



ECRM

**General Session
March 26, 2012**

**Competitive Bidding
The Good, The Bad and The Ugly**



**Presented By:
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WSJ Op-Ed - 2/6/12

“Medicare cooked up an auction process that defies all economic sense. The current nationwide rollout has no substantive revisions from the failed pilots, despite the objections of 244 economists and auction scientists led by the University of Maryland’s Peter Cramton. The consensus of basically everyone who knows anything about auctions is that the no-risk bids and median pricing are idiotic and designed for failure.”

CB – A Brief History

- Established 2003 – Medicare Modernization Act (“MMA”)
 - 2 demonstration sites
 - Polk County, FL & San Antonio, TX
 - Realized an average of 20% savings
 - Rolled out in 10 markets 7/1/08 (26% cut)
- 7/15/2008 – Medicare Improvements (?) for Patients and Providers Act (“MIPPA”)
 - “Do Over” in 18-24 months – 9.5% cut

CB – A Brief History (cont'd)

- Markets reduced from 10 to 9 (Puerto Rico)
 - First DOS = 1/1/2011
 - Average 32% reduction in allowables
- MIPPA – 70 additional markets – Round 2
- Affordable Care Act (“ACT”) – 91 markets
- Bidding period ends 3/30/2012
- Program tentatively begins 7/1/2013
- 2016 – Non Competitive Bid area rates adjusted to Competitive Bids rates

Round 1A

- **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**
- **Riverside-San Bernardino-Ontario, CA**
- **Orlando-Kissimmee, FL**
- **Pittsburgh, PA**
- **San Juan-Caguas-Guaynabo, PR**

Round 1A

- **Oxygen supplies and equipment (36)**
- **Standard power wheelchairs, scooters, & accessories (36)**
- **Complex rehabilitative power wheelchairs & related accessories (36)**
- **Mail-order diabetic supplies (21)**
- **Enteral nutrients, equipment, and supplies (36)**
- **Continuous positive airway pressure (CPAP) devices, respiratory assist devices (RADs), and related supplies and accessories**
- **Hospital beds and related accessories (36)**
- **Negative pressure wound therapy (NPWT) pumps and related supplies and accessories (36)**
- **Walkers and related accessories (36)**
- **Support surfaces (Group 2 mattresses and overlays) – Miami and San Juan only (36)**

MIPPA

The Medicare Improvements (?) for Patients & Providers Act – July 15, 2008

- **WHAT WE GOT:**
 - 18 TO 24 MONTH DELAY OF ROUNDS 1 & 2
 - Terminates Round 1 Contracts – Re-bid '09
 - OIG oversight of pivotal & winning bids
 - CMS cannot use bid rates in non-bid areas until after Round 2 is completed
 - Bidders missing paperwork will be notified

MIPPA

- **WHAT WE GAVE UP:**
 - **January 2009 – ALL Round 1A bid items will have their existing allowables cut 9.5% NATIONALLY and PERMANENTLY** (except home fill & portable concentrators)

Round 1B

- 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
- Riverside-San Bernardino-Ontario, CA
- Orlando-Kissimmee, FL
- Pittsburgh, PA
- ~~San Juan-Caguas-Guaynabo, PR~~

Round 1B

- Oxygen supplies and equipment
- Standard power wheelchairs, scooters, & related accessories
- Complex rehabilitative power wheelchairs & related accessories (2- only)
- Mail-order diabetic supplies
- Enteral nutrients, equipment, and supplies
- Continuous positive airway pressure (CPAP) devices, respiratory assist devices (RADs), and related supplies and accessories
- Hospital beds and related accessories
- ~~Negative pressure wound therapy (NPWT) pumps and related supplies and accessories~~
- Walkers and related accessories
- Support surfaces (Group 2 mattresses and overlays) – Miami only
- All categories 36 months except Mail Order Diabetic (24 months)

Round 1B Winning Bids

- E1390 – is \$173.31 - \$102.84 - \$125.00
 - **Average \$113.92**
- E0601 – is ~ \$96.00 - \$53.85 - \$59.95
 - **Average - \$56.90**
- K0823 – is \$3,823.47 - \$2,276.42 - \$2,715.52
 - **Average \$2,495.97**
- A4253 – is ~ \$35.00 - \$13.88 - \$15.62
 - **Average \$14.75**
- A4259 – is ~ \$11.00 - \$3.92 - \$4.43
 - **Average \$4.18**
- E0260 – is \$127.12 - \$72.97 - \$89.85
 - **Average \$81.41**
- E0143 – is ~ \$105.00 - \$59.27 - \$68.62
 - **Average - \$63.95**

Round 1B

OK to “**CHERRY PICK**”
Categories but once
you choose a category
you **MUST** bid all codes
within the Category!

