United States Senate
WASHINGTON, DC 20510

June 24, 2008

Senator Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

Senator Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Reid and Senator McConnell:

We are writing to express our strong opposition to legislation that would indefinitely delay the implementation of Medicare competitive bidding for durable medical equipment, orthotics, prosthetics, and supplies (DMEPOS). While we understand that there have been some problems with implementation, we believe these problems can be addressed without legislatively delaying both rounds of the DMEPOS competitive bidding program. We urge you to work with us, and the Administration, to develop sound policy solutions to the implementation problems that have occurred that will not indefinitely delay the program's implementation.

Medicare competitive bidding for DMEPOS achieves several critical objectives that we should all support – it provides beneficiary access to high quality medical equipment and supplies, reduces beneficiary out-of-pocket costs (including Part B premiums), improves the accuracy of Medicare's DMEPOS payments, helps combat fraud and abuse, and improves the solvency of Medicare. Numerous studies by the Government Accountability Office and the Department of Health and Human Services (HHS) Inspector General indicate that the Medicare program and Medicare beneficiaries have been paying far too much for some medical equipment and supplies and are vulnerable to significant fraud and abuse in this area.

When fully implemented, the competitive bidding program is projected to save Medicare and taxpayers $1 billion annually—and these savings will directly translate to lower coinsurance for Medicare beneficiaries. The CMS Office of the Actuary estimates that the DMEPOS Competitive Bidding program will save American taxpayers $4.6 billion over the 5-year period from 2009-2013. In 2009 alone, the program is projected to save taxpayers $450 million. Beneficiaries would save $1.5 billion over 5 years and $150 million in 2009. The savings that this program will produce are especially important for beneficiaries on fixed incomes. For beneficiaries in Round 1 Competitive Bid Areas, who would have experienced savings of 26 percent under the program, proposed legislation to delay the program would reduce those savings to 9.5 percent.

Competitive bidding ensures that beneficiaries receive their DMEPOS from accredited and financially viable suppliers, two important safeguards that beneficiaries did not have prior to competitive bidding. The bidding process under the program was designed to ensure the availability of a wide variety of medical equipment and supplies for beneficiaries. When combined with the supplier quality standards and accreditation requirements, this program will ensure that high quality medical equipment and supplies are available to Medicare beneficiaries who need them. If implementation of the competitive bidding program were delayed, beneficiaries would not be able to immediately benefit from the implementation of these important safeguards and they would continue to pay more than necessary for DMEPOS.

You will recall that competitive bidding for Medicare Part B items and services has long enjoyed significant bipartisan support. The Clinton Administration advocated this fiscally responsible, high quality approach to improving Medicare. The language ultimately included in the 2003 Medicare bill that President Bush signed into law was based on bipartisan legislation – the Competitive Acquisition Act of 2002 – to fully implement DMEPOS competitive bidding nationwide.

In addition to the strong bipartisan support in Congress, Medicare DMEPOS competitive bidding has also been successfully tested. The Balanced Budget Act of 1997 gave HHS the authority to conduct competitive bidding demonstrations for Medicare Part B items and services other than physician services. The two demonstration sites – Polk County, Florida, and San Antonio, Texas – proved that substantial savings can be achieved through competitive bidding while retaining beneficiary access to DMEPOS. Round 1 of the Polk County demonstration saved 16-17 percent annually. Round 2 of the Polk County demonstration saved 20 percent annually. San Antonio's single round of competitive bidding saved 20 percent. In total, the demonstrations in Florida and Texas saved 19 percent over what Medicare would have paid under existing statutory fees and beneficiary access to DMEPOS goods and services remained essentially unchanged.

As health care costs continue to rise, full implementation of DMEPOS competitive bidding is an opportunity to improve and modernize Medicare, using the competitive marketplace to obtain better value for beneficiaries and taxpayers. It builds upon the successes of competitive bidding demonstration projects in Texas and Florida, which produced significant cost savings with uninterrupted beneficiary access to high quality medical items and supplies. We urge you to work with us to develop meaningful solutions to the small number of creditable problems that have been identified so that both Round 1 and Round 2 can proceed in a timely fashion.

Sincerely,

Senator John D. Rockefeller IV

Senator Tom Coburn

Senator John Kerry

Senator Larry Craig

Senator Dianne Feinstein