



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator

Washington, DC 20201

JUN 14 2013

The Honorable David Roe
U.S. House of Representatives
Washington, DC 20515

Dear Representative Roe:

Thank you for your letter regarding the Medicare durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) competitive bidding program. The Centers for Medicare & Medicaid Services (CMS) greatly appreciates you bringing these concerns to our attention. The DMEPOS competitive bidding program is an essential tool to help Medicare set appropriate payment rates for DMEPOS items by replacing the existing outdated, excessive fee schedule amounts with market-based prices. We are pleased that this program has already resulted in reducing beneficiary out-of-pocket costs, providing significant savings to Medicare and taxpayers, and reducing over-utilization and fraud. Additionally, the program has ensured continued beneficiary access to high quality items and services without compromising beneficiary health or safety.

CMS successfully implemented Round 1 of the program on January 1, 2011 in nine metropolitan areas after making a number of improvements, including new requirements from Congress, and after working closely with stakeholders. The CMS Office of the Actuary projects that the program will save \$25.8 billion for Medicare over 10 years, and save another \$17.2 billion for beneficiaries through lower coinsurance and premiums. We implemented an active surveillance and monitoring program to identify any issues and have found no disruption in access or negative health consequences for beneficiaries. In addition, CMS has received only a handful of complaints from beneficiaries about the program.

CMS contracts with qualified DMEPOS suppliers. Prior to awarding contracts, each supplier is carefully screened to ensure that it is accredited under applicable Medicare quality standards, as well as meets rigid financial standards, specific Medicare supplier enrollment requirements, and state licensing standards. In some cases, states change their licensing requirements or reinterpret existing ones during the supplier bidding process. In such cases, suppliers would need to come into compliance by the program implementation date.


In response to your letter, we have carefully examined Tennessee licensing requirements and we have spoken with state officials in order to obtain clarity on their requirements. We have determined that certain out-of-state suppliers that were licensed in their home state, but that did not meet aspects of existing Tennessee licensing requirements at the time of bid submission, were awarded contracts. As a result, CMS will take steps to void contracts for these suppliers in the Tennessee competitive bidding areas, consistent with the policies and guidelines established for the competitive bidding program. This applies to approximately 30 out of the 98 contract suppliers in the Tennessee Competitive Bidding Areas.

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Given the large number of in-state suppliers, including grandfathered suppliers, we are confident that beneficiaries will continue to have access to a wide variety of quality items and services in the state. In addition, we may consider making new awards to qualified and licensed suppliers in the future. We will continue to examine this issue and closely monitor the situation in the state.

Thank you for contacting CMS about this important program. We expect that Medicare beneficiaries in Tennessee and across the country will benefit from this important program as it expands in 2013. I will also provide this response to the co-signers of your letter.

Sincerely,

A handwritten signature in black ink that reads "Marilyn Tavenner". The signature is fluid and cursive, with a large loop at the end of the last name.

Marilyn Tavenner