Criteria

- **Be in good standing with the Medicare program and not under any current sanctions by Medicare or any governmental agency or accreditation or licensing organization.**
- **Have an active National Supplier Clearinghouse (NSC) PTAN.**
- **Meet any local or state licensure requirements for bid items.**
- **Submit a bid as a prerequisite to becoming a winning supplier.**
- **Be accredited in order to participate in bidding.**
- **Provide capacity estimates of the number of units for each item included in the product category that the supplier would be capable of furnishing under the program.**
- **Agree to service the entire CBA regardless of where the beneficiary is located, although the supplier will not be required to be capable of servicing 100 percent of the beneficiaries in that geographic area.**

Product Grids

Product Category: Walkers and Related Accessories					Reference Data for Background Informational Purposes Only	Reference Data for Background Informational Purposes Only	Bidder Data <small>(You will enter your estimated capacity and bid amount information in DBids on Form B)</small>			
CBA Name	HCPCS Code	HCPCS Code Description	Definition of a Bidding Unit	Weight <small>(The relative market importance of the item in the product category based on utilization)</small>	2010 Beneficiary Count <small>(Number of unique Medicare beneficiaries in the CBA that received the product in CY 2010)</small>	2010 Allowed Units <small>(Number of units for the CBA and HCPCS code paid by Medicare in CY 2010)</small>	Bid Limit <small>(2012 Fee Schedule: Bid amount must be at or below this amount)</small>	Your Cost to Purchase One (1) Unit <small>(Should be less than your bid amount)</small>	Your Bid Amount <small>(To provide one [1] unit as described in Definition of a Bidding Unit; should include cost to buy unit, overhead and profit)</small>	Your Estimated Capacity <small>(Number of units you can furnish in the CBA for one [1] year)</small>
Akron, OH	E0143	Walker, Folding, Wheeled, Adjustable Or Fixed Height	Purchase of one (1) new unit	0.6755517681	1,373	1,369	\$94.61			
Akron, OH	E0156	Seat Attachment, Walker	Purchase of one (1) new unit	0.2273848092	215	215	\$20.80			
Akron, OH	E0135	Walker, Folding (Pickup), Adjustable Or Fixed Height	Purchase of one (1) new unit	0.0470025474	230	230	\$70.93			
Akron, OH	E0149	Walker, Heavy Duty, Wheeled, Rigid Or Folding, Any Type	Purchase of one (1) new unit	0.0138777351	25	25	\$206.64			
Akron, OH	E0154	Platform Attachment, Walker, Each	Purchase of one (1) new unit	0.0128241724	40	45	\$55.49			
Akron, OH	E0155	Wheel Attachment, Rigid Pick-Up Walker, Per Pair	Purchase of one (1) new unit	0.0078609430	33	33	\$24.83			
Akron, OH	E0141	Walker, Rigid, Wheeled, Adjustable Or Fixed Height	Purchase of one (1) new unit	0.0054567228	2	2	\$90.73			
Akron, OH	E0148	Walker, Heavy Duty, Without Wheels, Rigid Or Folding, Any Type, Each	Purchase of one (1) new unit	0.0030308654	14	14	\$117.63			
Akron, OH	E0159	Brake Attachment For Wheeled Walker, Replacement, Each	Purchase of one (1) new unit	0.0021795268	1	2	\$16.54			
Akron, OH	E0147	Walker, Heavy Duty, Multiple Braking System, Variable Wheel Resistance	Purchase of one (1) new unit	0.0019190488	4	4	\$532.15			
Akron, OH	E0158	Leg Extensions For Walker, Per Set Of Four (4)	Purchase of one (1) new unit	0.0012765918	4	4	\$25.32			
Akron, OH	E0130	Walker, Rigid (Pickup), Adjustable Or Fixed Height	Purchase of one (1) new unit	0.0007556359	3	3	\$59.56			
Akron, OH	E0140	Walker, With Trunk Support, Adjustable Or Fixed Height, Any Type	Purchase of one (1) new unit	0.0005825387	3	3	\$333.94			
Akron, OH	E0157	Crutch Attachment, Walker, Each	Purchase of one (1) new unit	0.0002970947	1	1	\$64.47			

