Impact of Round 2 of DME Competitive Bidding

Overview
On January 30, 2013, the Centers for Medicare and Medicaid (CMS) announced the Round 2 prices for the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program. The prices amounted to an average cut of 45 percent for DME items in 91 areas based on the faulty bidding program. In addition, diabetic testing supplies under a national mail-order program will be cut by an average of 72 percent. These cuts will go into effect on July 1, 2013, but are already having a devastating effect on DME providers and patients throughout the country.

AAHomecare urges Congress to take immediate action to stop the flawed bidding program from being implemented on July 1. If Round 2 prices are allowed to take effect home medical equipment companies across the country will be forced to close and lay off their employees. Patients will have to make do with restricted access to care, service cuts, and for some—no equipment or services at all.

Stories
“I followed the rules and spent a tremendous amount of time being licensed, compiling all my financial information and formulating a carefully thought out strategic bid. The bid I submitted was bona fide and both allowed for a reduced price and a small margin of profit. After spending so much time and taking everything into consideration I can say with no hesitation that any organization who submitted a bid at the announced pricing DID NOT submit a bona fide bid. No provider, large or small, could have submitted a bid for the announced payments and it be considered close to “bona fide”. I implore CMS to show me a submitted financial statement that would have allowed for a 72% reduction in revenue and still remain profitable.

Whoever the individuals are that vetted the submitted providers and bids obviously are not qualified to perform this task and apparently do not have to rationalize their decisions to anyone nor could they given the opportunity. I also wonder if they understand people will most surely die as a direct result of their incompetence. I don’t write this to be melodramatic, it’s a fact. Diabetes is an epidemic and they have rendered control for the geriatric community on an unsustainable commodity. The money CMS will save will pale in comparison to the increases in emergency care and hospitalization.” – John H. Allen Jr., C.Ped, President of Allenmed Inc., a nationwide DME provider.

Alabama
“My wife and I own a small, independent DME company in the Birmingham-Hoover, AL CBA [competitive bidding area]. For FY 2012 and for years back beyond that, we felt fortunate if our profit margins for the year were at 5% or better and we run a very cost efficient business model with my wife and I on the very front lines of customer service and patient care because we can't afford to add staff. Including the two of us, we have a total staff of 11 with 7 being full time and 4 part-time.

The 45% cut in Medicare, Medicare Advantage and other insurances that use the Medicare allowable basis for reimbursement will reduce our annual receivables by about 30% whether we accept these contracts or not. In order for us have a chance at remaining viable, we will be forced to lay off all part-time and at least 2 full-time employees. The good service reputation that we now pride ourselves in will be gone.” – Mike Cobb, owner of Crest Medical for over 30 years.
“I am a director of three DME operations, two within Round 2 CBAs. We were awarded bid opportunities in Jackson, MS and Birmingham, AL. The SPAs [single payment amounts] for oxygen and CPAP are not sustainable and we declined. As result, we have laid off 3 employees.” – Rodney Meadows, Director of East Alabama Home Medical Center, LLC in Opelika, Alabama, Bessemer Home Medical Center, LLC in Bessemer, Alabama, and CPAP Solutions, LLC in Jackson, Mississippi.

**Arizona**

“Our Medicare business accounts for about 25-30 percent of my business in total sales. With the loss of that revenue, we will have to lay off at least 5-8 employees. I currently have 3 locations and will probably be forced to close at least one of those and possibly 2 in the near future. Our customers, who we have served for the past 24 years, will now be forced to build relationships with other providers. These beneficiaries, who depend on us for their home medical equipment, will be very confused by the competitive bidding program and how to get their needed items.” – Mark Farmer, owner of Southwest Mobility, Inc., a local provider with 3 locations in the Phoenix metro area.

“My wife and I are a small “Ma and Pa” – Respiratory Therapist owned and operated business. I’m a Vietnam combat veteran. I went to school on the GI Bill after the war. We have 12 full time positions (families) that will lose their jobs with some additional lay-offs pending in the near future. Still, we will likely be out of business before the end of the year. And our hundreds of patients that have used our services for years will have to find other providers.

