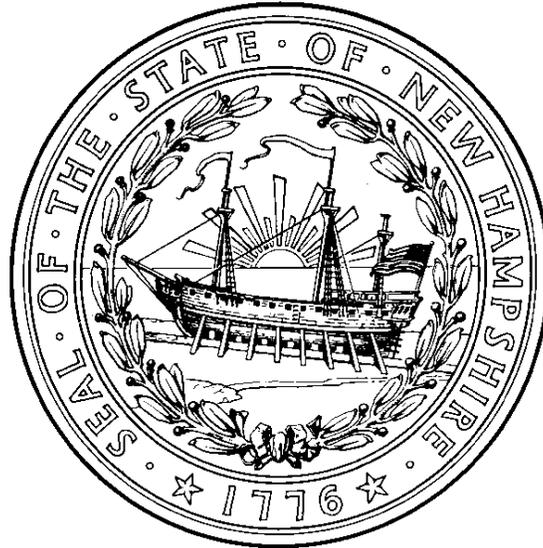


STATE OF NEW HAMPSHIRE
Department of Health and Human Services
Office of Medicaid Business and Policy



Request For Information
10-OMBP-DME-05
Durable Medical Equipment, Supplies, and Services
Summary Report

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Background

The New Hampshire Department of Health and Human Services (DHHS), Office of Medicaid Business and Policy (OMBP), issued a Request for Information (RFI) 10-OMBP-DME-05 on February 17, 2010. A letter was mailed to durable medical equipment (DME) and supply providers primarily based in New Hampshire notifying them of the RFI release. This letter was also sent to the New England Medical Equipment Dealers Association (NEMED). The RFI, with a deadline date of April 2, 2010, was posted to the DHHS website.

The purpose of the RFI was to gather information from industry professionals to allow OMBP to develop a more systematic, efficient, and comprehensive approach for providing durable medical equipment, medical supplies, and services. One area of particular interest to OMBP was understanding the extent to which discounts for volume purchasing might be available, at what volume thresholds, and for which DME products. Another area of interest was the extent to which the respondents were able to provide information on strategies to maintain or increase statewide access for recipients to the DME service(s) offered.

OMBP established the following team to review all RFI submissions:

Doris Lotz, MD, MPH, Medicaid Medical Director
Jane Hybsch, RN, MHA, Administrator, Medicaid Care Management Programs
Sheri LaCasse, Program Specialist III

The goal of the RFI review process was to summarize and evaluate the information gathered from professionals in the DME industry to assist OMBP in the development of one or more Request-for-Proposals (RFP) that may be issued in the future. The RFI process will serve to assist OMBP in assessing the feasibility and potential benefits of competitively procuring some or all DME services through a designated distributor or other model that may emerge from the information. The timeline for issuing any RFP(s)—should that be the decision—has not been determined at this time.

RFI Responses

OMBP received a total of 16 responses to the DME Request for Information. DME and medical supply providers submitted 15 responses, and one was submitted by a trade organization. Approximately two-thirds of the respondents were based in New England, with many having locations within New Hampshire.

Experience

Most respondents had at least 15 years of experience as a DME supplier, and several had between 20 and 50 years of experience. Almost all providers participated in Medicaid and Medicare, and contracted with a variety of commercial health plans.

Services

Only two of the respondents appear to provide all of the DME and supplies listed in the RFI. Most providers offered a limited group of items, such as respiratory equipment, urological supplies, mobility products, ostomy supplies, or a combination of some of these items. Others focused on disease-specific products, such as diabetic supplies. Some providers conduct a majority of their business via mail order.

Customer Service

Most respondents emphasized the programs and processes they currently have in place to ensure optimal customer service. Several providers have customer service representatives (and in some cases clinical staff) available 24 hours a day, seven days a week. Most providers mentioned the use of satisfaction surveys and described their complaint resolution processes. Other customer service responses focused on reminders via e-mail, phone, or mail; one-on-one meetings with the patient and their families; web-based ordering systems; regular chart audits; software that assists patients in understanding how their actions affect their condition, e.g., diabetes; and the availability of personnel who speak other languages, such as Spanish and French.

