

DALLAS MSA MEETING

Wednesday, April 16, 2008, 10:00 AM

DFW Hilton Conf. Center and Hotel

1800 N.W. Hwy 26 East

Grapevine, TX 76051

817-481-8444



DMEPOS Competitive Bidding Fact Sheet – Dallas Metroplex – (Update 4-9-08)

On April 2, 2007 the Centers for Medicare and Medicaid Services (CMS) issued a Final Rule for the Competitive Acquisition Program for the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS). This controversial Competitive Bidding Program is scheduled to begin on July 1st, 2008 in 10 Metropolitan Statistical Area (MSAs) including Dallas. The Dallas MSA consists of 12 counties: Wise, Denton, Collin, Hunt, Parker, Palo Pinto, Tarrant, Dallas, Rockwall, Kaufman, Johnson and Ellis.

Nine categories of equipment will be affected in the Dallas Metroplex area. These items represent the majority of all of the equipment reimbursed by Medicare and include: Oxygen, CPAP and Respiratory Assist Devices, Standard Motorized Wheelchairs, Complex Rehab Wheelchairs, Enteral Feed & Supplies, Negative Wound Pressure Devices, Walkers, Diabetic Testing Supplies and Hospital Beds.

Only Accredited providers were allowed to bid. The bidding window ended on September 25, 2007. When the program begins on July 1, 2008, only companies which won the bid may provide equipment to new patients. Of the **284** oxygen providers that are currently in the Dallas Competitive Bidding Area (CBA), the Competitive Bidding Implementation Contractor (CBIC) chose to offer contracts to **only 35** companies to provide Oxygen to new and returning patients. The facts enclosed below were compiled from CMS, Industry Media and letters from legislators.

- CMS will reduce the number of Oxygen Providers in the 12 Counties that make up the Dallas MSA from 284 to only 35 bid winners. That means only 12% of existing suppliers survived.
- The 249 Oxygen Companies that did not win the bid will not be allowed to provide new orders of Oxygen for Medicare Part B patients after July 1, 2008. This includes patients that have never used oxygen before. Patients that have previously used oxygen that have incurred a 60 day break in service, change of residence out of and then returning into the CBA or changed their Part B status cannot be provided by non-winning bidders. Non-winning Bidders will be paid the new single payment amount, as all of their existing patients will be grandfathered in. These existing patients will own their equipment after 36 months of continuous rental. It should be noted that these non-winning bidders will lose existing oxygen patients through attrition.
- Industry experts have calculated that the Non-winning bidders which make up 88% of the current Medicare Oxygen providers will most likely close due to the current plan.
- The 249 providers who lost the bid, excludes the 95 providers in the 14 counties which border the Dallas MSA. Said Counties include Cooke, Grayson, Hopkins, Navarro, Somervell and Hood. Most of these companies service patients inside the Competitive Bidding Area inside the Dallas MSA. These Oxygen providers in counties which border the Dallas MSA will also not be able to provide Oxygen service to new or returning patients after July 1, 2008. These providers will certainly be adversely impacted as well