We have invested everything in our business so if it closes we’ll be moving out of our home as well. At 61 years old, I’m not the spring chicken to go out and find another company to open – there will be nothing left, this is what I know how to do. So with me just 4 years away from 65, and my turn to use Medicare, I’ll have a complete understanding of why I won’t get the care I need.” – Bill Baker, President of RxO2 Oxygen & Medical Equipment Supply Co. Inc.

**California**

“We will no longer be able to accept any Medicare funded beneficiaries due to the reduced reimbursement. The reduced rates do not allow for delivery time and expense to our rural customers. It will have an extremely detrimental effect on beneficiary access to homecare products, as there are limited/no companies that service these rural counties. Our employees are aware of probable employment termination as our workload shifts away from Medicare funded services.

Many of our clientele are funded by both Medicare and Medi-Cal (Medicaid). We are unable by law to accept private funds for clients that are enrolled in the Medi-Cal program. Because we are now not accepting Medicare reimbursement, the beneficiaries are unable to legally purchase the prescribed DME privately due to their enrollment in the Medi-Cal program. As there is no other source of funding, these beneficiaries will have no resource for the prescribed equipment that is needed.” – Mark Hawkins, owner of Western Rehab, provider of mobility equipment to clients in 15 counties in Northern California.

“Ashley Medical, Inc., started in 1989, a Respiratory Therapist operated and woman owned small business will be forced to close because of the CB R2 bidding program. The reasons are:

1. We were not offered a contract, even though we presented a fair and reasonable bid to CMS.
2. If offered a contract, we would have to decline, as the rates are acquisition prices leaving nothing with which to pay our employees, service and deliver the equipment, and provide outstanding customer service to our patients!
3. CMS appears to be applying bullying tactics on a defenseless DME Industry and the end result will impact the beneficiaries in addition to small business (who represent 99% of the 19,133 out of 20,000 providers, tossed with the CB R2 program).” – Carol Ashley, CEO of Ashley Medical, Inc., serving the Greater San Diego area.

“I have been in the homecare business for the past 18 years. The recent Medicare funding cuts have forced my employer to close the rehab division, thus I will be unemployed starting this Friday (March 1st, 2013). It is very frustrating and depressing that I must now leave the industry, and seek employment in a totally new line of work. I cannot see anyone being able to stay employed at this time, which is going to mean trouble for not only myself but all of the Medicare recipients that will have a hard time finding a vendor to provide any type of DME services. Thanks Medicare.” – Jeff Andersen, ATP

“My DME Company is located in the Central Valley of California. The unemployment rate in the county is about 15%. I employ about 34 individuals in that area. According to the percent of Medicare beneficiaries we serve (35%) I may have to eliminate 12 positions. I was not offered any contracts. I worked so hard on those bids and followed the CMS instructions to build in profit. How can only 11 companies in my area be offered contracts? My company is a woman owned small business. It falls very, very short of the Small Business Administration’s definition of profits for a small business. I know that many companies have the same experiences, but thanks for letting me tell it. Lack of jobs, increased unemployment, and reduced tax revenues are all unintended consequences of Competitive Bidding. The emotional pain is beyond words.”

“We are a mother and daughter DME business that has been in existence since 1981. We have 5 full time and 2 part time employees. The community has a large senior retirement population who depend on our company to provide DME and bill Medicare for their services. We have built a relationship of trust with our clients and their families. We have built a reputation of service bar none like no other and would like to continue this 30 plus year business!

Consider the possibility of revisiting the Round 2 Bidding PLEASE! At these rates we will not be able to sustain our company.” – Leslie Forbes, ATP, Owner of A-1 Home Healthcare, Inc.

“My name is Sunny Oh and I have been in the DME business for the last 10 years and have been fortunate enough to open my open store in 2006. For the last 10 years, I have followed every single requirement stated by Medicare to uphold the integrity of the industry. However, with every new year the fiscal requirements of maintaining my license with Medicare have grown exponentially.

