



**NATIONAL ASSOCIATION OF INDEPENDENT  
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**Testimony  
Of  
Wayne E. Stanfield  
President and CEO of the  
National Association of Independent Medical Equipment Suppliers (NAIMES)  
On behalf of its Members**

**Before the House Small Business Sub-Committee  
On Rural and Urban Entrepreneurship**

**February 11, 2009 at 10:00 am**

Chairman Shuler, Ranking Member Luetkemeyer, members of the Committee, my name is Wayne Stanfield and I am President and CEO of the National Association of Independent Medical Equipment Suppliers (NAIMES). We are a trade association representing and supporting the independent durable medical equipment (DME) supplier community. I am also a partner in an independent DME supplier, Carolina Med-Plus, Inc that is in the Round One Charlotte CBA. We bid last year but did not win a contract because we were above the pivotal bid.

NAIMES commends this Subcommittee for examining the impact of CMS's competitive bidding program for DME on small suppliers, which will be profound. Competitive bidding for DME was a part of the Medicare Modernization Act of 2003 and while the stated purpose was to save Medicare money, that contention gave no consideration to the impact on patients, small businesses, communities, and employment. CMS contends that DME competitive bidding represents a "market-based efficiency." I respectfully submit that this program does not represent anything close to healthy market economics.

Competitive bidding makes perfect sense for a multi-million dollar aerial tanker replacement for the Air Force, but makes no sense at all for an \$89 walker or life sustaining oxygen services for a senior citizen. Competitive bidding has no place in healthcare and will result in higher costs to Medicare, lower quality products and less access to needed services by Medicare beneficiaries.

Competitive bidding is an exclusionary process. It is important to understand the gravity of this assault on small business in America. Since the vast majority of HME providers are small and independently owned, it stands to reason that they will bear the brunt of the burden. According to CMS figures from 2007, there are 110,272 supplier numbers billing Medicare and of those 103,227 bill Medicare less than \$300,000 per year. That is 94% of the total suppliers. It is also important to note that despite new start-up businesses in the DME industry, there was a

decrease of more than 4,000 suppliers from 2006 to 2007. Also notable is that in the cancelled first round, winning bids in the 10 bid areas represented less than 10% of the total supplier numbers active in those localities of all sizes.

These small businesses are a part of the engine of the American free enterprise system. They employ more than 1.5 million people while serving over 50 million Medicare, Medicaid, and private insurance patients each year. These businesses help keep these patients out of institutional settings and at home where not only do they prefer to be, but it is the least costly alternative.

The DME segment of Medicare is less than 2% of the Medicare budget and has been virtually flat in growth of expenditures compared to the physician and hospital segments, yet this smallest segment of Medicare is singled out for fee cuts, competitive bidding, and other measures such as surety bonds, all of which are forcing businesses to close or stop serving Medicare. Homecare and DME should be growing since the cost of this care is infinitely less expensive than a hospital or nursing home. According to a recent market study by the Freedomia Group, the need for medical equipment will grow by about 5.5% through 2012, primarily due to the rising number of older Americans. A program that reduces suppliers at a time when demand is increasing does not appear sensible.

It has been acknowledged by CMS and industry experts that the competitive bidding process, when complete, will eliminate up to 90% of these businesses from the Medicare provider rolls. Should this happen, it will be devastating to this supplier community, as well as severely limiting access to medical equipment for Medicare beneficiaries. The remaining suppliers will not be able to meet the demand created by the growing Medicare population. As the baby boomers age, every day an average of 7,918 people will be added to the Medicare rolls. For the DME industry this means a growing market. Under a free-market economic theory, this will mean that more competitors will be entering this market, helping to drive down or stabilize prices in the face of increasing demand. Competitive bidding will have the opposite effect.

This government-sponsored program is a scheme to eliminate competition by dismantling a national network of suppliers that have reliably serviced the home health needs of Medicare patients for decades. While CMS has developed this program and has released the final rules for its re-implementation, it is Congress that authorized CMS to pursue this unworkable program. It is inconceivable that it would be our government that would promote a scheme to concentrate market share and eliminate competition at such a crucial time for our economy. This is a formula for higher prices over time and is bad public policy that must be ended now.

NAIMES strongly opposes the re-implementation of this flawed program and recommends that Congress repeal the applicable portions of the Medicare Modernization Act of 2003 as soon as possible. Much of the anticipated savings have already been realized through previously instituted cuts, such as the FEHBP cuts in 2007, the elimination of CPI increases for DME services for more than 5 years, and the devastating 9.5% cut on fees for bid products effective at the beginning of 2009.

I urge this Subcommittee to support the repeal of competitive bidding and return the free enterprise system to the small independently owned DME providers and allow them to meet the needs of America's aging population.

Thank you for this opportunity to comment.

