

March 15, 2000

Dear Medicare Supplier:

The Health Care Financing Administration (HCFA) invites Medicare suppliers of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) to participate in a competitive bidding demonstration. This demonstration is designed to provide Medicare Part B beneficiaries in the San Antonio, Texas area with quality DMEPOS at more reasonable prices.

Beginning January 2001, Medicare allowances resulting from the bidding will be in effect when provided to beneficiaries in the San Antonio area, including Bexar, Comal and Guadalupe counties. Only those suppliers that demonstrate they can provide high quality equipment and services and that bid within a competitive range will be eligible for Medicare payment for the DMEPOS included in this demonstration, which are listed below:

- (1) Oxygen contents, equipment and supplies
- (2) Nebulizer inhalation drugs
- (3) Hospital beds and accessories
- (4) Manual wheelchairs and accessories
- (5) Non-customized orthotic devices

How Competitive Bidding Works

The Balanced Budget Act of 1997 requires that HCFA conduct competitive bidding demonstrations for Medicare Part B items and services, excluding physician services. According to the law, HCFA may not award "Demonstration Supplier" status to a supplier unless the supplier's bid is competitive in both quality and price.

The demonstration has five objectives:

- (1) To test the effects and operational feasibility of competitive bidding to determine prices for categories of DMEPOS covered by Medicare Part B
- (2) To assure beneficiary access to quality DMEPOS within the demonstration site
- (3) To reduce the amount Medicare pays for DMEPOS within the demonstration site
- (4) To limit beneficiary out-of-pocket expenses
- (5) To prevent business transactions with suppliers who engage in fraudulent practices

Under the demonstration, suppliers who want to provide the designated DMEPOS to Medicare beneficiaries in San Antonio must submit bids. HCFA will evaluate bids for quality and price. Only those suppliers awarded Demonstration Supplier status will be eligible to receive Medicare payment for the items included in this demonstration when provided to San Antonio beneficiaries.

There are a few exceptions to this rule. The demonstration's transition policies will allow Medicare beneficiaries to maintain their current relationships with oxygen and nebulizer drug suppliers. If beneficiaries have existing rental agreements for hospital beds or manual wheelchairs, they may also maintain relationships with these suppliers. The beneficiaries will be able to continue doing business with their suppliers as long as they medically need the equipment and services. Suppliers eligible to receive Medicare payment for DMEPOS according to current Medicare program guidelines may continue to provide and bill for items not included in this demonstration.

San Antonio is the second site for the competitive bidding demonstration. The first demonstration site is Polk County, Florida. The items included in Polk County are oxygen contents, equipment and supplies; enteral nutrients, equipment and supplies; hospital beds and accessories; surgical dressings; and urological supplies. Medicare payment for these products — based on bid prices — began October 1, 1999, and will continue for two years.

Meetings and Other Sources of Information

HCFA will conduct a public meeting with all interested suppliers March 28, 2000, to describe how the demonstration will work and answer questions. Attendance is not required at this meeting. However, those planning to attend must register in advance. Due to facility restrictions, HCFA must limit the number of attendees to two per supplier. To register, please call (888) 289-0710 toll-free or send a fax to (803) 935-0078. We will require the following information:

- (1) Supplier name
- (2) Supplier number
- (3) Attendees' name(s)
- (4) Mailing address
- (5) Phone number
- (6) Fax number
- (7) E-mail address

The meeting will be held at the Hyatt Regency Riverwalk, 123 Losoya in San Antonio, and will begin promptly at 9 a.m. You may call the Hyatt Regency Riverwalk at (210) 222-1234 for

directions. You may also call toll-free (888) 289-0710 between 8 AM and 4 PM Central Time to obtain more information about the demonstration and the meeting.

Request for Bids

HCFA will request bids from suppliers at a later date. If your company registers for the supplier meeting March 28, you will automatically be mailed a Request for Bids (RFB). If your company will not be attending this meeting but would like to receive an RFB, please call or send a fax as instructed on the previous page with the same information. Indicate that you would like to be added to the mailing list.

HCFA will schedule a Bidders' Conference in the next few months. The RFB will be mailed to all suppliers on the demonstration mailing list prior to this meeting. Bidding rules and project specifics will be discussed at the Bidders' Conference. All bidding documents will also be posted on the HCFA website.

HCFA is committed to providing suppliers with all the information necessary to participate in this demonstration. If you have questions, we encourage you to attend these meetings and call the toll-free number.

Sincerely,

A handwritten signature in black ink that reads "Sharon B. Arnold". The signature is written in a cursive style with a large initial 'S'.

Sharon Arnold, Ph.D.
Director
Demonstration and Data Analysis Group