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Press Release

CONTACTS: Michael Reinemer, 703-535-1881, michaelr@aahomecare.org
Tilly Gambill, 703-535-1896, tillyg@aahomecare.org

Seniors and People with Disabilities Will Pay Steep Price for Medicare’s “Competitive” Bidding Program for Home Medical Equipment

*Homecare Association Calls for an End to the Controversial Bidding Program that Will Cost
Thousands of Lost Jobs and Business Failures and Will Not Save Money for Seniors*

WASHINGTON, DC, July 1, 2010 ----- Seniors and people with disabilities who rely on home medical equipment and services will pay a steep price under Medicare’s controversial and mislabeled “competitive” bidding program for durable medical equipment.

The U.S. Department of Health and Human Services (HHS) announced today that bidding in nine of the country’s largest metropolitan areas could save Medicare as much as \$17 billion in reduced costs over 10 years for home medical equipment and services. But those alleged savings are the result of “suicide bids” from providers in this ill-advised race to the bottom that will put thousands of homecare providers out of business and reduce patients’ access to care. Recognizing that the program is bad healthcare policy, a bipartisan group of 252 lawmakers in the House of Representatives support legislation that would repeal the bidding program.

“We’re willing accept lower reimbursements and no one is more opposed to fraud than we are, but this bidding program will merely reduce access to care for the nation’s most vulnerable population,” said Tyler J. Wilson, president of the American Association for Homecare.

“The bid prices announced by HHS today will translate into unsustainable reimbursement rates for homecare providers. Over time, it will make it harder for seniors and people with disabilities to get the home medical equipment and services they require to live independently in the most cost-effective post-acute setting – their own homes.”

The Medicare bidding program uses economic coercion to force homecare providers to submit unsustainable bids necessary to win a contract. Because Medicare is the largest third-party purchaser of home medical care, its market power effectively coerces providers to bid at unsustainable reimbursement rates to ensure the opportunity to continue serving Medicare beneficiaries. Ultimately, the below-market rates achieved through this bidding program will force thousands of businesses to close, reducing competition in the long term and reducing seniors’ access to care and choice of providers.

Congress delayed the implementation of this bidding program in 2008 to allow for needed changes, and the home medical equipment sector paid for that delay by taking a 9.5 percent nationwide reimbursement cut to pay for the projected savings from the initial round of the program. However, the Centers for Medicare and Medicaid Services (CMS) ignored congressional intent, did not address the flaws that precipitated the delay two years ago, and is now recklessly charging forward with the program in nine of the 10 largest metropolitan statistical areas in the U.S. An additional 91 areas will be subjected to the bidding process next year.

A broad, bipartisan group of 252 members of the House of Representatives has cosponsored legislation in Congress, H.R. 3790, to stop the bidding program and replace it with a fiscally responsible measure to reduce payment rates for homecare but preserve the ability of home medical providers to continue serving Medicare beneficiaries.

Other organizations that support the elimination of Medicare's bidding program for home medical equipment include the ALS Association, the American Association for Respiratory Care, the American Association of People with Disabilities, International Ventilator Users Network, the Muscular Dystrophy Association, National Emphysema/COPD Association, National Spinal Cord Injury Association, Post-Polio Health International, and United Spinal Association, among others.

“This bidding program will further reduce reimbursement rates for home medical care which have already been cut to the bone,” Wilson said. “The program will only make it harder to receive medically required homecare. Over time, the country will see spending soar in other parts of Medicare because the bidding program will push spending into longer hospital stays and ER visits.”

Unintended negative consequences of the bidding program include:

- **REDUCED ACCESS TO CARE AND SERVICE DISRUPTION** – This bidding program will restrict consumer access to care and choice for home medical items and services, and it will trigger a race to the bottom in terms of quality. Less expensive items will be provided to patients. The program will disrupt the continuum and coordination of care between doctors, discharge planners, patients, and home medical equipment providers. With a loss of providers, expedient deliveries of items and services will be eliminated.
- **HIGHER SPENDING IN MEDICARE** – The bidding program will increase Medicare costs. It will lead to longer, more expensive hospital stays and more physician office visits, nursing home admissions, and emergency room visits.
- **LESS COMPETITION, NOT MORE** – The bid program is anti-competitive because it reduces the number of competitors. About 90 percent of home medical service providers would have been barred from the Medicare program in the first round of bidding conducted in 2008.
- **LOSS OF JOBS AND SMALL BUSINESSES** – The bidding program will result in the closing of thousands of small businesses and result in as many as 100,000 job losses nationwide.

Myths and Realities about the Bidding Program

Medicare has been touting the merits of the bidding program to convince Congress that the program is good for seniors. Unfortunately, proponents have conveyed misleading information and cherry-picked facts that exaggerate the benefits and ignore the severe shortcomings of the program.

MYTH: The bidding program is good for beneficiaries because it will significantly reduce cost-sharing or copayments.

REALITY: The bidding program will not save money for most Medicare beneficiaries. Copayments for home medical equipment have fallen dramatically for many years along with decreasing home medical equipment reimbursement rates. The effect of H.R. 3790, the bill to repeal the bidding program and lower payment rates, would be a further reduction in copayments for Medicare patients. However, most beneficiaries have Medigap policies that cover copayments, so insurance companies will be the primary beneficiary of the lower copayments. More importantly, the bidding program reduces access to care.

MYTH: The bidding program will eliminate fraud in the durable medical equipment sector.

REALITY: To characterize the bidding program as an anti-fraud mechanism is extremely misleading. The real solution to keeping criminals out of Medicare is better screening, real-time claims audits, and better enforcement mechanisms for Medicare. The American Association for Homecare has proposed an aggressive 13-point plan to combat fraud (www.aahomecare.org/stopfraud) and many of those provisions are included in two bills in Congress. The Association endorses Sen. George LeMieux's anti-fraud legislation, The Prevent Health Care Fraud Act of 2009 (S. 2128), and its companion bill in the House, H.R. 4222. Two new requirements that took effect in October 2009 – accreditation and surety bonds for home medical equipment providers – will go far toward eliminating fraud.

MYTH: The bidding program is good for business because it creates a more competitive environment.

REALITY: The program coerces providers to bid at unsustainable Medicare reimbursement rates. In the first round of the program in 2008, 90 percent of qualified providers were barred from serving Medicare beneficiaries for the bid-upon homecare items and services.

MYTH: The bidding program will make healthcare more cost-effective.

REALITY: The home is already the most cost-effective setting for post-acute care. As more people receive good equipment and services at home, the U.S. will spend less on longer hospital stays, emergency room visits, and nursing home admissions. Home medical equipment is an important part of the solution to the nation's healthcare funding crisis. Home medical equipment represents less than two percent of Medicare spending.

The American Association for Homecare represents durable medical equipment providers, manufacturers, and others in the homecare community that serve the medical needs of millions of Americans who require oxygen equipment and therapy, mobility assistive technologies, medical supplies, inhalation drug therapy, and other medical equipment and services in their homes. Members operate more than 3,000 homecare locations in all 50 states. Please visit www.aahomecare.org/athome.