Cost

Most respondents were strongly in favor of a structured fee schedule instead of reimbursement based on a percentage of MSRP or cost plus a certain percentage. Pricing based on Medicare rates was a common response. Some also suggested formularies and capitation contracts. Many of the respondents outlined their rental and rent-to-purchase programs. Responses regarding volume purchasing were varied; providers that focused primarily or exclusively on disposable supplies were more likely to offer volume discounts. Some stated that volume pricing is often difficult to calculate due to patient-specific equipment and supplies. One respondent discussed the creation of volume-based rebate tiers, while another recommended a discrete payment model for DME fitting, repair, and adjustments.

Distribution

A variety of distribution procedures were presented, including a call system prior to mailing supplies; in-home delivery of DME with employee drivers trained in set-up, home assessment, and instruction; zoned delivery areas; drop shipping from the manufacturer; UPS and mail order deliveries; different categories depending on the level of service required (high, medium, and low); and the provision of 3-month supplies. A few respondents have retail locations, which they touted as a significant advantage for patients who prefer to conduct transactions in person.

Quality and Utilization Management

Several respondents cited JCAHO or ACHC accreditation. Some providers recommended that automatic shipping not be permitted and stated that measures, including phone calls to members and prior authorization, would be taken to ensure members require additional supplies and that overutilization and/or excess supply provision does not occur. Others stated that chart audits, case management, exception

processes, and other utilization management measures are an integral component of their business.

Reporting

Most respondents appear to have systems in place to create various business reports. Reporting capabilities focused on utilization, inventory, revenue, customer service, performance standards, exceptions, provider and patient satisfaction, and customized reporting based on NH Medicaid's needs.

Education

Patient education is commonly performed via in-home instruction and set-up; customer orientation packets or mailings; and in selective contracting arrangements, communications to members and providers aimed at ensuring a smooth transition.

Some respondents suggested that NH DHHS issue a press release and/or mail notices to providers and members announcing any changes to the provision of DME and supplies. Other options include open forums and focus groups.

Other

Several respondents objected to competitive bidding for DME. Some also stated or implied that selective contracting with one or more providers would result in lower quality and higher cost in the long term, and would limit access for NH Medicaid enrollees. Suggestions were also made to hold face-to-face meetings between OMBP and DME providers to develop solutions in lieu of competitive bidding.

Evaluation

Very few of the RFI respondents answered all of the questions listed in the RFI. Information provided in the Distribution, Reporting, and Education sections, in particular, were often vague, lacked sufficient description, lacked constructive ideas, and/or were missing from the response.

Observations

- A few of the respondents placed a large emphasis on disease management.
- One urological supply provider stated that NH Medicaid's current reimbursement rates for certain supplies are actually much too high, and they recommended reimbursement based on 80% of the Medicare rate, which would result in a substantial costs savings for the State.
- Some of the respondents stated that they would coordinate or sub-contract for DME products and services that they do not directly provide so that they could be an all-inclusive provider for their customers.
- A few of the respondents emphasized that they carry products from all of the leading manufacturers, which would ease the transition for NH Medicaid enrollees and would promote customer satisfaction.

- Some respondents suggested a formulary pricing methodology. One formulary proposal entailed limiting beneficiaries to a specific list of blood glucose monitors and supplies. In turn, the cost to the State would lower as the annual test strip utilization increases. One other formulary option would allow more choice of equipment and supplies, but savings to the State would be dependent on the percentage of beneficiaries that chose items from the formulary. Other respondents simply recommended the State consider a formulary with choices of quality products where there would be a commitment to lower costs with the expectation of higher volume. Finally, one provider suggested volume-based rebate tiers with an optional formulary component.
- One provider made a case for providing refurbished equipment, although the logistics of that combined with concerns about quality may make that option impractical.

