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VGM Study: Hobson-Tanner Won't Alter NCB Savings

Jul 24, 2006 11:46 AM

WATERLOO, Iowa--If the Hobson-Tanner bill takes effect, it would not significantly change the savings the government can expect from national competitive bidding, according to a study commissioned by The VGM Group.

Economist Kenneth Brown, Ph.D., a University of Northern Iowa associate professor, conducted the study on the possible impact of the bill, H.R. 3559, which aims to protect small suppliers under the Medicare DME bidding program.

"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 the Hobson-Tanner measure and a companion bill that is expected to be introduced in the 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," Gallagher said.

According to Brown, because the bill would allow qualified small providers to continue to serve Medicare beneficiaries if they submit bids that are less than the existing fee schedule, it would reduce the number of providers trying to submit winning bids. However, the number of remaining bidders would still be significant enough to result in the lower pricing sought by Congress and CMS.

Brown's report also said the Hobson-Tanner legislation would provide a built-in incentive for providers to exceed minimum standards to maintain market share. Under the current competitive bidding model, he noted, beneficiary choice is limited, thereby reducing quality.

In his report to VGM, Brown also evaluated the current projections

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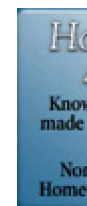
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for CMS savings under the DME-related provisions of the Medicare Modernization Act, the 2003 law that created competitive bidding and other reimbursement cuts. Of the original \$9.9 billion in savings the CBO envisioned with payment reductions for DME, 70 percent of that total has already been achieved via a freeze on the annual inflationary update and cuts related to the Federal Employee Health Benefit Plans, Brown noted. Only 30 percent of the prospective savings is still available to achieve, he said.


"One must wonder if the costs of implementing [competitive bidding] and the costs to the industry, especially the small business, justify its implementation," Brown added.

In a previous study released last year, Brown concluded that after administrative costs, CMS would only save thousands through competitive bidding instead of the millions it had projected.

According to Mike Mallaro, VGM's CFO and president of its Last Chance for Patient Choice advocacy effort, Brown "reached a clear and definitive conclusion that this bill has little or no impact on government savings and it results in better product and service quality. VGM has believed all along that the best HME market is one where providers compete daily on quality and service and all willing, qualified providers are allowed to serve people in need of medical equipment."

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