

Examining competitive bidding for diabetes
testing supplies
and
expanding Medicare's DMEPOS competitive
bidding program

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September 5, 2019

Background – DMEPOS fee schedule

- Durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) comprise a wide variety of products
- Medicare pays for DMEPOS products in two ways:
 - Fee schedule
 - Competitive Bidding Program (CBP)
- Fee schedule based on supplier charges from 1986-1987 (updated for inflation) and other information
- Many fee schedule rates are excessive

Background – DMEPOS competitive bidding

- In response to rising expenditures and abuses, Congress required CMS to implement the CBP
- CMS phased in the CBP starting with the highest-cost products (e.g., oxygen equipment) in 2011
- CBP operated in 99 MSAs and nationally for mail-order diabetes testing supplies through 2018
- CMS suspended competitive bidding for 2019 and 2020 and is making technical changes

The CBP reduced spending and utilization

- Substantially lower payment rates: Among the 25 highest-expenditure products in 2017, median payment rate decline was nearly 50%
- Utilization went down for most product categories included in the CBP; industry suggests this indicates access issues
- Available evidence suggests the CBP did not disrupt access
 - CMS: No negative changes in beneficiary health outcomes
 - OIG: No disruption in beneficiary access for products analyzed

Medicare spending on CBP products decreased substantially while spending on non-CBP products increased

	Total Medicare spending, 2010 (in billions)	Total Medicare spending, 2017 (in billions)	Percent change
CBP products (total)	\$7.5	\$2.8	-62%
<i>DMEPOS other than diabetes testing supplies</i>	5.9	2.6	-56
<i>Diabetes testing supplies</i>	1.6	0.2	-88
Non-CBP products	3.3	4.7	44

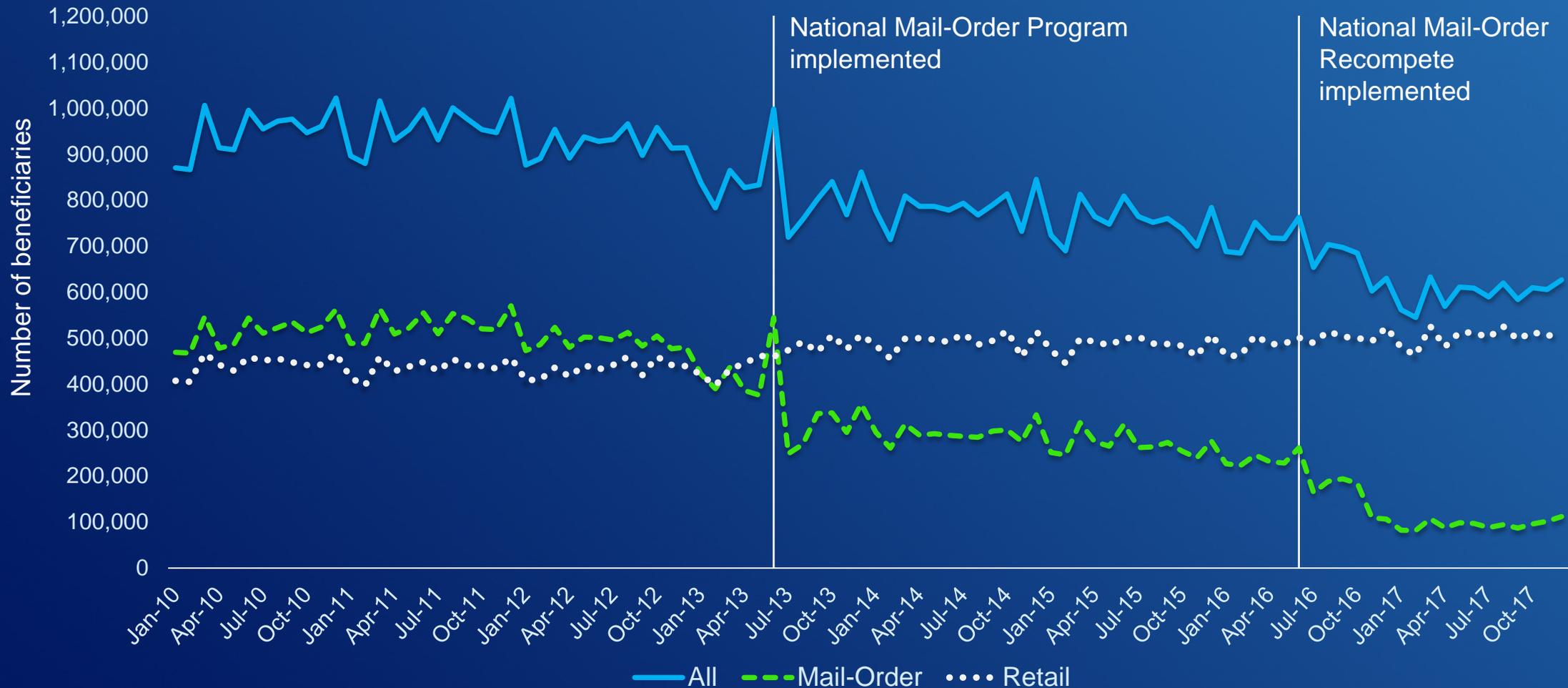
Note: CBP (Competitive Bidding Program), DMEPOS (durable medical equipment, prosthetics, orthotics, and supplies). Figures in table are rounded and include beneficiary spending. If a product was included in any CBP round, it is included in the CBP product categories in both 2010 and 2017. The totals for CBP products include spending in both competitive bidding areas and non-competitive bidding areas.

