Opening Statement of Chairwoman Renee Ellmers
Subcommittee on Healthcare and Technology
"Medicare's Durable Medical Equipment Competitive Bidding Program: How are Small Suppliers Faring?"
September 11, 2012

Good morning. I call this hearing to order.

I want to thank the witnesses on both panels for testifying today. We appreciate your participation.

We are here today to assess the Medicare Durable Medical Equipment competitive bidding program, and its impact on patients, small business suppliers, and the implications for program expansion.

Congress mandated the use of competitive bidding to establish payment rates for high cost and high volume DME in the Medicare Modernization Act of 2003. Congress took this action in response to evidence that Medicare fee schedule payment rates often far exceed retail prices.

In fact, in some cases, Medicare beneficiary co-pays exceeded the cost of the device on the open market. These generous payment rates also made the DME benefit especially vulnerable to waste, fraud, and abuse. A successful small-scale test required through the Balanced Budget Act of 1997 showed that competitive bidding for DME was feasible.

The Centers for Medicare and Medicaid Services implemented a competitive bidding process for nine DME product categories in nine geographic areas on January 1, 2011. This first phase of implementation is known as Round 1.

The competitive bidding program will soon undergo significant expansion beyond the initial nine Metropolitan Statistical Areas (MSAs). The Affordable Care Act (ACA) expanded the program so that Round 2 includes an additional 91 MSAs.

CMS is now assessing supplier bids for Round 2 with the intent that competitively bid prices in these 91 MSAs take effect in mid-2013. The ACA directed the Secretary of the Department of Health and Human Services to use competitively bid prices nationwide beginning in 2016.

The DME supplier industry as well as the many small business that operate in this industry have long had concerns about the use of competitive bidding. Before we expand the program more than ten-fold, it is important to understand these concerns not only because numerous

patients rely on medical equipment to keep them in their homes and out of the hospital, but also because many of the suppliers are the small businesses that make up fabric of our economy.

Most of us can agree that it is important for Medicare to pay a responsible price for Durable Medical Equipment so that beneficiary and taxpayer dollars are used wisely. CMS has reported that the competitive bidding program resulted in $202 million in savings in 2011.

These first-year program savings are derived largely from competition-based payment amounts that are, on average, 32 percent lower than DME fee schedule prices. And these lower prices mean that beneficiaries are paying less in the form of their 20 percent co-insurance.

Lower prices for patients as well as for taxpayers are something all of us can celebrate. However, how those prices are obtained and the methods by which the small business suppliers are allowed to participate and compete fairly are crucial to this program.

We must seek to ensure that this program protects patient access to the vital products needed, while giving small business suppliers the environment to grow and thrive.

While I strongly believe in the competitive forces of the private market, the process by which the competition is conducted must be fair – and truly competitive. To help the Subcommittee understand the successes and challenges associated with Round 1 before the program's scheduled expansion next year, we will hear from witnesses – industry experts as well as small business owners - who collectively provide a balanced range of perspectives on the competitive bidding program.