Composite Bid Calculation

- **Composite Bid = bid for HCPCS X weight**
 - A4253 \$29.63 X .6668660154 = \$19.7592400363
 - A4259 \$10.91 X .2199577258 = \$ 2.3997387885
 - A4256 \$ 9.65 X .0645275447 = \$.6226908064
 - A4236 \$ 1.52 X .0001236458 = \$.0001879416
 - A4235 \$ 2.12 X .0128363295 = \$.0272130185
 - A4233 \$.72 X .0034165171 = \$.0024598923
 - A4234 \$ 3.29 X .0001542451 = \$.0005074664
 - A4258 \$16.06 X .0321179767 = \$.5158147058
- **Composite Bid ----- \$23.2042008756**

Pivotal Bid Calculation

- Composite Bids – arrayed from lowest to highest

	<u>Composite Bid</u>	<u>Capacity</u>	<u>Cumulative Capacity</u>
• <i>Company A</i>	\$23.2042008756	71,000	71,000
• <i>Company B</i>	\$23.4573757356	59,000	130,000
• <i>Company C</i>	\$23.6546396536	69,750	199,750
• <i>Company D</i>	\$25.0343486845	62,100	261,850
• <i>Company E</i>	\$25.3454684678	55,000	316,850
• <i>Company F</i>	\$25.5453456532	67,050	383,900
• <i>Company G</i>	\$26.2153657519	70,000	453,900
• <i>Company H</i>	\$27.4328987837	59,000	512,900
• <i>Company I</i>	\$28.7693454636	71,250	584,150

- *Category Capacity = 309,428*
- Pivotal Bid = Company E ***A-E WINNERS F-I LOSERS***

Winning Bid Calculation

- Bid amounts per HCPCS – arrayed from low to high
- HCPCS – A4253 – 50 Diabetic Test Strips (mail order)
 - *Company B* \$19.45
 - *Company C* \$21.77
 - *Company D* \$23.50 ———> *MEDIAN BID*
 - *Company E* \$24.01
 - *Company A* \$24.98
- *Median bid = Allowable for ENTIRE CBA*

Final List

- Suppliers CREDIT HISTORY (which you will supply) will be used to determine winning bids along with:
 - *Current ratio = current assets/current liabilities*
 - *Collection period = (accounts receivable/sales) x 360*
 - *Accounts payable to sales = accounts payable/net sales*
 - *Quick ratio = (cash + accounts receivable)/current liabilities*
 - *Current liabilities to net worth = current liabilities/net worth*
 - *Return on sales = net income (loss)/Annual Net Sales*
 - *Sales to Inventory = annual net sales/inventory*
 - *Working capital = current assets – current liabilities*
 - *Quality of earnings = cash flow from operations/(net income + depreciation)*
 - *Operating cash flow to sales = cash flow from operations/(revenue – adjustment to revenue)*
- COMPLETE financials and tax return extracts will be submitted with the bid

CBAAs for Round 2

West Albuquerque, NM Bakersfield, CA Boise City-Nampa, ID Colorado Springs, CO Denver-Aurora, CO Fresno, CA Honolulu, HI Las Vegas-Paradise, NV Los Angeles-Long Beach-Santa Ana, CA Oxnard-Thousand Oaks-Ventura, CA Phoenix-Mesa-Scottsdale, AZ Portland-Vancouver-Beaverton, OR-WA Sacramento--Arden-Arcade--Roseville, CA Salt Lake City, UT San Diego-Carlsbad-San Marcos, CA San Francisco-Oakland-Fremont, CA San Jose-Sunnyvale-Santa Clara, CA Seattle-Tacoma-Bellevue, WA Stockton, CA Tucson, AZ Visalia-Porterville, CA

CBAAs for Round 2

Midwest Akron, OH Chicago-
Naperville-Joliet, IL-IN-WI Columbus,
OH Dayton, OH Detroit-Warren-Livonia,
MI Flint, MI Grand Rapids-Wyoming,
MI Huntington-Ashland, WV-KY-
OH Indianapolis-Carmel, IN Milwaukee-
Waukesha-West Allis, WI Minneapolis-
St. Paul-Bloomington, MN-WI Omaha-
Council Bluffs, NE-IA St. Louis, MO-
IL Toledo, OH Wichita,
KS Youngstown-Warren-Boardman,
OH-PA