Source: MedPAC analysis of 2010 and 2017 Physician/Supplier Procedure Summary file.

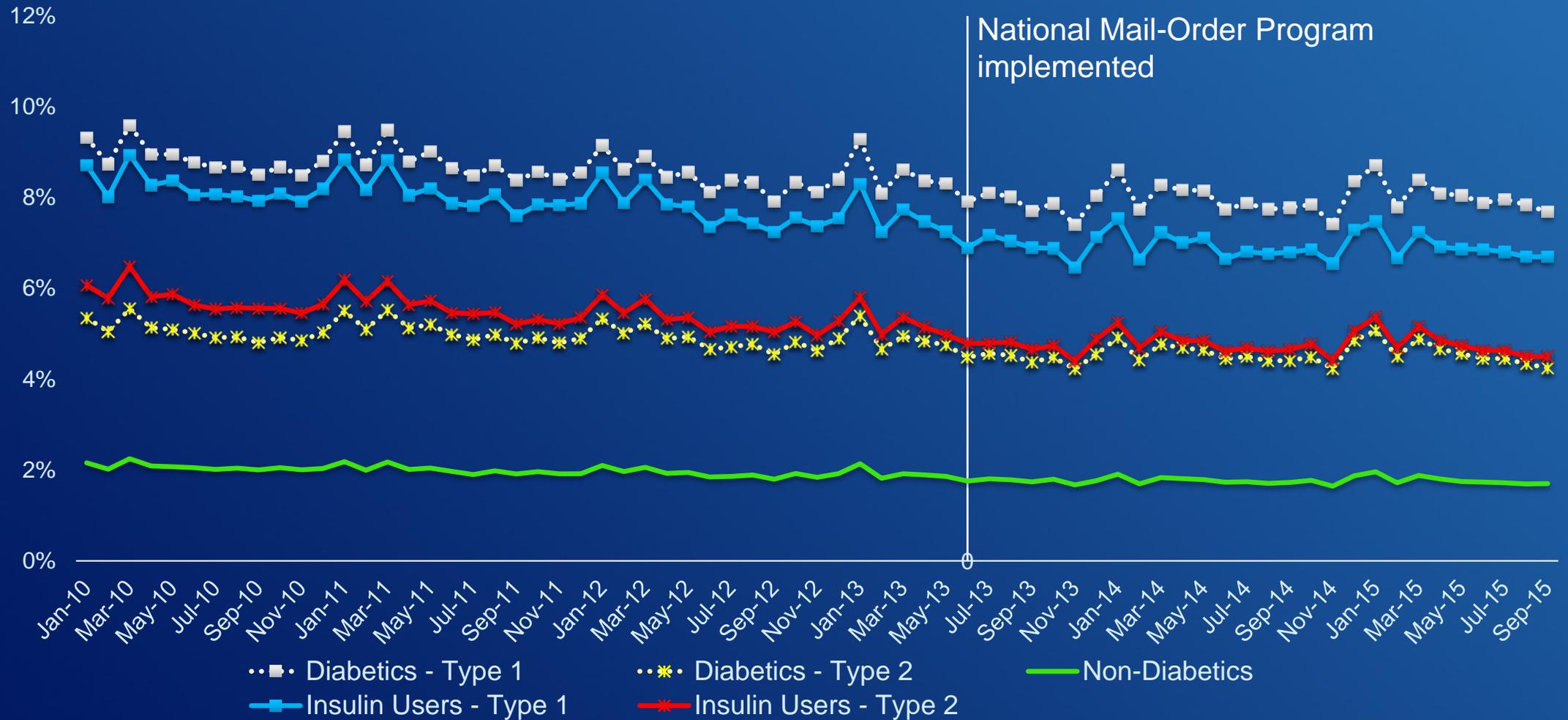
National Mail-Order Program for diabetes testing supplies