To put things into perspective, I am a small business owner. I have 3 employees, myself included, to run our entire operation. We have grown and maintained great relationships with the local hospitals, adult care centers, and our patients. To have to now place competing bids with larger companies that can take on a smaller profit margin by amassing large quantity orders seems to be unfair business tactics placed on us by Medicare. Our current Medicare business accounts for about 87% of my total revenue. At this point, by losing the Medicare round 2 bids is not a matter of laying off a few employees for me but a matter of losing my store and my livelihood. On the other hand, winning a bid, at current bid prices would only be a slight deferment of the inevitable with a slow choking off of revenue rendering
us unable to maintain the cost of running the business. With this competitive bidding process, not only will it hurt my business but the patients we serve. I work in a predominantly Hispanic and Asian community and am able to provide services in Spanish and Korean. Many of the other DMEs in the area have closed down and if we were to also close our doors these patients would have to travel over an hour before they would be able to find services provided in their language. This would be detrimental to these patients with whom we have built a relationship with for the last few years.” – Sunny Oh CFom, CFits, Owner of Aroma Medical Supply.

Florida
“Our company has been in business 10 years and currently employs 10 people. Our company did not receive any contracts. Since Medicare accounts for 65% of our business we will be forced to lay off at least 7 employees, but, more likely 8 will be laid off. We have even run the numbers with the announced fee schedule and determined we would still have laid off 5 employees at the low winning bid price. Our future is uncertain, and I anticipate our doors will be closed within the year.

Our company is in the Tampa MSA. As of today I have not heard of 1 company that is located in Pasco or Hernando Counties that won a bid. That means a delivery from either Pinellis or Hillsborough County would take a minimum of 2 hours to get to northern Hernando County. I have also come to find out that one of the winning bidders in multiple Florida MSAs, that is based in Miami, is listed on Craigslist for $250,000!!! This company currently has no income!! The owner purchased the company in hopes of winning the bid and reselling. The company won the bid in only 4 categories. I pray no one is foolish enough to pay that much. Then again, I didn’t expect to see a 48% reduction in the winning bids!!” – Ronald Taylor CRT, President of InHome Medical & Mobility, Inc.

Illinois
Tom Fitzsimmons, owner of Fitzsimmons Home Medical Equipment in Chicago, called to say he was closing 7 of his 8 locations. Via Round 2, he will lose 80% of his business and is laying off 70 full-time employees. He has been in business since his grandfather started the business in the 1930s. – As reported to AAH staff.

Maryland
“Contract bid amounts are far below what we can purchase products for in many cases. I currently employ 45 people and stand to lose 50% of my DME business. CMS proposes to pay $10.77/50 test strips. Our cost for the cheapest generic brand is $12.13, and brand strips cost us between $25-$50 dollars a box. Where did this bid come from, China? Are our seniors going to receive inferior biologics?

We are looking at a DEVASTING blow and we are not sure how we will fare. I will be forced to lay off at least HALF of our 13 person DME staff and several pharmacy workers. In an area already rocked by terrible economic woes, we are not sure if we can weather this storm.” – Mary Caldwell, Vice President and General Manager of City Pharmacy of Elkton, Inc. located in Elkton, Maryland.

“I have been in the Durable Medical Equipment business for 12 years. I am a single mother of 2 children that owns my own home. I love my career and helping patients. As a Customer Service Supervisor I handle elderly patients who are having issues and make sure at the end of the conversation they are pleased. Competitive Bidding will make customers hard to please. With having a parent on Medicare I know that Competitive Bidding is not in the favor of the customer. It is taking the rights away as an individual. The Medicare beneficiaries will not get to choose who they elect to use for their services.
Competitive Bidding is taking away the freedom of choice. We have many patients who love our company and only want to use our company for their business.