CBAAs for Round 2

South Asheville, NC Atlanta-Sandy Springs-
Marietta, GA Augusta-Richmond County, GA-
SC Austin-Round Rock, TX Baltimore-
Towson, MD Baton Rouge, LA Beaumont-
Port Arthur, TX Birmingham-Hoover,
AL Bradenton-Sarasota-Venice, FL Cape
Coral-Fort Myers, FL Charleston-North
Charleston, SC Chattanooga, TN-
GA Columbia, SC Deltona-Daytona Beach-
Ormond Beach, FL El Paso, TX Greensboro-
High Point, NC Greenville-Mauldin-Easley,
SC Houston-Sugar Land-Baytown,
TX Jackson, MS Jacksonville, FL Knoxville,
TN

South
Lakeland, FL Little Rock-North Little Rock
-Conway, AR Louisville/Jefferson County,
KY-IN McAllen-Edinburg-Mission,
TX Memphis, TN-MS-AR Nashville-
Davidson--Murfreesboro-
-Franklin, TN New Orleans-Metairie-Kenne
LA Ocala, FL Oklahoma City, OK Palm B
Melbourne-Titusville, FL Raleigh-Cary,
NC Richmond, VA San Antonio, TX Tamp
St. Petersburg-Clearwater, FL Tulsa,
OK Virginia Beach-Norfolk
-Newport News, VA-NC Washington-
Arlington
-Alexandria, DC-VA-MD-WV

CBAAs for Round 2

Northeast Albany-Schenectady-Troy, NY Allentown-Bethlehem-Easton, PA-NJ Boston-Cambridge-Quincy, MA-NH Bridgeport-Stamford-Norwalk, CT Buffalo-Niagara Falls, NY Hartford-West Hartford-East Hartford, CT New Haven-Milford, CT New York-Northern New Jersey-Long Island, NY-NJ-PA Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Poughkeepsie-Newburgh-Middletown, NY Providence-New Bedford-Fall River, RI-MA Rochester, NY Scranton--Wilkes-Barre, PA Springfield, MA Syracuse, NY Worcester, MA