Recurring Themes

- From the respondents' point of view, a competitive bidding environment for DME has a negative impact on providers and Medicaid recipients. One respondent stated, "If the market is reduced to a few select providers, studies show that service suffers because there is no incentive or competition." The respondent points to a series of reports on the impact of competitive bidding on DME that were issued by Brian O'Roark, PhD, Associate Professor of Economics at Robert Morris University, between 2008 and 2010. In addition, since NH Medicaid DME and supply expenditures represent only 0.3% of the overall Medicaid budget, some respondents speculated that actual savings would be minimal and ultimately could cost more due to an increased number and length of hospitalizations.
- A structured fee system is a more equitable and less resource-intensive system than reimbursement based on MSRP or cost, especially since the service component of providing DME can be very expensive. One respondent cited a 2006 study conducted by Morrison Informatics on behalf of The American Association for Homecare which reportedly found that "the average cost of DME equates to about 28% of the total provider costs. The service expense to provide the equipment and customer support is 72% of the total equipment expenditures." Several others stressed that a structured fee schedule works best and simplifies the billing and reimbursement process. "Cost-plus methodology is cumbersome for the State, is inconsistent for providers, and promotes inefficiency in the provision of care and services," asserted one respondent. Another comment was that cost-plus reimbursement is, generally speaking, a poor model for controlling cost and delivering service.
- Reimbursement, either built into the DME fee or via a separate fee, needs to be allowed for the service component of providing DME, including product maintenance, fittings, home visits (which can sometimes require multiple visits), adjustments to equipment, and other labor-intensive services.

- Providers that specialized in certain areas, e.g., diabetic and urological supplies, asserted that being a specialty supplier provides advantages, such as expanded product choices, more focused education programs, faster response time, more cost-effective and efficient services, and more accurate and better customer service. Since only a small number of providers can actually provide all of the services listed in the RFI, it will be important for NH Medicaid to consider the possibility that several contracts may be necessary and what the consequences are of that scenario.
- Volume purchasing is most useful for disposable medical supplies, such as ostomy, diabetic, and urological supplies.
- Unit limits for certain services should be implemented to reduce fraud, waste, and overutilization.
- Face-to-face meetings, either individually or in groups, should be held between OMBP and the DME provider community prior to the creation of an RFP. Respondents stated that such meetings would be productive and informative and would be the best mechanism to ensure the long-term success of any future changes to NH Medicaid's reimbursement methodology and program guidelines for DME.

Conclusion and Next Steps

OMBP believes a system should be in place for the availability and distribution of DME, medical supplies, and services that is accessible, coordinated, and beneficiary-centered. The system would support and promote personal responsibility; provide services/products that meet the recipient's needs; provide quality products and services; and ensure accountability, efficiency, and affordability. More specifically, OMBP is interested in having a delivery system that can:

- Assure coordination, continuity, and consistency of service;
- Supply products based on medical necessity;
- Use cost-effective principles in meeting beneficiary needs;
- Support the development of a system that is fiscally predictable, efficient, stable, and sustainable over time;
- Integrate customer service to ensure beneficiary satisfaction;
- Provide services and products that adhere to Medicaid criteria as well as evidence-based practice; and
- Maintain or improve statewide access to quality and cost-effective products and services.
- Consistent with the principles of consumer directed care, allow Medicaid beneficiaries independence and personal choice, reducing reliance on third party vendors when appropriate and available.
- Update systems of access by offering mail order for appropriate medical supplies.

Based on the input received through the issuance of this RFI, it is clear that respondents feel strongly that reimbursement for DME and medical supplies be based on a fee schedule and that NH Medicaid should recognize the service component of certain DME items and compensate for it. In addition, volume purchasing is more suitable for disposable medical supplies that require minimal or no teaching. Next steps and options may include the following:

- Discuss the pros and cons of selective contracting for DME and supplies, including the respondents' objections that focus on quality, access, and cost.
- Evaluate various pricing methodologies, including fee schedules, cost-plus, percentage of MSRP, formularies, capitation, and tiered pricing, and subsequently conduct a comprehensive cost-benefit analysis that looks at the various reimbursement methodologies.
- Compare NH Medicaid fees with Medicare rates and other appropriate benchmarks.
- Consider instituting quantity limits similar to Medicare.
- Assess whether the list of DME items provided needs to be narrowed down and what products and services should be incorporated in an RFP process, if applicable.
- Determine which disease management opportunities not already conducted by NH Medicaid should be adopted.
- Discuss volume purchasing, 90-day supply billing, performance standards, and limits on equipment replacements and upgrades.
- Meet with certain providers and/or other interested parties, particularly if the decision is to issue an RFP.
- Decide whether NH Medicaid should retain the local network of DME providers or move to a sole source provider.
- Discuss whether OMBP should engage DME providers in establishing the reimbursement methodology for DME and medical supplies.
- Determine if further information from the respondents, such as reporting and survey examples and more details on those areas of the RFI responses that were vague or incomplete, would be helpful prior to the creation of an RFP.