

MEDICARE SAYS COMPETITIVE PRICING WILL SAVE \$28B

The Hill -

Aug. 20, 2011: Medicare is dramatically expanding a program that it says will save billions of dollars and serve as a model for other cost-cutting efforts.

The Centers for Medicare and Medicaid Services (CMS) on Friday announced the second round of a program that uses competitive bidding to set prices for certain medical products. Medicare now uses competitive bidding in nine cities and will expand to 91 areas, according to the Friday announcement.

In its first six months, the nine-city competitive bidding program has saved roughly \$130 million, CMS officials said. The agency expects to save \$28 billion over the next 10 years, roughly a third of which would be savings to patients.

"The president has clearly acknowledged the need for further savings to implement (in) the Medicare program, but I think we also need to take stock and take credit for what's been achieved so far, and from a CMS perspective, DME competitive bidding is one that we're proud of and one we believe is working," CMS Deputy Administrator Jonathan Blum said.

The competitive bidding program is limited to durable medical equipment such products as wheelchairs, oxygen supplies and hospital beds. Blum said CMS is open to expanding competitive bidding outside of durable medical equipment in the future but is focused for now on expanding the existing program to more areas.

Competitive bidding has faced criticism from the medical device industry. It is partially replacing a system in which Medicare simply set payment rates for medical products. CMS officials said the agency is paying 35 percent less for products covered by competitive bidding.

The industry has also raised concerns that patients will lose access to important devices if bids are too low. Blum said that hasn't happened in the initial phase of the bidding program, adding that CMS set up a system to monitor complaints and respond to any access problems. But none have been reported so far, he said, and "no one has disputed this information."

The laws directing CMS to expand the program also dictated how it picked the areas where the competitive pricing will become available, Blum said.