starting in April 2008, retailers and providers in 10 metropolitan areas that sell certain durable medical equipment will have to become accredited and enter a competitive bidding process, according to a final rule issued by the Centers for Medicare and Medicaid Services.

Unlike other entities, physicians may opt out of competitive bidding accreditation, but they still have to accept a single payment for the durable medical equipment (DME) item instead of a fee schedule-based payment. Acting CMS Administrator Norwalk said in a briefing with reporters.

The new competitive bidding program was developed to reduce Medicare’s substandard levels and to decrease the out-of-pocket burden for beneficiaries, who are liable for copayments of 20%.

“The final rule we are announcing today is an important process improvement that will provide improved service delivery and the quality of care, while getting savings for beneficiaries and taxpayers,” Ms. Norwalk said in a statement. She estimated that Medicare could save $1 billion a year off its DME tab by the time the program is fully implemented in 2010. The final rule will apply initially to 10 categories of supplies and only to suppliers of competitive bidding areas (CBA) that have been established by CMS. Physicians, hospitals, and other entities that sell DME, prosthetics, orthotics, and supplies will be required to submit bids to CMS proposing charges for the items.

Bidding will probably be open until late June. CMS will evaluate the bids and then, probably in December, the agency will award contracts to a certain number of bidders in each CBA, Ms. Norwalk said in the briefing.

Beginning in April 2008, Medicare will pay a single amount for each item in those areas instead of basing payments on a fee schedule, as it has in the past. The CMS will expand the program to 70 bidding areas in 2009, and to more CBAs, and to cover more DME items after that, Ms. Norwalk said.

The bidding process was required by the Medicare Prescription Drug Improvement and Modernization Act of 2003. CMS outlined its intentions in a proposed rule in August 2006. It also gathered data from two pilot studies that ran from 1999 to 2002 in San Antonio and in Polk County, Fla., Ms. Norwalk said. After incorporating public comments and experience from the pilot studies, CMS published the final rule in the Federal Register.

Suppliers in the following 10 areas will be the first subject to the new requirements: Acquate-Gaston-Concord, N.C./S.C.; Cincinnati-Middletown, Ohio/Ky./Ind.; Cleveland-Elyria-Mentor, Ohio; Dalлас-Fort Worth-Arlington, Tex.; Kansas City, Mo./Kans.; Miami-Fort Lauderdale-Miami Beach, Fla.; Orlando-Kissimmee, Fla.; Pittsburgh, Riverside-San Bernardino-Ontario, Calif.; San Juan-Caguas-Guaynabo, Puerto Rico.

The locations were selected because they are 10 of the largest Metropolitan Statistical Areas and because each area had high costs and/or high utilization of DME items in the 10 focus categories. Although New York, Los Angeles, and Chicago are among the largest Metropolitan Statistical Areas and have high costs and utilization, CMS decided to exclude those areas initially to simplify the process, Ms. Norwalk said.

The categories include: oxygen supplies and equipment; standard power wheelchairs, scooters, and accessories; complex rehabilitative power wheelchairs and accessories; mail-order diabetes supplies; enteral nutrients, equipment, and supplies; continuous positive airway pressure (CPAP) devices; respiratory assist devices and supplies and accessories; hospital beds and accessories; negative pressure wound therapy pumps and supplies and accessories; walkers and related accessories.

Medicare could cut $1 billion per year from its DME bill by 2010, when the new competitive bidding program should be fully implemented. The final rule will apply initially to 10 categories of supplies and only to suppliers of competitive bidding areas (CBA) that have been established by CMS. Those include the Joint Commission on Accreditation of Healthcare Organizations, the Board of Orthotist/Prosthetist Certification, and the Accreditation Commission for Health Care Inc.

Generally, bidders also have to be in good standing with Medicare, have an active National Supplier Clearinghouse number, and agree to service an entire bidding area, regardless of where a beneficiary may be located.

Of the winning contract slots, 30% are set aside for small suppliers—those with gross revenue of $3.5 million or less per year.

A list of the accrediting bodies, bidding criteria, and other details can be found online at www.cms.hhs.gov/CompetitiveAcqforDMEPOS.