

## Small medical suppliers' livelihood depends on new Medicare rules

(Pittsburgh, PA) - Medicare's plan to cut costs has some small medical suppliers here and nationwide worried that they'll be locked out of a market that historically has provided a third or more of their business.

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Pittsburgh Post-Gazette

Medicare's plan to cut costs has some small medical suppliers here and nationwide worried that they'll be locked out of a market that historically has provided a third or more of their business.

Pittsburgh has more to worry about, since it's one of the first cities where the new competitive bidding procedures will go into effect.

Of the 1,600 Pennsylvania companies that provide wheelchairs, hospital beds, walkers, diabetic supplies and other items and services to in-home patients, 80 to 90 percent of them are considered "small businesses" by the Pennsylvania Association of Medical Suppliers, a trade and lobbying group.

Those providers will be damaged, they say, because new procurement laws approved by Congress and the Centers for Medicare and Medicaid Services will favor large suppliers.

The new rules theoretically will reduce the price Medicare will pay for "durable medical equipment" by up to 20 percent, a tight shave for small businesses that don't buy equipment in bulk.

The new rules also will create a list of "authorized" Medicare providers, limiting the number of companies allowed to do business with Medicare. (Small businesses, with annual revenues under \$3.5 million, are guaranteed 30 percent of the total business.)

Right now, it's an unlimited list -- if you're certified, if a doctor refers a patient to your company and if you can meet Medicare's price requirements, you can do business with Medicare. But under the new rules, a list of 20,000 nationwide suppliers would be culled by several thousand, according to Michael Reinemer of the American Association for Homecare.

"Our fear is that it may create a sort of rush to the bottom, in terms of quality," he said.

How will the new prices be set? Say Medicare needs 1,000 complex rehab power chairs in the Pittsburgh area (chairs used by quadriplegics, multiple sclerosis patients and others with severely restricted mobility). Medicare would find the lowest bid -- say, \$7,000 each for 50 chairs -- then work up the list, low bid to highest, until the full order for 1,000 chairs is filled.

The price paid to all suppliers would be a median of the low bids that filled the order.

Historically built into the cost of the goods is the service component -- setting up the beds, checking the oxygen flow and so on. Cutting costs and potentially regulating smaller firms out of existence means patients won't get the personal attention they need, said U.S. Rep. Jason Altmire, D-McCandless.

"You're not going to get the same quality of care," he said.

Just this week, Centers for Medicare and Medicaid Services announced that the new bidding regulations would be enforced in 80 American cities in the summer of 2009. But Pittsburgh was notified last April that it would be a guinea pig -- one of 10 pilot regions where the new regulations are set to take effect this July, and that's why Pittsburgh-area equipment providers hope to prevent the new regulations, which were approved in 2003, from being implemented.

Failing that, they want Mr. Altmire and colleagues to change the law. House Bill 1845 would do so, voiding the "authorized provider" list (meaning any company could continue to supply Medicare as long as it meets the new, lower prices) and delaying the competitive bid prices from taking effect until quality-control standards are in place.

But that bill isn't expected to pass -- if it ever does -- by July 1, meaning Pittsburgh and nine other cities should expect to play by the new rules this summer.

The other cities are Charlotte, N.C.; the Cincinnati area; Cleveland; Dallas-Fort Worth-Arlington; Kansas City; Miami; Orlando, Fla.; Riverside, Calif.; and San Juan, Puerto Rico.

"The most disturbing fact to me is that no Medicare [patients] know this is coming," said Georgie Blackburn, a vice president with Blackburn's Physicians Pharmacy in Tarentum.

Yesterday, Mr. Altmire visited the company, one of the 400-plus medical equipment providers in the Pittsburgh area. He and Ms. Blackburn agreed that firms like Blackburn, with seven decades of history and 150 employees here and in Erie, could be out of business by 2011, when the three-year pilot program is set for a review.

Ms. Blackburn said 25 to 30 percent of the company's revenues were derived from Medicare payments. Blackburn won't know until March, when the winning bidders are announced, if it gets to keep that major chunk of business.

Since last year, Medicare and the U.S. attorney general have been touting the new regulations as not only a cost-saving measure, but also a fraud-prevention tool, weeding out the sham companies that bill Medicare for nonexistent products.

That really steams John Shirvinsky, executive director of the Pennsylvania Association of Medical Suppliers, who said Pittsburgh was paying the price for the Medicare fraud schemes in Miami, where indictments have been issued.

"I'm sick of them bad-mouthing an entire industry because of a couple of crooks down in Florida," he said.

Durable medical equipment accounts for less than 2 percent of the federal government's \$400 billion in Medicare

spending. Prosthesis and orthotics suppliers also are subject to the new bidding rules come July 1.