

**CHAIRMAN FRANK PALLONE, JR.**  
**HEALTH SUBCOMMITTEE HEARING**  
**“Medicare’s Competitive Bidding Program for Durable Medical Equipment:  
Implications for Quality, Cost and Access”**

**OPENING STATEMENT**

*September 15, 2010*

“Good morning. Today the Health Subcommittee will examine Medicare’s Competitive Bidding Program for Durable Medical Equipment and its implications for quality, cost, and access. Durable medical equipment, prosthetics, orthotics, and supplies (DME) coverage has been a long standing issue of this subcommittee and I know it is an issue of great interest to many members of the House of Representatives.

“I’d like to thank our witnesses for being here today. I am told by my staff that this was one of the most popular hearings she has staffed, with a witness list that was hotly sought after. It’s a certainty that your voices will be heard by many and I look forward to an informative and passionate hearing.

“I would like to especially recognize Karen Lerner and Rich Lerner, of Allcare Medical, located in my district in New Jersey. Karen will be testifying before us today about the concerns of Medicare’s program within the medical equipment community.

“The Medicare program covers DME under Part B, the Supplementary Medical Insurance program and pays suppliers according to a fee schedule. Commonly furnished items under this benefit include standard and power wheelchairs, oxygen concentrators and tanks, hospital beds, diabetic testing supplies, and walkers. These and other DME items are essential treatment to allow the approximately 9.85 million Medicare beneficiaries with disabilities and other conditions to improve or maintain their health and to live independently at home.

“Over the past several decades, numerous reports have documented overpayments in the DME fee schedule under Medicare. As such, Congress acted to limit these costs by creating a demonstration of the competitive bidding program in 1997. Its evaluation resulted in reduced costs to Medicare by 19 percent with no significant changes in access to supplies or changes in utilization were observed.

“Subsequently, the Medicare Prescription Drug, Improvement, and Modernization and Act of 2003, which many of my colleagues on this side voted against, mandated that CMS adopt competitive bidding-based pricing for DME on a phased-in basis beginning in 2007. The Act mandated two rounds of bidding in MSAs, followed by optional additional MSAs after those rounds.

“As I, along with my colleagues witnessed, there were many problems with the initial implementation, coupled with broad industry concerns. This resulted in a bill that I lead through Congress to both delay implementation and established some of the reforms that are supposed to be part of the program today.

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“Let me briefly close by saying that I have been skeptical of this program in the past, and I am anxious to hear from CMS about how this program is being run and, of course, how the Round One Re-bid is developing.

“That being said I am also aware of the fact that CMS is carrying out the law as instructed by Congress. I know very well the concerns of the DME suppliers and it is my hope that CMS has done their best to address some of them. I think today will allow us to hear more about what CMS has done and continues to do to ensure this program successfully reduces costs to Medicare but maintains access and quality care for Medicare beneficiaries.

“It’s obvious we cannot ignore what will become clear here today – there remains a large constituency that is simply opposed to this program. Meanwhile, the fear of tremendous consequences persists from both industry and from Members of this Committee. So, regardless of where this committee falls, it is our job to keep a watchful eye of its development and be on guard to make changes if necessary.”

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