**As an employee of a company in this industry it is putting my career and job on the line.** We as a company have already taken cuts to prepare for this. With the average 45% below the current fee schedule my career has a very good chance of ending. Being 35 years old and having not only to support myself, but my children and finding a suitable job that will support us financially is going to be near impossible. The unemployment rate and foreclosure rate is high enough without adding to it. **The economy is already bad and adding 45% of Medicare cuts to this is going to make it worse for hard working individuals like myself and also for Medicare patients.”** – Trisha Frasier, Customer Service Supervisor of Bay State Medical, Inc.

“I have been in the Durable Medical Equipment business for 6 ½ years. I am married with 2 school age boys. **Currently, my household is living paycheck to paycheck** with not a lot of extra money. We, as a family are surviving, but **if the competitive bidding takes effect** and the company I work for downsizes or worse, closes their doors, **I’m in fear that I will lose what I have worked so hard for.**

I love my career because of the employees and patients that I talk to and work with on a daily basis. Our patients not only rely on us for our knowledge and service, but also the personal touch our company provides. My company has worked hard to care for our patients needs. **We have many patients who love our company and only want to use us for their needs. Competitive Bidding is taking away the freedom of choice.”** – April Sutter, Bay State Medical, Inc.

“My name is Mark Richardson and I am the second generation owner of Home MediService, a provider of home medical equipment in Havre de Grace, Maryland. We were founded in 1971 and employ a staff today of nearly 50 people. We provide products and services that make it possible for a patient to be discharged from a hospital and go home to recuperate in a healthy, safe, and comfortable environment. Our company works out of 3 locations in northeastern Maryland and one location in northern Delaware, **serving over 3,500 patients.**

My company is an accredited, respected, growing company that’s been in business for 42 years and we’re part of the healthcare continuum that actually saves Medicare money by helping to get patients out of expensive hospital care and back into their own homes where they can be cared for at a fraction of the cost.

On July 1, 2013, if nothing changes, CMS will implement Round Two of their so-called “Competitive Bidding Program” which will set payment amounts for DMEPOS, on average, 45% lower than the current fee schedule. We actually “won” six bid awards—2 of which we declined because we would’ve lost money on every Medicare transaction in those categories—but every one of our awards were offered at levels well below the amounts that we bid. I always thought that if my business failed that it would be at the hands of the marketplace. I certainly never dreamed that it would happen at the hands of the government.” – Mark Richardson, Owner of Home MediService, Inc.
Massachusetts
“We have a significant population of diabetic patients who have all sorts of medical issues due to complications from diabetes. Some have such problems with dexterity and being able to hold a test strip in their hand that they can only use a particular kind of diabetic meter to test their blood sugar. With the rate of $10.41 per box they will not have access to any of these products. Others are legally blind and have to use a talking meter that had more features then ones currently on the market. They will not have access to those kinds of products if the current reimbursement rates remain in place. Not to mention most of our customers call us when they have a problem with their equipment and we provide the support and training that they need. At times it may require a replacement of the equipment that they are using or it may require us to drive out to their home and deliver the equipment. All of these services that we provide to our customers will not be available if this price structure remains.

No major manufacture will be able to provide the current products at the reimbursement rates for Round 2 putting Medicare patients with diabetes at risk for over medicating or under medicating due to the use of inferior inaccurate testing equipment causing increase in hospitalization and costs will sky rocket for Medicare Part A.

Finally we will reduce our work force from 8 employees to 4 employees and possibly down to 3. Layoffs are imminent if this pricing structure remains.”

Michigan
“Our company name is Diabetes Plus, Inc. located in Warren, MI. Because of the ridiculously low bid rates for diabetes supplies we will lose approximately 1200 customers, which is 45-50% of our business. We will have to layoff 50% of our staff. Most of our Medicare customers pick up their name brand supplies at our store. But, when July 1, 2013 rolls around they will have to deal with a mail order company and they mostly certainly will not be receiving name brand products. This will be confusing to them as well as forcing them to use inferior products. This will probably lead to poor diabetes control and more complications which will lead to more doctor and hospital visits.” – Mark Gielniaik, President of Diabetes Plus, Inc., a family-owned business for over 32 years.

