

# THE DIRE IMPLICATIONS OF COMPETITIVE BIDDING

## BACKGROUND

President Obama's Fiscal Year 2017 budget includes a provision to **expand** Medicare's competitive bidding (CB) program to new product categories. The budget proposed that inhalation drugs; all prosthetic and orthotics; and **ostomy**, tracheostomy and urological supplies all be listed as products subjected to CB.

The Wound, Ostomy and Continence Nurses Society™ (WOCN®) has **serious concerns** with this proposal, as ostomy supplies and urological supplies are not well-suited for a competitively bid program because of their highly customizable nature.

## WHAT IS THE COMPETITIVE BIDDING PROGRAM?

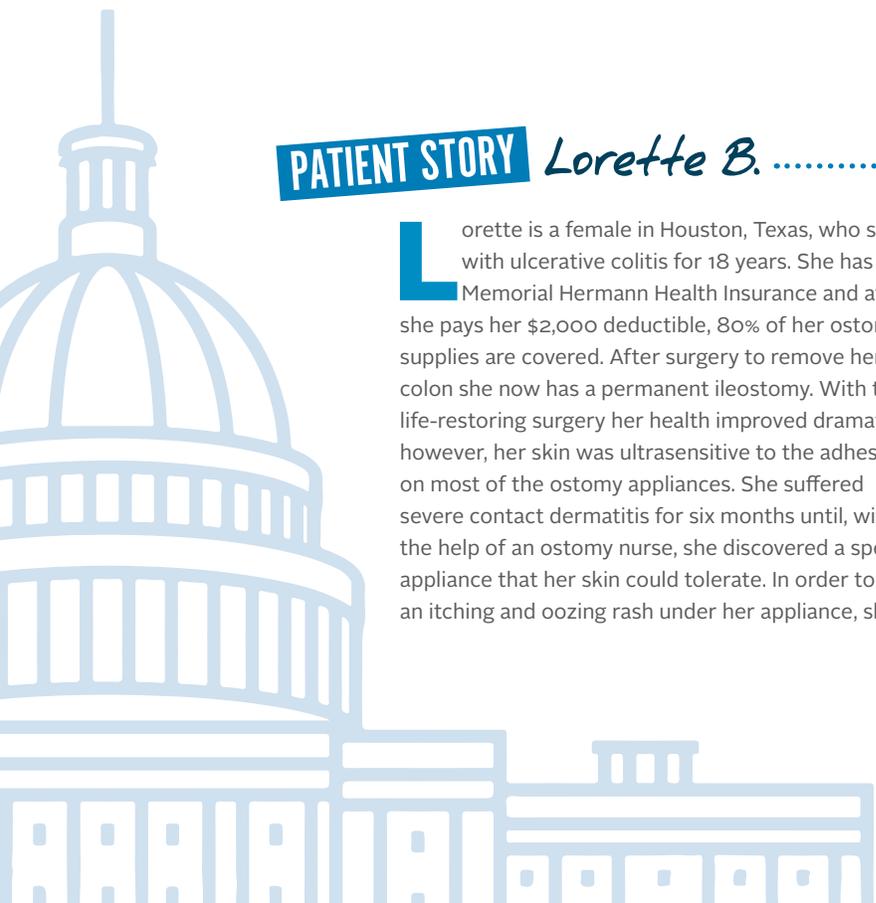
- ▶ A competition among suppliers who operate in a specific area
- ▶ Bids are evaluated based on supplier eligibility, financial stability and bid price
- ▶ Contracts are awarded to the Medicare suppliers who offer the best price and meet applicable quality and financial standards
- ▶ Contract suppliers must agree to accept assignment on all claims for bid items and will be paid the bid price amount

## PATIENT STORY *Lorette B.*

Lorette is a female in Houston, Texas, who suffered with ulcerative colitis for 18 years. She has Memorial Hermann Health Insurance and after she pays her \$2,000 deductible, 80% of her ostomy supplies are covered. After surgery to remove her colon she now has a permanent ileostomy. With this life-restoring surgery her health improved dramatically; however, her skin was ultrasensitive to the adhesive on most of the ostomy appliances. She suffered severe contact dermatitis for six months until, with the help of an ostomy nurse, she discovered a specific appliance that her skin could tolerate. In order to avoid an itching and oozing rash under her appliance, she

must only use this prescribed appliance along with a combination of another brand of strip paste and a stomahesive powder from a third manufacturer. **Only these products are compatible with Lorette's medical needs; they cannot be substituted with other products.**

Prior to finding the correct appliance and accessories, she was forced to refrain from wearing an appliance for several hours a day to allow her skin to heal enough so that an appliance would adhere. In order to do this, Lorette had to remain homebound alone. It was no way to live.



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# POTENTIAL IMPACT ON BENEFICIARIES

The CB program's emphasis on price competition could result in unsustainable price reductions, and shrinking supplier competition. Specific **concerns** about the program are as follows:<sup>1</sup>



Freedom of choice will be challenged for beneficiaries both in terms of types of suppliers and types of equipment that will be available.



Lower payments to suppliers may reduce beneficiary access to high quality, brand name and customizable equipment, and other effective supplies that are familiar to the patient.



Under dramatically lowered prices, suppliers may not be able to provide high quality products and may significantly reduce the services they provide to beneficiaries.



