



# Medicare: Today's Issue

March 19, 2004

## *BETTER BENEFITS – MORE CHOICES*

### *Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

#### Payment for Durable Medical Equipment (DME): Competitive Acquisition of Items and Services

- ❖ The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) establishes a competitive bidding process for durable medical equipment (DME), certain medical supplies, enteral nutrition, and off-the-shelf orthotics (those requiring minimal adjustment) as a nationwide permanent part of Medicare by phasing-in the program as follows:
  - 10 of the largest metropolitan statistical areas in 2007;
  - 80 of the largest metropolitan statistical areas in 2009; and
  - Additional areas after 2009.
- ❖ In areas where competitive acquisition is not conducted after 2009, the Secretary may either apply competitive bidding payment amounts (from areas where competitive bidding is conducted) or may set payment amounts through inherent reasonableness (IR) authority.
- ❖ Class III devices, which are unique or new products or new uses of existing products as defined in the Food, Drug, and Cosmetic Act and categorized as DME, will be exempt from this provision. The provisions exclude parenteral nutrients, equipment and supplies, and inhalation drugs.

#### Competitive Bidding for Clinical Laboratory Test Demonstration Project:

- ❖ Competitive bidding for clinical laboratory tests will be tested in a demonstration project for tests furnished without a face-to-face encounter between the patient and the entity furnishing the test. The Secretary must submit an initial report to Congress on the demonstration project by December 31, 2005, and progress and final reports to Congress as appropriate. There is no start date for the demonstration.

#### Payment Freeze 2004-2008

- ❖ The provision establishes a freeze on payments for DME, excluding Class III devices, from 2004 to 2008, or until competitive bidding is implemented. Payments for prosthetic devices, prosthetics, and orthotics will be frozen from 2004 to 2006, and updated according to the CPI-U in subsequent years. Class III medical device payment updates for 2004 to 2006 will be set equal to the CPI-U. The GAO is required to report by March 1, 2006, the appropriate payment update for Class III devices for 2007 and 2008.

### Special Payment Methodology for Certain Items

- ❖ For 2005 and subsequent years, or until competitive bidding is implemented for each of these items, the Secretary will establish a payment amount for oxygen, oxygen equipment, wheelchairs (including standard power wheelchairs), nebulizers, diabetic supplies including lancets and test strips, hospital beds, and air mattresses by applying an update factor that is based on findings of the OIG regarding payment differences between Medicare and FEHBP.

### Quality Standards:

- ❖ The provision requires the Secretary to establish and implement quality standards that independent accreditation organizations will apply to DME, prosthetic devices, prosthetics, orthotics, parenteral and enteral nutrition and other items as the Secretary determines appropriate. Quality standards shall include consumer service standards.

### Clinical Conditions for Payment for Items Requiring a Face-to-Face Examination:

- ❖ The Secretary is required to establish standards for clinical conditions for payment for certain items that require a face-to-face examination. In addition, the provision requires that a beneficiary receive a face-to-face examination and a written prescription from a physician before Medicare pays for a power wheelchair.

### Savings to Medicare:

- ❖ CBO estimates that this provision (competitive bidding and the payment freeze) saves \$6.8 billion for the Medicare program during 2004-2013