

Highlights of [GAO-10-1057T](#), a testimony before the Subcommittee on Health, Committee on Energy and Commerce, House of Representatives

## Why GAO Did This Study

To reduce spending on durable medical equipment (DME) and related items, under federal law the Centers for Medicare & Medicaid Services (CMS) is phasing in, with several rounds of bidding, a competitive bidding program (CBP) for certain DME and other items. Because of numerous concerns, the Medicare Improvements for Patient and Providers Act of 2008 (MIPPA) terminated the CBP round 1 supplier contracts and required CMS to repeat the CBP round 1, the rebid that began in 2009.

In November 2009, GAO issued the report *Medicare: CMS Working to Address Problems from Round 1 of the Durable Medical Equipment Competitive Bidding Program* ([GAO-10-27](#)) that documented problems in CMS's implementation of CBP round 1. This statement discusses some of the problems GAO identified and how CMS has or plans to address them in the ongoing CBP rebid bidding process, particularly (1) the bid submission information provided to suppliers, (2) the electronic bid submission system, and (3) the bid disqualification notification process.

For the 2009 report, GAO reviewed data provided by CMS and relevant laws and regulations, and interviewed CMS officials. For this statement, GAO also obtained select information on how CMS addressed the CBP round 1 problems identified in GAO's report by reviewing agency documents and interviewing CMS officials in August and September 2010.

View [GAO-10-1057T](#) or [key components](#). For more information, contact Kathleen M. King (202) 512-7114 or [kingk@gao.gov](mailto:kingk@gao.gov).

September 15, 2010

## MEDICARE

### CMS Has Addressed Some Implementation Problems from Round 1 of the Durable Medical Equipment Competitive Bidding Program for the Round 1 Rebid

## What GAO Found

In the November 2009 report on CBP round 1, GAO noted that problems with the bidding process included poor timing and lack of clarity in bid submission information and the inability to inform suppliers of missing financial documentation. Several times after the CBP round 1 bid window opened, CMS provided new bidding information and clarified other bidding information. The bid window was also extended beyond the initial deadline. These changes made it more difficult for suppliers to submit correct bids. CMS improved implementation of these steps in the bidding process for the CBP round 1 rebid. For example, for the CBP round 1 rebid, CMS provided bidding information to suppliers prior to the bid window opening, including the rebid's request-for-bid instructions, which were available to potential bidding suppliers for over 2 months before the bid window opening. CMS also provided clearer financial documentation instructions and additional financial documentation tools to guide suppliers in the CBP round 1 rebid. For example, the request-for-bid instructions included a chart that more clearly explained which documents were to be submitted by the supplier's business type, for example, a sole proprietorship. CMS also conducted a financial document review during the round 1 rebid, which informed suppliers whether their bid submission was missing required financial documents. Of the 321 suppliers that were notified they had missing documentation, only 14 did not subsequently submit the missing documents.

As CMS acknowledged, suppliers had difficulty entering bidding information in the bid submission system used in CBP round 1 and its user guide was not sufficiently detailed. CMS developed a new electronic bid submission system for the CBP round 1 rebid. CMS officials told us that the new system did not have significant operational issues and only a few suppliers experienced minor problems.

GAO found that CMS had not effectively notified all suppliers about the opportunity for a postbidding review process in CBP round 1. To address GAO's 2009 recommendation that the agency effectively notify all suppliers of all aspects of the CBP round 1 rebid and future rounds, including any process to review disqualifications, CMS officials stated that the agency plans to notify the losing suppliers of the disqualification reasons by sending each of these suppliers a letter that will explain the process for asking questions or expressing concerns. Officials also stated that in the course of responding to suppliers' questions or concerns, if CMS determines an error was made, it is possible that the supplier may be offered a contract.

In commenting on the information presented in this testimony, CMS officials stated they appreciated GAO noting the administrative improvements to the competitive bidding process the agency made for the round 1 rebid. The officials further stated that they believe that CMS made many improvements to the CBP.