1 recompetes, round 2, and national mail-order program compare.

To examine bidding process results, GAO analyzed data from CMS and its CBP contractor related to bidding suppliers, contract awards, and the post-bid review process. To assess how SPAs for 28 HCPCS codes common to all CBP rounds (using selected high-cost, high-utilization codes identified by CMS) and all 8 HCPCS codes common to the round 1 rebid and national mail-order program compare, GAO identified, averaged, and compared these codes to one another and to the average 2010 Medicare fee-for-service payment amounts for the same codes.

View [GAO-15-63](#). For more information, contact Kathleen King at (202) 512-7114 or KingK@gao.gov.

November 2014

MEDICARE

Bidding Results from CMS's Durable Medical Equipment Competitive Bidding Program

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 (HHS). Under the CBP, only competitively selected contract suppliers can furnish certain DME items (such as oxygen supplies and hospital beds) at competitively determined prices to Medicare beneficiaries in designated competitive bidding areas. Contracts awarded in CBP's round 1 rebid were effective on January 1, 2011, and ended on December 31, 2013. The CBP is currently operating as the round 1 recompetes in the same nine competitive bidding areas as the round 1 rebid (with contracts awarded effective January 1, 2014, through December 31, 2016), as round 2 in an additional 100 competitive bidding areas (with contracts awarded effective July 1, 2013, through June 30, 2016), and as the national mail-order program for diabetic testing supplies (competed at the same time as the round 2 contracts, with the same effective contract dates).

GAO found that a similar percentage of bidding suppliers—between 30 and 43 percent—were awarded contracts in the round 1 rebid, round 1 recompetes, and round 2. Fewer bidding suppliers—7 percent—were awarded a contract in the national mail-order program. Although the percentages of bids submitted that resulted in contracts varied by round, the reasons for bid disqualification—such as unacceptable financial documentation or failure to meet all state licensure requirements—were generally similar across CBP rounds. Many bidding suppliers benefited from submitting their paperwork by a certain date—known as the covered document review date—after which CMS informed them of any missing financial documentation and allowed them the opportunity to provide it. CMS identified suppliers during its post-bid review process that were disqualified incorrectly, and some suppliers with initially disqualified bids were ultimately offered a contract. In each round, no more than 3 percent of contract suppliers were new to both a product category and a competitive bidding area.

GAO found that the single payment amounts (SPA) for 28 selected Healthcare Common Procedure Coding System (HCPCS) codes common to the round 1 rebid, round 1 recompetes, and round 2 generally decreased through all CBP rounds as compared to the average Medicare 2010 fee-for-service payment for the same codes. For a majority of the codes, the largest overall decreases occurred in round 1 rebid average SPAs compared to the average Medicare 2010 fee-for-service payments for the same codes, with relatively smaller SPA decreases in subsequent rounds. The extent to which average SPAs changed varied by type of HCPCS code. For example, average SPAs decreased in each CBP round for three selected hospital bed HCPCS codes, but average SPAs significantly varied from one round to the next for three selected standard power wheelchair HCPCS codes. Average SPAs for the 8 HCPCS codes included in the national mail-order program also decreased or remained steady compared to those in the round 1 rebid. For example, SPAs for two codes associated with glucose monitoring test strips and lancets decreased by at least 50 percent from the round 1 rebid average SPA to the national mail-order program SPA.

In commenting on a draft of this report, HHS stated that it anticipates CBP will provide substantial savings for the Medicare Trust Fund and beneficiaries.