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NewsWire

July 24, 2006

Study supports Hobson-Tanner Bill

WATERLOO, Iowa - A university economist released a study last week that bolsters the industry's argument against competitive bidding as envisioned by CMS.

The study, commissioned by The VGM Group, was conducted by Kenneth Brown, Ph.D., a University of Northern Iowa associate professor of economics who has authored previous work involving the HME industry and competitive bidding.

At the crux of Brown's research: The Hobson-Tanner Bill (H.R. 3559) would preserve patient choice, benefit small businesses and still allow CMS to save money via competitive bidding.

"H.R. 3559, which would allow small businesses to participate in the market without submitting winning bids, will have little or no impact on the recent cost savings estimate for competitive bidding for DME," said Brown. "Overall, I believe this provision will be beneficial to the overall DME market, particularly in terms of product and service quality, without adversely impacting the savings from the competitive bidding program."

John Gallagher, VGM's vice president of government relations, called Brown's report a strong statement in support of H.R. 3559 and a companion bill that is expected to be introduced in the U.S. Senate.

"Dr. Brown takes away one of the leading arguments against 3559 by concluding that the cost of allowing any qualifying willing provider is very small and should not be a deterrent to passage," observes Gallagher.

Brown's report states that allowing any qualifying HME to participate will provide a built-in incentive for providers to exceed minimum standards to maintain market share. He cites the limitation on choice by beneficiaries under the current competitive bidding model as eliminating choice and thereby reducing quality. He asserts that more choice means higher quality, convenience and support.

In his report to VGM, Brown also evaluated the current projections for CMS savings under the DME-related provisions of the Medicare Prescription Drug and Modernization Act of 2003, the bill that created competitive bidding. Brown found that the Congressional Budget Office has re-scored competitive bidding to take into account other DME reimbursement reductions found in MMA, including the FEHBP cuts and the freeze on annual inflationary increase.

Brown notes that of the original \$9.9 billion in savings the CBO envisioned with reductions in payments for DME, 70% has already been achieved via the freeze and FEHBP cuts. Brown, after indicating that only 30% of the prospective savings is still available to achieve, adds, "One must wonder if the costs of implementing (competitive bidding) and the costs to the industry, especially the small business, justify its implementation."



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