



MEDICARE NEWS

FOR IMMEDIATE RELEASE
Thursday, March 15, 2001

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MEDICARE LAUNCHES SECOND ROUND OF PROJECT TO LOWER MEDICAL SUPPLY COSTS FOR BENEFICIARIES IN POLK COUNTY, FLA.

The Medicare program today announced it is launching the second round of a pilot project in Polk County, Fla. This project is already saving beneficiaries an average of 17 percent on certain medical supplies, while protecting quality and access for Polk County beneficiaries.

As in the private sector, the pilot project uses competitive bidding for certain medical equipment and supplies to ensure the best value for Medicare and its beneficiaries, while protecting quality and access for the seniors and persons with disabilities who receive Medicare benefits.

The first round of this competitive bidding demonstration, which started Oct. 1, 1999, ends Sept. 30, 2001. The second round will begin Oct. 1, 2001, and end a year later on Sept. 30, 2002.

A similar pilot project began last year in San Antonio, Texas. Both projects are currently saving beneficiaries and Medicare as much as 30 percent for some products. Overall, the Polk County project has been producing savings of 17 percent or \$1 million a year.

Suppliers in Polk County will again compete this spring on the basis of quality and price for four categories of medical equipment and supplies included in the project's first round. The categories are oxygen supplies; hospital beds; urological supplies and surgical dressings.

In 1999, suppliers in Polk County -- including Lakeland and Winter Haven -- submitted bids to provide five categories of medical items to beneficiaries. Medicare selected between four and 13 businesses in each category and established a new fee schedule.

The savings in the pilot were as high as 30 percent for some products. The competition also resulted in slightly higher prices for some individual items, primarily in the small category of surgical dressings.

Medicare had previously been prohibited from using competitive bidding processes for medical supplies. However, the Balanced Budget Act of 1997 authorized competitive bidding for medical items and services covered under Medicare Part B, except for physician services.

Preliminary findings by an independent evaluator show that the existing demonstrations ensure that beneficiaries:

- Obtain medical equipment from suppliers who have been carefully screened and have met or surpassed Medicare's quality standards;
- And the Medicare program pay more reasonable rates for equipment than the fee schedules required by law;
- Can choose their preferred supplier from those companies that submitted successful bids in terms of quality and price. Multiple suppliers will be selected for each product category, giving beneficiaries a choice;
- Are not overcharged for their share of the costs. Suppliers must accept a 20 percent co-payment for those supplies and services without any additional charges to the beneficiary.

The fifth product category in Polk County's initial round, enteral nutrition, was not included in the second round because the demonstration is on medical equipment and supplies delivered to the home, and most enteral nutrition is used by nursing home residents. HCFA made this change and several other technical changes in the bidding demonstration based on lessons learned from the previous rounds of bidding. This shows the value of operating small demonstrations in order to learn from the process before operating national programs.

Nationwide, Medicare pays about \$6 billion annually for medical equipment and supplies. About half of that amount was spent on the five product categories included in the Polk County demonstration's first round.

The U.S. Health Care Financing Administration, which administers Medicare, will conduct a thorough review of the quality and backgrounds of second-round bidders. The agency will only offer contracts in the pilot project to businesses that demonstrate their ability to provide quality supplies and services to beneficiaries at competitive rates.

Medicare currently reimburses for medical equipment and supplies based on fee schedules required by law. However, studies by the U.S. General Accounting Office and the HHS Inspector General have shown that Medicare beneficiaries and the program are often forced to pay substantially higher prices than those charged at many retail outlets, and some other government payers and private insurers pay much lower rates for the same items and services.

HCFA is using feedback and analysis of the first-round pilots in Polk County and the San Antonio area to improve service to beneficiaries, suppliers and Medicare in Polk County's second round. Like the current pilots, it involves supplies for beneficiaries in original fee-for-service Medicare, but not for those in Medicare+Choice plans.

The Polk County project continues significant protections, including a broad emphasis on quality:

- Quality standards. Medicare conducts site visits and background checks to ensure that successful bidders have solid track records of providing quality supplies and services. Suppliers who fail this quality review -- which is even more stringent than Medicare's existing standards -- will not be selected even if they bid in the competitive range.

- Beneficiary choice. Medicare selects enough suppliers for the demonstration to ensure access to services and a choice of suppliers of five product categories.
- Information campaign. Medicare conducts a comprehensive education and outreach campaign for beneficiaries, physicians and suppliers. Every beneficiary receives a directory of demonstration suppliers and a clear explanation of changes in Medicare rules.
- Local ombudsperson. The ombudsperson in Polk County responds to beneficiary concerns and monitors the project to make sure beneficiaries continue to receive quality supplies and services.
- Transition protections. Beneficiaries are able to maintain their existing relationships with oxygen suppliers, and continue rental agreements for hospital beds.

Polk County was selected for this demonstration because it has an appropriate population of about 450,000, including 92,000 Medicare beneficiaries; high expenditures per Medicare enrollee for medical equipment and supplies, and a large number of suppliers servicing the area. In 1997, about 4,500 of the county's beneficiaries received Medicare reimbursements totaling about \$6.6 million for the equipment and supplies in the demonstration project.

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