New Legislation Would Establish Market-Based Pricing in Medicare for Home Medical Equipment and Services

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The American Association for Homecare endorses a bill introduced last week in the House of Representatives that would implement market-based pricing for home medical equipment and services such as oxygen therapy, wheelchairs, and other durable medical equipment and services.

A bipartisan group of 14 Representatives in the House introduced a bill, H.R. 6490, that would establish a market pricing program [1]as a budget-neutral replacement for the current, poorly-designed Medicare bidding program for home medical equipment and services.

Tyler Wilson, president of the American Association for Homecare [2], commented, "We embrace competition, we believe in market pricing, but we also believe in getting it right. If market-based pricing is the future of healthcare reimbursement rates for Medicare, then all healthcare sectors will want to ensure that the systems are designed correctly. And experts agree universally that the existing Medicare bidding system creates serious unintended, negative outcomes and should be overhauled."

The initial sponsors of H.R. 6490 include nine Republicans and five Democrats:

- Rep. Jason Altmire (D-Pa.)
- Rep. John Barrow (D-Ga.)
- Rep. Marsha Blackburn (R-Tenn.)
- Rep. Bruce Braley (D-Iowa)
- Rep. Kathy Castor (D-Fla.)
- Rep. Theodore Deutch (D-Fla.)
- Rep. Renee Ellmers (R-NC)
- Rep. Mike Kelly (R-Pa.)
- Rep. Steve King (R-Iowa)
- Rep. Tom Latham (R-Iowa)
- Rep. Steven LaTourette (R-Ohio)
- Rep. Tom Price (R-Ga.)
- Rep. Pat Tiberi (R-Ohio)
- Rep. Joe Wilson (R-SC)

Last year, the Centers for Medicare and Medicaid Services implemented a bidding program for durable medical equipment and services in nine areas -- Charlotte, Cincinnati, Cleveland, Dallas, Kansas City, Miami, Orlando, Pittsburgh and Riverside, California. The bidding program is underway in an additional 91 metropolitan areas

now.

But auction experts [3], providers, and consumer advocates [4] such as the ALS Association, United Spinal, and the National Family Caregivers Association are concerned that Medicare beneficiaries will continue to see declines in access to medically required equipment and care under the current bidding system. Since the bidding program was implemented in 2011, the American Association for Homecare has received reports from hundreds of Medicare patients about difficulty finding local equipment and service providers, delays in obtaining medically required equipment and care, and fewer choices when selecting equipment and providers.

In the New York Times Freakonomics blog [5] on September 21, 2012, economist and Yale Law School Professor Ian Ayers described the problems with the current bidding system and concluded, "Congress and the White House must act to reform the Medicare auction. If we do not effectively apply market methods to health care, Medicare is unsustainable."

Medical oxygen, walkers, respiratory devices, hospital beds, wheelchairs, and other durable medical equipment (DME), services, and supplies prescribed for Medicare beneficiaries help to reduce healthcare expenses by preventing treatment in higher-cost settings. So while the current bidding program reduces spending in the DME silo (which is a very small and declining proportion of the Medicare budget – just 1.4 percent of total Medicare spending), taxpayers will see increased spending in hospitals and ERs as patients' options for home-based care continue to narrow.

MARKET PRICING THROUGH BETTER DESIGNED AUCTIONS
As professional auction designers have explained to Congress and the White House, the current Medicare bidding system for DME allows non-binding bids. That leads to irresponsible bids and unsustainable prices and does nothing to ensure that winning bidders are qualified to provide the required medical equipment and services to Medicare beneficiaries.

The market pricing program is based on recommendations by economists and auction experts who have studied the current program. That program features an auction system to establish market-based prices and would require Medicare to make fundamental changes to ensure the long-term viability of the program. Key components include:

- The market pricing program is designed to achieve an accurate market price.
- It is designed to save the same dollars as the existing Medicare competitive bidding system.
- Bids are binding for the bidders and cash deposits are required to ensure that only serious homecare providers participate.
- The bid price is based on the clearing price, not the median price of winners.
- The program includes the same equipment and services as the current bidding system and would be implemented across the country during the same timeframe.

- Two product categories per market area would be bid. Eight additional product categories in that same area would have prices reduced based on auctions conducted simultaneously in comparable geographic areas.

"The market-based system proposed in this new legislation would ensure that Medicare beneficiaries receive the services and equipment that they need and ensure that the government pays competitive prices for the equipment and services provided," said Wilson. "That is a bonus for both taxpayers and beneficiaries."

The American Association for Homecare represents durable medical equipment providers and manufacturers who serve the medical needs of millions of Americans who require oxygen equipment and therapy, mobility devices, 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 [6].

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