Mississippi
“I am a director of three DME operations, two within Round 2 CBAs. We were awarded bid opportunities in Jackson, MS and Birmingham, AL. The SPAs [single payment amounts] for oxygen and CPAP are not sustainable and we declined. As result, we have laid off 3 employees.” – Rodney Meadows, Director of East Alabama Home Medical Center, LLC in Opelika, Alabama, Bessemer Home Medical Center, LLC in Bessemer, Alabama, and CPAP Solutions, LLC in Jackson, Mississippi.

“The competitive bid is horrible!! I am an employee at The Diabetic Shoppe, in Charleston, MS. This is my job, my fellow co-workers job, and our patients at stake here. They need us just like we need them, we all have patients that call in and know us by name, and we have so many friendships with these patients. How is this a good idea? What will this help?” – Magan Denman, Customer Sales Representative of The Diabetic Shoppe.
**Nebraska**

“I work for a family owned and operated DME in Omaha, NE. We take any patient, regardless of insurance, to make sure all the patients in our community have the crucial equipment and services they need. NO other company in my area does this. Thanks to Round 2 pricing we may have to close our doors. **My colleagues and I will lose our jobs and many of our patients will go without care.** I don't understand how they can get away with this pricing and the elimination process. I'm all for lowering reimbursement but not by upwards of 47-72%! It's just truly a travesty!” – Lisa Thurber, Account Manager.

“In the Omaha, Nebraska area only a few providers received a bid. A lot of national providers received the bid and are now looking to local providers to supply the services. **The bids are so low that providers basically are going to have supply these patients with the least expensive and least reliable equipment resulting in patients needing more repairs.** These individuals will not have the opportunity to get repairs quickly because there are fewer providers and no reimbursement for repairs. I do not understand the competitive bidding thought process. Basically, it is taking the small business out of the picture and creating monopolies. It is totally against the American expansion of the small business community. Also, the patients suffer by not having a local company to provide service quickly and responsively. Currently, when I provide a wheelchair to an individual, I make sure it fits, teach them how to safely maneuver the chair and use it, provide service to the individual in a timely fashion, and provide a loaner if needed. The providers that received the bid are not local, will not provide the service, and the patient loses in the long run.” – Richard West, Kubat Pharmacy

**Nevada**

“We, Desert Rose Medical Supplies in Las Vegas, will be forced to close down due to cuts to be made by rd. 2 competitive bidding. We are in process of informing our roughly 4,000 patients that we will cease operation by July 01, 2013. We have suffered so many cuts for the last few years. We barely survived and that was only by cost cutting on everything that we can think of, to the point of cutting staff hours! Now, we are facing a 46% cut; a cut that will hurt this industry, our business, and the patients.” – Oliver Florentino, Manager.

**New Jersey**

“R&B Healthcare has been a licensed Medicare Durable medical equipment provider since 1997. We have a large population of Medicare Part B covered seniors in Bergen County NJ and metropolitan NY that accounts for 60% of our business.

The Medicare patients who could very well be your mom or dad, grandfather and grandmother will no longer be able to depend on their local neighborhood providers. I have had to dismiss 2 full time employees and put my remaining staff on a 4 day work week schedule thus reducing their pay.

**After 16 plus years of serving Medicare patients I might need to close our doors** because I don't believe even after the drastic steps I have and will take that I will be able to make payroll, provide health insurance and benefits to our workers and pay our operational expenses.” – Robert B. Horowitz owner of R & B Healthcare Services, Home Medical Equipment and Supplies.

“Even though I am a Medicare participating provider I am not accustomed to receiving calls from Medicare beneficiaries referred to me by the DME MAC with equipment needs. That is, until recently.
Now I receive a few calls weekly from beneficiaries who have turned to the Medicare hotline because their search for a provider who will discuss their equipment needs has proven futile.