- National-Mail Order Program began in July 2013
- Substantially reduced payment rates: From 2010-2017, Medicare's payment rate for blood glucose test strips fell from about \$33 to \$8
- Beneficiaries can also access test strips through any retail supplier
- Payment rate for retail test strips set equal to the rate established under the National Mail-Order Program
- Nearly all beneficiaries in 2017 lived in counties with one or more retail test strip suppliers

Under competitive bidding, use of mail-order test strips decreased while retail use increased



No evidence the National Mail-Order Program affected monthly hospitalization rates



Fewer beneficiaries received test strips after the National Mail-Order Program began, but health outcomes were stable

- Concern: Health outcomes could suffer if beneficiaries stop using test strips
- We found a large decline in beneficiaries who received test strips after the mail-order program began
- However, we found no evidence that this large decline negatively affected health outcomes or shifted costs to hospitals

Summary of National Mail-Order Program analyses

- National Mail-Order Program dramatically reduced Medicare and beneficiary spending on diabetes testing supplies
- Beneficiaries maintained broad access to test strips
- Health outcomes remained stable after the National-Mail Order Program began across multiple groups of beneficiaries
- Findings suggest that the National Mail-Order Program:
 - Did not negatively affect beneficiary health outcomes
 - Likely reduced abusive billing practices for test strips

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Non-competitively bid products are more susceptible to fraud and abuse

- In April 2019, the DOJ announced charges in an alleged nationwide fraud scheme for off-the-shelf orthotics:
 - More than \$1.2 billion in payments for fraudulent claims
 - Caused confusion and anxiety for beneficiaries who received unwanted products
 - Exposed beneficiaries to harassment by aggressive marketing firms
- Medicare's excessive fee schedule rates for off-the-shelf orthotics likely encouraged alleged abuse

Policymakers could consider expanding CMS's authority to include products in the CBP

- In 2017, we identified \$1.4 billion in spending for products that are likely good candidates for the CBP
- Many of the products are good candidates for the CBP because
 - Medicare fee schedule payment rates are higher than private payer rates
 - CMS has already included similar items in the CBP
 - Some products have experienced rapid utilization growth or abuse
- CMS can include some additional products in the CBP but lacks clear authority to include others

Summary and discussion

- The CBP has been a success
- Fee schedule rates for many non-CBP products are excessive, increasing spending and encouraging abuse
- Expanding CMS's authority to include additional products in the CBP could further reduce unnecessary use and spending
- Commissioner feedback on direction for future competitive bidding work