CBAAs for Round 2

CHICAGO

**Central Chicago Metro, IL - Indiana-Chicago Metro, IN
Northern-Chicago Metro, IL-WI - South West Chicago
Metro, IL**

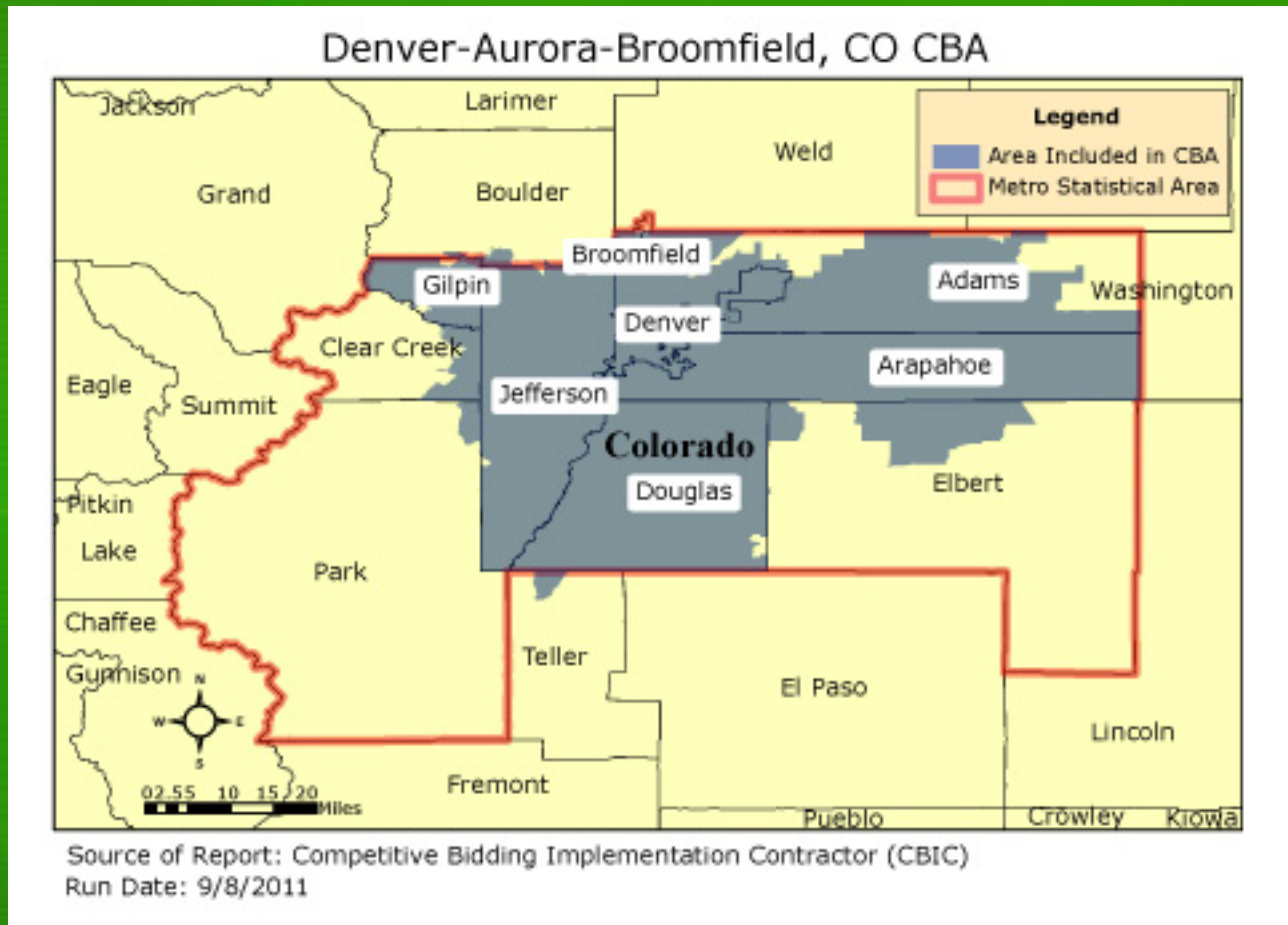
LOS ANGELES

Los Angeles County, CA - Orange County, CA

NEW YORK – NEW JERSEY

**Bronx-Manhattan, NY - Nassau-Brooklyn-Queens, NY
North-West NYC Metro, NJ - Northern NYC Metro,
NY - Southern NY Metro, NY-NJ - Suffolk County, NY**

Denver, Colorado CBA



Round 2 Timetable

Round 2 Timetable

Round 2 Products

- Oxygen, oxygen equipment and supplies
- Standard (power AND manual) wheelchairs, scooters and related accessories
- CPAP / BiPAP (RAD) and related supplies and accessories
- Enteral nutrients, equipment and supplies
- Hospital beds and related accessories
- Walkers and related accessories
- Negative pressure wound therapy pumps and related supplies and accessories
- Support surfaces (Group 2 mattresses and overlays)
- **Mail-order diabetic (NATIONAL)**

Thee Website

www.dmecompetitivebid.com

The VERY Ugly

- Projected job loss to exceed 100,000 by 2014
- 93% of local providers will not be awarded Competitive Bidding contracts
- 42% of non-contract providers are likely to go out of business
- 39% of all suppliers in Competitive Bidding areas are likely to go out of business
- Contract suppliers will lose an average of 33% of their Medicare business and 14% of their overall patient base (# of contracts)

The GOOD

H.R. 1041

- “Fairness in Medicare Bidding Act”
- **REPEALS Competitive Bidding – Budget Neutral**
- **Glenn Thompson – R-Pa**
- **Jason Altmire – D-Pa**
- **169 co-sponsors as of 03/21/12**
- **HR 3790 had – 259 co-sponsors!!!**
- **Write to Congress: www.aahomecare.org**

Market Pricing Program (MPP)

- The Medicare DMEPOS Market Pricing Program Act of 2011
- Repeal AND Replace Competitive Bidding
- Major components:
 - Same product categories and markets
 - 2 categories bid per geographic area (city/county/aggregation of counties level)
 - Auction Model – allowable will be the “clearing price”
 - 20% of counties in year 1 – 10% subsequently
 - Winners MUST accept binding contract – cash deposits / Letter Of Credit (LOC) required to insure performance
 - Other categories based on other similar market auctions and will be ANY WILLING PROVIDER

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