With only four months until CB Round 2 pricing takes effect I know I'd be losing money if I were to help most of these patients. Most I eventually send away after explaining the business decisions Medicare is forcing on my firm. For most it is their first inkling of the complexity of meeting medical needs in today's environment. Typically, with helplessness in their voice, they ask, "What am I supposed to do?"

I tell them to begin reducing their expectations of what it means to be cared for and to be sure to complete their equipment search by July. – Dana Green, President of Oxygen Support Systems.

North Carolina
"The announcement of the round 2 Competitive Bidding rates struck me so hard that it literally took my breath away. My first thought wasn’t about my house, my car, or my upcoming credit card payment. It was about my employees and how I’m supposed to break the news to them that I will no longer be able to afford to employ them. Our initial estimation is that we will lose 60-70% of our employees on July 1st. This is roughly 22-25 jobs. If we are lucky, we will be able to survive with the little bit of business we still have. However, our cost analysis has our survival rate as very low.

The reduction in reimbursements is ludicrous. We are a fairly large DME company that services several thousand beneficiaries throughout North Carolina. Even our economies of scale will not allow us to purchase and provide DME supplies at this new contracted pricing. How will companies with higher costs survive? Also, has CMS even considered the cost of providing safety lancets? NC Medicaid is requiring that Assisted Living facilities use safety (or one-time use) lancets. These lancets are significantly more expensive and can typically be found for somewhere around $7.50-$9.50/box. How will providers provide these lancets to the beneficiaries in the Assisted Living facilities when reimbursement is less than $2/box?

Lastly, I’m concerned about the industry as a whole. What type of safety net does CMS have to guarantee patient access if the current contractors go out of business and/or cannot afford to provide items? By that point companies like mine will not be around to bail them out.” – Joseph Reutter Jr., Sales and Marketing Manager of Billing Specialist, Inc.

"I have a small business in the Western part of North Carolina. The announced bid amounts are completely unsustainable. Do they understand that in our area many Medicare beneficiaries live in rural areas and do not drive or have resources to go to a local company? We often are called out on the weekend, in the evening, for repairs, for deliveries… which we are and have always been happy to provide… the new cuts will mean a drastic cut in service and availability to our seniors and disabled population. I am ashamed that our country would target the very people that we should be protecting…and I am not talking about me and my business. I am talking about my parents, my disabled sister, and my patients. How would CMS like to have their elderly moms and dads be told “sorry you can no longer go to the provider that has been caring for you, you will have to go to a different provider and oh, by the way, you will need to pick up your own equipment and if it breaks, so sorry, you will need to bring it in for repairs.” This is not just a possibility. It WILL be a reality with these ridiculously low rates. I wish those handing down this death sentence for us would come work with us for a while and see what we actually do and who we serve, I know they would be changed. – Kaye Tefel, Owner of Care Solutions.
Ohio

“I am in the Competitive Bid area in Dayton, Ohio and included in the Round 2 list of bidders. We were not awarded any of the bids even though we thought we had submitted reasonable prices for the services we provide. My company currently services 6 counties with free prescription delivery and medical supplies. I know that CMS thinks that this bidding process will cut down on waste and abuse, but the reality is it is going to cripple jobs growth and harm consumers. I employ 42 persons currently and with the program as it stands now I will be laying off 20 persons and denying services to many of our patients. The closest company that was awarded a bid was a company 90 minutes away from Dayton Ohio. I don’t see how they can possibly deliver and maintain equipment they will be billing to Medicare for these patients. It would seem more logical to try to keep patients in their homes as long as possible as opposed to more costly hospital visits. If the equipment these companies provide are cheap and of poor quality, they won’t hold up. Unfortunately, that is what these suppliers are going to have to do in order to make any money at all with the prices they bid for the products. Most products are covered under a manufacturer’s warranty which is usually one year. Unfortunately, Medicare guidelines have limits on how often they will pay for an item. In most cases they will not pay for a walker or hospital bed for a 5 year period. What is the patient going to do for the remaining 2-5 year period before they can obtain a replacement item? Another example of cost cutting is the diabetic test strip supplies. Reimbursement has been cut to a level that is unsustainable for a supplier to stay in business. Couple that with the fact that a retail pharmacy beginning July 1st won’t be able to deliver diabetic supplies to a home bound patient. The patient will be required to come into the store to pick up their supplies or rely on a mail order pharmacy to deliver them. With diabetes being such a costly disease, it seems unbelievable that we are making it nearly impossible for patients to manage their blood sugars on a regular basis, thus leading to more hospitalizations, kidney transplants, amputations, vision problems, just to name a few. I have owned this business for 35 years with my wife. I have a son and daughter-in-law that are also both pharmacists and we are all graduates of Ohio Northern University. I just hope the legacy of the business will survive to pass it on to them.” – Dominic Bartone, President of Hock's Pharmacy & Medical Supply