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- The economic impact of the projected probable closing of an estimated 88% of the oxygen providers will be devastating to thousands of employees in and around the Dallas MSA. They will lose their jobs, lose their health insurance coverage and be very unlikely to find work in this resulting highly job- limited industry.
- Instead of a total of 284 suppliers in the Dallas area, a mere 35 or 12% of the current providers will remain to attempt to service the area in the aftermath of any potential disaster which may affect the area.
- Medicare's Utilization records show that there were 126,501 Home Oxygen systems (Concentrators-E1390 and Liquid Reservoirs-E0439) allowed as monthly units by the Dallas MSAs Medicare Oxygen Providers in 2006. Under the new program, the 35 Oxygen Bid winners will be responsible for the service and maintenance of all of those existing Oxygen patients. That is an average of 3,600 oxygen patients per bid winner annually, once the current rental period ends.
- It has been reported that some Oxygen Bid winners have never provided oxygen before and are unaware of the demanding requirements and licensure required to dispense this type of drug. These companies may be accredited to provide walkers, but they are not accredited to provide oxygen and are not aware of the policies and procedures for training, delivery, testing, servicing and maintenance requirements to provide oxygen.
- It is highly unlikely that an average of less than 3 oxygen providers per county will be able to provide for the large number of beneficiaries in the area. Particularly if a storm or natural disaster incapacitates any of the providers
- Legislators have raised the issues of due process and fundamental fairness of the administrative implementation of the Competitive Bidding, by the Competitive Bidding Implementation Contractor, Palmetto GBA. A number of Senators and Members of Congress have expressed written concerns that an extraordinary number of bidders were disqualified because Palmetto, GBA did not adhere to their original application rules.
- CBIC has also been questioned by legislators for allegedly misplacing required application documents. As a result CBIC appears to have erroneously disqualified hundreds of bidders which may have won the bids and affected the overall new reimbursement. The majority of these Disqualified providers and bid losers are small businesses. Medicare has estimated that small businesses make up 90% of all providers prior to the bid.
- All available evidence supports the conclusion by Industry experts that the geriatric, Medicare populace will suffer greatly as a result of the new Rules. Instead of the personalized service they receive now, patients will be forced to solve their problems through the use of automated phone systems, voicemail, call back options, and endure the frustration of long wait times both for answers and deliveries of services and equipment
- Healthcare providers believe that patients will have a difficult time receiving portable oxygen once the program begins as a result of the new reimbursement which has been reduced to only \$24.80 per month in the Dallas MSA. The figure of \$24.80 includes the cost to deliver as many tanks as the patient needs per month. Delivery costs on a single monthly delivery exceed the proposed reimbursement. Furthermore, substantially reduced Medicare payments on all other items, eliminates the supplier's ability to cover losses in one area with net income in another.

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- The servicing of Oxygen patients will be even more complicated and financially disadvantageous starting January 1st, 2009. At which date all of the patients who have been using Oxygen prior to and since January 1, 2006, will become owners of their Oxygen equipment.
- Oxygen was always paid for monthly for as long as it was medically necessary for the patient to use it. Now the patient owns the oxygen system after 36 months.
- In the Dallas MSA the rental payment by Medicare for oxygen will be reduced to \$150.78 per month. That monthly reimbursement includes the cost of filters, tubing, cannulas, oxygen masks, humidifiers, patient retraining, maintenance and any necessary replacement of the equipment.
- After January 1, 2009, when the patient owns their oxygen system, the bid winners will only receive a few dollars for the cost of replacement supplies and cannot bill for the travel time to and from the patients residence. It is obvious to suppliers that costs will substantially exceed reimbursements
- Therefore Industry experts feel that, as a necessity for survival of the winning bid suppliers, the service and maintenance of the patient's Oxygen systems will be unavoidably severely neglected. They feel that repairs and maintenance of the systems will be very hard for patients to receive, especially by patients who own their systems after January 1, 2009.
- Today companies compete to have Oxygen repaired within a few hours and by providing service 24 hours a day, as quickly as possible to keep their patients happy.
- There are no specific time requirements in the current Medicare Supplier Standards or in the Competitive Bidding Program for the delivery, repair or servicing of Oxygen equipment. In the past that did not matter, because reimbursement was sufficient to allow suppliers to compete on the basis of the speed and efficiency with which they provided these services. That will no longer be true.
- After the Competitive Bidding Program begins, it will be very difficult for a patient to change their provider for any reason, whether valid or not.
- Industry experts believe that after the program begins, the larger companies will purchase the smaller ones and the few remaining companies will have a monopoly.
- When the monopolies occur, every community will lose virtually all its local suppliers. As a result, in addition to the serious deterioration of services to insured patients, uninsured patients and patients with limited medical equipment coverage will pay higher retail prices from the remaining providers.
- The patient's access to care and services are already being affected in the 10 MSAs. Bid winners have already sent information to Hospital Discharge Planners, Case Managers and Doctors explaining that they will no longer deliver Bedside Commodes and other less expensive equipment if it is not accompanied with an oxygen order. Before the bid, providers would provide these less expensive items in order to compete in the market as a "one stop shop".
- With such low margins, bid winners do not have to provide services that the community took for granted such as a timely response or even delivery. This is another example of how this program will affect patients, as the remaining providers will not provide services that they have not won or are no longer profitable. Patients will be forced to either travel outside of their area to obtain home medical equipment or pay a high cost for delivery which they never had to in the past. Unfortunately it is more likely that the patient will not go through the extra cost or hassle to get the equipment they need. This will cause more incidents of home slip and falls, poor patient outcomes and eventual greater costs to the entire Medicare system.

