

Round One rebidders have sent a number of questions, trying to understand how capacity and weights impact the DMEPOS bidding program. Reviewing what happened in the original Round One bid, it is clear that some providers placed uneducated "blind bids" that unnecessarily affected items that should not have been lowered.

For example: The 2008 bid program payment amounts for the oxygen contents codes, dropped nearly \$17 (From \$77 to \$60) in many of the CBAs. It made little sense that those items would drop \$17, since the bids were placed in the summer of 2007 and those items first became effective 15 months later, in January 2009.

Those items had an average bid weight of 0.14%. When the \$17 reduction was multiplied by the .0014 weight, the change to the composite bid was only 2 cents. That same \$17 reduction in the oxygen contents items would equate to only a 4 cent reduction on an oxygen concentrator bid, since the concentrator bid weight was 53.7%.

It would seem that many providers just applied a gross percentage reduction on every item in the bid category, without understanding the consequences. If the program was not delayed, the community of bid winners would have been stuck with a \$60 reimbursement before the impact of actually refilling oxygen systems could have been evaluated. Bidders in the Charlotte CBA must have been aware of this, as the oxygen contents bid price was only reduced by 85 cents (\$76.60).

A capacity to understand Capacity

The most frequently asked questions in the Competitive Bidding Program Bidders' Conference Open Door Forums were about stating your capacity above your company's typical growth. During a recent FAHCS conference, a previous bid winner explained that they won despite the fact that their stated Total Estimated Capacity was only 1 unit above their current number of Total Units Provided in 2006. Medicare officials have explained that once the area capacity is filled no other bidders would be accepted.

Below is the most recent explanation from Cindy Dreher on Medicare's November 4, 2009 Open Door call:

The next question: *Clearly there are risks and serious disadvantages to over estimating your capacity. Is there a risk of under estimating your capacity? Conversely, is there any benefit to overestimating your capacity?*

Again your estimated capacity should be a realistic amount-a realistic estimate of the number of units of an item that you'd be capable of providing for one year beyond what you currently furnish on a yearly basis. So you need to calculate the number of units that you currently furnish on a yearly basis and add any additional number of units or capacity that you'd be capable of providing annually at the start of the contract period.

You'll be expected to sustain this level of capacity for the entire contract period. Your financial documents should reflect that you have the financial stability to provide the stated number of items. If you plan to expand, then we'll also review your expansion plan to assess your ability to furnish your estimated capacity. If your financial health and your expansion plan does not support your estimated capacity then we'll adjust your estimated capacity to your historical level.

Next question: *How will the capacity estimates be used to evaluate individual bids? If a bidder increases its capacity estimates, would that have any impact on the likelihood that his bid will be accepted?*

Again, you need to submit your best estimate of our capacity. When we evaluate the capacity of a supplier that plans to expand its capacity and that means that the total estimated capacity exceeds their historical claims for that CBA, or for that particular category then we're going to look at the expansion plan as well as the hard copy financial documents to determine if that supplier has the ability to furnish that estimated capacity.

If a bidder's financial health and their financial plan does not support the estimated capacity, then we'll adjust the capacity, as I said earlier, to that supplier's historic level. Now, adjustments to the capacity have no affect on whether or not a supplier is awarded a contract and I encourage everyone to review that fact sheet.

12/17/09 - A capacity for juggling weights and bids

Written by Sean Schwighammer
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Bidding experts have remarked that, since CBIC will reduce the amount of the capacity to historic levels, there is no need to overstate your capacity. Since companies with no history of providing bid items were awarded contracts, capacity cannot be underestimated. Again as stated in the Medicare Open Forum: "adjustments to the capacity have no affect on whether or not a supplier is awarded a contract."