Rhode Island

“I am part owner of Simpson’s Pharmacy and Medical, a third generation owned family business that my grandfather started in 1929. I am writing today out of sheer frustration and fear for my business. I am stunned over the announcement by CMS of the single payment amounts for Round 2 of Competitive Bidding. If this madness is allowed to continue, as of July 1st, Simpson’s Pharmacy will lose the ability to bill Medicare for walkers, hospital beds, wheelchairs and diabetic testing supplies. This not only comprises about 30 percent of my DME business but represents a loss in ancillary sales and exposure to my retail store. I imagine my customer base and referral sources will slowly shrink over time and I wonder at my ability to continue to remain in business. What do I tell the 9 employees who work at my small business?

A bottle of diabetic testing strips will now be reimbursed at $10.41 per box. My cost for one of these bottles averages $16.00 to $27.00, before shipping! How is this sustainable for any business? As of July 1st, have to tell my customers, who are receiving all their prescription from Simpson’s that they have to seek another source for their diabetic testing supplies. When I provide a walker or hospital bed to a beneficiary I typically see other retails sales such as bed sheets, bed tables, walker bags, accessories and more that I will no longer see. What do I tell the beneficiary who walks into my store to get a walker and I have to send them away to find a contracted provider? This provider could potentially be an out of state provider. The beneficiary will have no choice in the walker that they receive. They will be at the
mercy of the provider who bid a suicide rate and won a contract. I worry at the quality of the product and service this beneficiary will be provided.

Competitive bidding is a seriously flawed system. CMS offered 867 contracts which represent only 15% of the suppliers in the 91 metropolitan areas for Round Two. What is going to happen to the other 85% who bid appropriately and did not get offered a contract as a result? Oh wait…..I know…we will close like the over 450 small businesses that closed as a result of Round One.

My worst nightmare has been realized. Competitive Bidding, if it is allowed to proceed, will not only limit patient access but destroy the DME industry that provides services to these individuals. The crazy thing is that I just want to maintain my small piece of the pie…I don’t want the whole pie…just a slice!” – Carol Smith RN, BSN, Owner of Simpson’s Pharmacy.

Tennessee
“Our company provides enteral, urological, trach, ostomy and wound supplies to Medicare beneficiaries that reside in long term care facilities across the country. We bid in 85 areas for round 2…..we did not get offered any contracts despite having passed the financial requirements twice before. More than 50% of our beneficiaries reside in [skilled nursing facilities] SNFs affected by bidding. The other product lines have very slim margins. We will lose that business as well because SNFs do not want multiple providers of Part B supplies. Chances are that we will lose entire chains even if they have homes not affected by bidding as they do not want to contract with multiple suppliers.

We have a very uncertain future if something does not replace the current bidding program.” – Sara Ochenski, Vice President of Customer Relations for Navigator Health Management Solutions, Inc.

“I am 86 years old and live in Atoka, TN. I do not drive and do not have a way to go pick up supplies, but can have a brand that I have used and trust for years delivered to me on my terms. I do not want the government choosing who my supplies will come from. The government has never made a good choice for the people when forcing services on them and now is not the time to totally disrupt a system where I can choose the providers that offer brands we trust our lives to. I have paid into Medicare for my entire life and have the right to choose my own brands that can save my life. I do not want to be forced to go into a hospital or nursing home.