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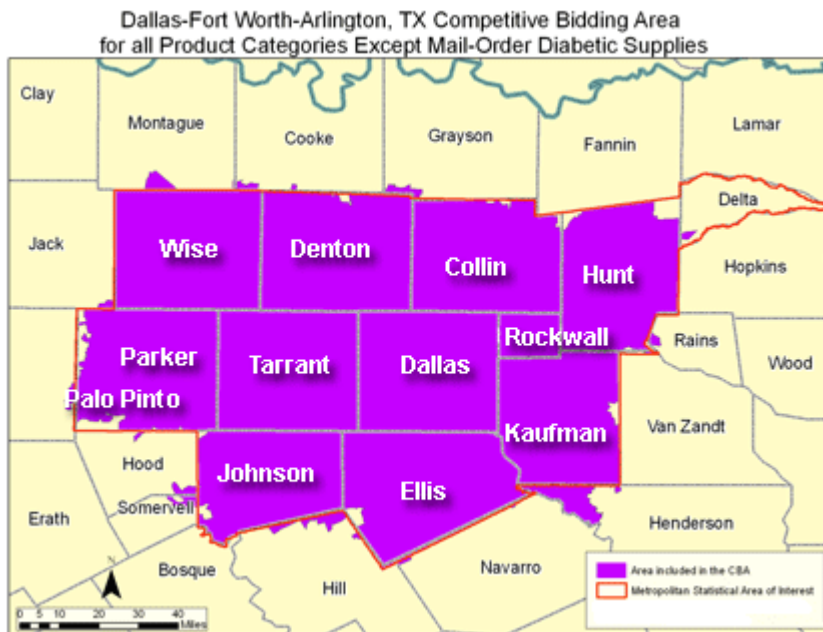
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CBA



- Area included in the CBA.
- Metropolitan Statistical Area of Interest.

To view the list of zip codes, click on [View Zip Codes](#) or the *View Attachments* icon in the menu above the map.

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Contract Offers by Product Category and Competitive Bidding Area (CBA)

	Charlotte-Gastonia-Concord, NC-SC	Cincinnati-Middletown, OH-KY-IN	Cleveland-Elyria-Mentor, OH	Dallas - Fort Worth-Arlington, TX	Kansas City, MO-KS	Miami-Fort Lauderdale-Miami Beach, FL	Orlando, FL	Pittsburgh, PA	Riverside-San Bernardino-Ontario, CA	San Juan-Caguas-Guaynabo, PR
Oxygen Equipment and Supplies	11	17	21	35	16	44	30	21	17	*
Standard Power Wheelchairs, Scooters and Related Accessories	11	12	12	24	14	18	14	11	19	6
Complex Rehabilitative Power Wheelchairs and Related Accessories	11	7	6	11	5	5	5	5	8	*
Mail-Order Diabetic Supplies	10	12	12	14	10	17	12	10	7	14
Enteral Nutrients, Equipment and Supplies	13	11	14	13	13	21	16	10	13	*
CPAP, RAD and Related Supplies and Accessories	12	14	15	25	13	33	25	15	17	16
Hospital Beds and Related Accessories	12	11	13	39	16	44	25	16	33	*
NPWT Pumps and Related Supplies and Accessories	11	8	8	17	6	17	16	7	6	10
Walkers and Related Accessories	9	9	11	18	11	25	16	11	12	17
Support Surfaces	**	**	**	**	**	38	**	**	**	*

* Did not have a sufficient number of qualified, bidding suppliers to meet projected demand for the length of the contract period

** Did not request bids for this product category in this CBA

NOTES:

The information in this chart represents the number of contract offers, **NOT** the actual number of contracts that will be awarded. In addition, this information does not represent the number of supplier locations for each supplier entity/organization. Some supplier entities have a number of locations throughout a CBA that would be servicing the area if a contract is awarded.