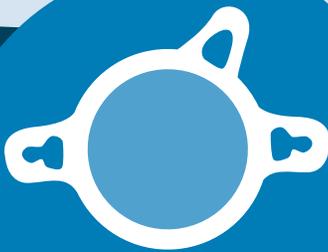
As the number of suppliers is reduced, beneficiaries could experience problems accessing quality equipment and services.



The CB program may reduce the provision of various services on which beneficiaries rely to remain independent and prevent complications, such as patient evaluation, education, and training, and equipment customization, adjustment, and timely repair and maintenance.



Supplier competition based on price, in the absence of beneficiary safeguards, may cause a significant decrease in the quality of both DMEPOS products and customer service.



As durable medical equipment (DME) prices fall, suppliers may substitute **less expensive, standard, and non-customizable** products for the high quality products they previously supplied. DMEPOS suppliers are not required to provide high quality or more expensive products within the same product category or code if it is not specifically prescribed by brand or modality.



Access to customizable equipment is important for certain beneficiaries because it can **ensure proper fit, support mobility, and prevent the development of**

**complications** (e.g. pressure ulcers). Without access to clinically appropriate equipment or support services, beneficiaries could **lose** their ability to live independently at home.

COSTS

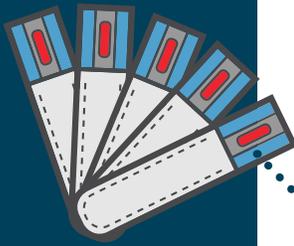


In order to meet new competitive bidding prices, suppliers will likely **cut costs** by reducing services for which they are not reimbursed but can afford to provide at the current price levels. Assistive services provided by DMEPOS suppliers are critical to maintaining the health and well-being of these beneficiaries. These services include beneficiary education and training; evaluation and assessment of patient need; timely delivery, repair, and replacement of equipment; and frequency and availability of service.

<sup>1</sup> *The Risks To Medicare Beneficiaries of DMEPOS Competitive Bidding*; American Association for Homecare (AAHomecare).



## CONSEQUENCES OF CB ON DIABETIC TEST STRIPS



One such example of similar unintended consequences within the CB program can be seen with diabetic test strips, as outlined in a study published in the journal *Diabetes Care*.<sup>1</sup> The study found:



Since the 2011 rollout of competitive bidding for diabetic test strips, Medicare beneficiaries have **higher rates** of hospitalization and out-of-pocket costs.



The researchers looked at the Medicare claims data of more than **500,000** beneficiaries between 2009 and 2012. They found that there was a **23%** increase in partial or no acquisition of testing supplies among the **43,939** beneficiaries who lived in markets where the program was in place.



More than **twice** as many inpatient hospital admissions were seen among beneficiaries in the test markets, who switched from frequent testing to limited or no testing, compared with beneficiaries outside the test markets, the study found.



Inpatient hospital costs were also more than **twice** as high for those in the test market who started testing less frequently or not at all.

The WOCN Society is concerned that implementing CB for ostomy supplies will result in similar outcomes to what we are seeing with diabetic test strips.

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# POTENTIAL COST INCREASES TO MEDICARE

While Congress intended for the CB program to save Medicare money, the WOCN Society is concerned that by forcing a beneficiary into a **“one-size-fits all”** custom medical device, Medicare will actually be increasing its overall costs. Patients who are not fitted for and receiving properly fitted devices can face damaging complications, including:



Increased facility admissions and readmissions/emergency department visits;



Increased costs of chronic care management;



Increased medical/surgical complications;



Unsuccessful or prolonged rehabilitation of patients and delayed return to the workforce.

## PATIENT STORY *Jacqueline B.*

**J**acqueline is from Charleston, SC, and she is on Medicare with supplemental health insurance. She has what is known as a high output ileostomy. Her stoma puts out, on average, about 3 liters of fluid per day. Due to fluctuations in her weight and changes in her abdominal contours, she has a very challenging stoma to manage. **Without specialty ostomy products, her stoma would be impossible to manage.**

If it weren't for the specific manufacturer brand high output pouch, she could not leave her house during the day. If it weren't for the special night pouch, she could not sleep

through the night because she would need to empty her pouch several times. Lastly, if it weren't for the various brand-specific strip paste, base paste and convex rings, she would not have an ostomy management system that gives her a predictable three-day wear time.

Jacqueline stated that this issue “concerns me because I am afraid that patients like me may not be able to access specialty ostomy products if the companies who are awarded the competitive bidding contracts for ostomy supplies choose not to stock the specialty products we need.”

## GET INVOLVED

[wocn.org/bidding](http://wocn.org/bidding)

Do you want to join the effort to ensure that the competitive bidding program does not include ostomy supplies? If so, visit [wocn.org/bidding](http://wocn.org/bidding) to sign up for action alerts. The WOCN Society will contact you when it is time to take next steps, including reaching out to legislators.

<sup>1</sup> Puckrein GA, Nunlee-Bland G, Zangeneh F, et al. Impact of CMS competitive bidding program on Medicare beneficiary safety and access to diabetes testing supplies: a retrospective, longitudinal analysis [published online March 18, 2016]. *Diabetes Care*. 2016; doi: 10.2337/dc15-1264.

Patient stories supplied by the United Ostomy Associations of America.



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