



# Expand Competitive Bidding in Medicare

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Many of the prices Medicare pays for goods are exorbitant, and the same good could be purchased for much less. Wheelchairs, oxygen equipment, hospital beds used at home, and artificial-feeding supplies are all well-documented examples of goods that Medicare purchases at inflated prices. The Medicare price for an oxygen concentrator, for example, was \$1,703 higher than the average price on the Internet at one time.<sup>1</sup>

Medicare's competitive bidding program for some durable medical equipment is an attempt to remedy this cost problem. Rather than using a government fee schedule, prices are market-based: Medicare holds an auction and lower bids win the contract. In the first round of competitive bidding, which covered nine product categories, the average price savings was 35 percent.<sup>2</sup> This results in savings for Medicare, as well as savings for beneficiaries through lower coinsurance and monthly premiums.

But there were serious problems with implementation of competitive bidding, including a lengthy delay between bids and acceptance, unclear quality standards and performance obligations, lack of transparency on pricing and quantities, and contract terminations and delays mandated by law. According to most experts, competitive bidding could be dramatically improved to assure low costs without sacrificing product quality or access.

The Affordable Care Act requires the secretary of health and human services to expand competitive bidding for durable medical equipment, prosthetics, orthotics, and supplies to 91 of the largest metropolitan areas and then to all regions by 2016. Congress can accelerate this timeline, expand the number of goods and services subject to competitive bidding, enhance the operations and monitoring of the process, and realize significant cost savings.

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## Recommendations

**Require competitive bidding for all durable medical equipment, prosthetics, orthotics, and supplies nationwide, and extend the process to medical devices and laboratory tests, by January 2013.** This recommendation affirms the value of competitive bidding by requiring implementation three years sooner and expanding the program to all feasible goods.

**Establish a Medicare Competitive Bidding Committee, composed of individuals from the private sector with acquisition experience and experts in competitive bidding.** Since proper implementation of competitive bidding is complex and technical, the committee—rather than government staff at the Centers for Medicare & Medicaid Services—would oversee the process. The committee would monitor the market response to ensure product quality and access, and have authority to add and/or subtract goods and services subject to competitive bidding. For instance, it might be possible to extend competitive bidding to outpatient radiological examinations such as CT scans or MRIs.

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## Notes

- 1 Statement by Kerry Weems, acting administrator, Centers for Medicare and Medicaid Services, before the Committee on Ways and Means Subcommittee on Health, U.S. House of Representatives, May 6, 2008.
- 2 Centers for Medicare and Medicaid Services, “Next Steps for Expansion of the Medicare Durable Equipment, Prosthetics, Orthotics, and Supplies Competitive Bidding Program” (2011).