Do not ignore the people who should have a say in this.” – Mary Watson, Medicare patient of the Diabetes Store located in Memphis.

Texas
“We did NOT get any bids because we calculated all of our costs and did not bid those “crazy” 45% off bids. Since then we have closed our Tyler, TX office and are looking at ways to stay away from Medicare and increase other markets – just to keep our doors open. Retail is one answer but still who knows how that will go because all the big box stores like Walmart, Walgreens, and CVS are selling DME products at very low prices. Does neither CMS nor Congress realize that no business or government program can live with 45% cuts?” – Wayne Leavitt, Owner of Mobility Medical.
Utah

“I have been in business since 1997. We prepared and submitted the Medicare Competitive Bid at what we felt was a fair price. Knowing our country was in a deep recession with no glimpse of a silver lining on the horizon and with so many that do not have jobs. I wanted to make sure we did not join the ranks of those people out of work and those looking for work. I put all I have into my company. I loved coming to work; I loved working with my employees and considered them my second family. I wanted to insure that my Deseret Medical family would have jobs and that together we would be prepared so we could weather the storms and build a future. Like Hurricane Sandy it has been worse than we thought, it is getting harder and harder to stay afloat. We have cut and eliminated down to the bone and it still is not enough. I was at a Medicare held meeting where a representative from Medicare said “we are not in the business to keep business in business”. That’s ok by me, but why are you in the business to put them out of business?

I miss the days when I could afford to give employees bonuses. I miss the days when I could afford to give more to patients who could not afford it. We could help out others without hurting ourselves. The ripple effect we are seeing is the companies we buy from are struggling. I have seen the patients we care for struggle. I have seen companies who have been in business for years shut their doors. The hardest of all is seeing my employees struggle to make ends meet. The industry is changing and my business has changed, not for the better. This is not working and it’s surely not living.” – Greg Boisjolie, Owner of Deseret Medical.

Virginia

“The mandates imposed upon all durable medical equipment companies have set the entire industry up for failure. It is not possible to operate any business after a 47% cut [on sleep apnea therapy]. I have built Richmond Respiratory and Medical Supply over a 25 year period and have based it on a high standard of quality and service, however due to the Medicare mandate I will be forced to decrease service and quality of care, or may even be forced out of business within 12 months.” – Wayne Campbell, owner of Richmond Respiratory and Medical Supply.

“CMS’s new rates are forcing small local companies to shift (overnight) from a service model to a financial model. These types of business transitions normally happen over long business cycles. Similar, if you will, to how Walmart has replaced many local merchants in various retail categories.

I think a financially driven DME industry will not possess the resources to manage the many patients with multiple complications. Our growth during our 8 years in business is a result of our interest and willingness to “educate” our referral sources and provide appropriate equipment necessary to properly care for these patients. These patients are highly compromised and often at high risk of skin breakdown and falls. Lack of care will lead to re-admission and extraordinarily expensive hospital stays; not to mention individual pain and suffering and family disruption.

We were offered [contracts to provide] Oxygen and Walkers but have declined both. The payment amounts will lead to financial failure. I cannot sustain my present staff and services at the rates announced. We will conduct the necessary staff reductions accordingly. We participate with commercial insurance, but plan to eventually drop all DME and focus entirely on our rehab business.” – Mark Armstrong, President of Trustcare Home Medical Equipment.
**West Virginia**

“We have been told that we will no longer be able to bill for diabetic testing supplies as of July 1. **We can’t afford to lose better than $20 on each prescription** that goes out the door. **This is going to hurt our patients as we are the only pharmacy in this part of town that bills Medicare** for strips and lancets. Being a small DME in a pharmacy, strips and lancets are our reliable income every month and this is going to hurt us bad. I’m afraid that my company will close its DME department if we can’t bill strips and lancets because we serve many more diabetic patients than we do the occasional cane patients.”