

(Washington, DC) - U.S. Congressman Jason Altmire (PA-4), Chairman of the House Small Business Committee on Investigations and Oversight, held a hearing today to investigate the impact of a new Centers for Medicare and Medicaid Services (CMS) competitive bidding program for durable medical equipment (DME) suppliers. Georgetta Blackburn, representing Blackburn's Physicians Pharmacy, Inc. of Tarentum, testified before the Subcommittee on behalf of the American Association of Homecare.

Due to the high number of DME suppliers and Medicare beneficiaries in the region, Pittsburgh has been chosen as one of ten metropolitan statistical areas to participate in the competitive bidding program, which goes into effect next year. It is estimated that 90 percent of suppliers are small firms, and concerns have been raised that they will not be able to compete with large, national firms in the bidding process, thus threatening local jobs and patient access to care. The following is Congressman Altmire's opening statement from today's hearing as prepared for delivery:

"As more baby boomers age into Medicare, few would disagree that reforming the public program is necessary. But change presents unique challenges for the program, its beneficiaries, and the medical providers that support it. That's why changes to Medicare must be made carefully and with a great deal of thought and input.

"Today's hearing will shed light on the importance of small durable and medical equipment suppliers to the Medicare program. It will allow the Subcommittee to fully understand the implications of a project that affects both small health care providers and patients' access to care. Small firms are an essential part of Medicare and fill gaps larger businesses either cannot or will not fill.

"On April 2nd, the Centers for Medicare & Medicaid Services issued its final rule on competitive bidding for durable medical equipment. The program allows Medicare to award contracts for durable medical equipment to suppliers with the lowest bids. CMS maintains that the program will not only ensure beneficiary access to quality medical supplies and services, but will also reduce beneficiary out-of-pocket expenses and improve the effectiveness of payments.

"The question remains 'What will competitive bidding mean to the small

business community' And do its benefits outweigh its costs? CMS has estimated that within five years of implementing the program, the savings to taxpayers will exceed over \$1 billion annually. The potential for gain cannot be ignored, but these reforms could have enormous ramifications.

“While the objective is to reduce costs, it is not clear that the new competitive bidding program will achieve this goal without unraveling the DME small business community. Small suppliers make up well over 90 percent of the nation's medical equipment providers.

“To its credit, CMS appears to acknowledge the value of small firms to the DME marketplace. And the program pays deference to this importance by putting in place rules that protect certain categories of small suppliers. It also encourages the formation of small supplier networks in its final rule. But these actions seem to provide little relief for most small suppliers. By CMS's own estimation, once the competitive bidding program has taken full effect, as few as 20 suppliers on average will be initial bid “winners” in each area. Even with small business protections in place, few small firms can expect to be actual bid “winners.” This may spell ruin for small providers whose revenues are often less than a million dollars a year.

“What seems clear about CMS's competitive bidding program is that the only businesses certain to survive the Agency's payment reform will be national suppliers. Small businesses may be the backbone of this country; but the manner in which the competitive bidding program is structured challenges their very survival.

“This issue is of particular concern to me because Pittsburgh is one of the first ten areas to implement competitive bidding. I worry that CMS has not considered the unintended consequences that may result from this program, including the possibility that patients may lose the personal relationship they have developed with their local provider, in turn compromising their quality of care. Further, I have concerns that western Pennsylvania will be disproportionately impacted by competitive bidding, and that it may force some local small businesses to close their doors and working families to lose their jobs.

“Congress must take a long look at competitive bidding and the impact it will have on small suppliers. Though there is little doubt that Medicare must be reformed, in

my view, small businesses should not shoulder that burden. The panelists here today are well-equipped to talk about reasonable ways to ensure this does not occur.