ALLOWED SERVICES - CY 2006

Modifier	National	Miami-Fort Lauderdale-Miami Beach, FL	Charlotte-Gastonia- Concord, NC-SC	Dallas-Fort Worth- Arlington, TX	Orlando, FL	Riverside-San Bernardino-Ontario, CA	Pittsburgh, PA	Kansas City, MO-KS	Cincinnati-Middletown, OH-KY-IN	San Juan-Caguas- Guaynabo, PR	Cleveland-Elyria- Mentor, OH
	512,587,934	27,095,213	3,224,790	5,714,041	3,294,694	4,103,254	2,899,255	2,157,491	2,243,484	2,771,038	4,468,633
OXYGEN SUPPLIES											
A4608	55	-	-	-	-	-	-	-	-	-	-
A4615	13	-	-	-	-	-	-	-	-	-	-
A4616	97	-	-	-	25	-	-	-	-	-	-
A4617	-	-	-	-	-	-	-	-	-	-	-
A4620	4	-	-	-	-	-	-	-	-	-	-
E0424	RR 6,179	33	12	28	-	13	41	2	10	187	18
E0431	RR 7,555,609	80,596	47,621	80,797	47,896	49,823	26,913	41,062	37,899	12,811	93,312
E0434	RR 973,208	2,448	7,446	11,158	3,518	1,978	19,045	6,906	3,433	1,791	7,666
E0439	RR 703,380	2,122	2,447	10,820	2,654	2,081	10,904	3,802	2,097	1,902	7,535
E0441	1,002	-	3	7	-	-	-	23	1	-	7
E0442	18,259	-	9	2	11	-	420	-	-	-	17
E0443	11,949	-	35	14	12	12	25	96	21	-	141
E0444	1,530	-	-	12	-	-	-	3	-	-	-
E0560	RR 180	6	-	7	2	3	4	-	-	-	-
E0560	NU 140	-	-	-	-	-	-	-	-	1	-
E0580	NU 114	-	-	-	-	-	-	-	-	-	-
E0580	RR 42	-	-	1	-	-	-	-	-	1	-
E1353	-	-	-	-	-	-	-	-	-	-	-
E1355	-	-	-	-	-	-	-	-	-	-	-
E1390	RR 11,637,206	196,583	79,353	115,681	106,294	63,466	71,765	74,643	58,601	19,815	102,411
E1391	RR 292	-	-	-	-	-	-	-	-	-	6
E1392	RR 37,246	4,927	3	211	130	106	704	94	2	635	72
K0738	RR 13,112	9	93	74	3	20	316	136	33	-	354
POWER MOBILITY DEVICES - Standard & Complex Combined (also includes data for previous codes E1230, K0011, K0012 and K0014)											
E0950	NU 3,044	12	22	17	9	18	48	14	31	43	45
E0950	RR 899	7	11	-	-	-	27	-	7	-	47
E0951	RR 55,407	200	1,231	684	153	35	946	77	66	8	736
E0951	NU 43,338	121	1,108	580	389	123	376	125	119	262	386
E0951	UE 369	-	-	-	-	-	2	-	54	-	-
E0952	NU 1,141	-	2	125	2	16	2	2	1	-	22
E0952	RR 58	-	-	-	-	-	2	-	-	-	-
E0955	NU 11,955	18	99	149	61	51	89	88	71	15	121
E0955	RR 315	2	-	1	5	5	8	-	-	-	-
E0955	UE 31	1	-	-	-	-	-	-	-	-	-
E0956	NU 6,938	12	56	62	52	46	56	44	51	6	78
E0956	RR 85	-	-	-	-	-	-	-	-	-	-
E0956	UE 5	-	-	-	-	-	-	-	-	-	-
E0957	NU 1,285	2	14	12	10	5	14	13	10	-	29
E0957	RR 17	-	-	-	-	-	-	-	-	-	-

April 27, 2007

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