CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 11, 2015

H.R. 284
Medicare DMEPOS Competitive Bidding Improvement Act of 2015

As ordered reported by the House Committee on Ways and Means on February 26, 2015

H.R. 284 would impose new requirements on private firms that supply products through Medicare's competitive bidding program for durable medical equipment (DME). CBO estimates that enacting H.R. 284 would increase revenues by about $1 million over the 2015-2025 period. The legislation could affect direct spending, but CBO estimates those effects would not be significant.

Under current law, Medicare pays for some DME (including items like wheelchairs, hospital beds, and oxygen tanks and related supplies) using prices that are set through a two-stage process. In the first stage, firms submit bids to furnish a category of DME items to Medicare beneficiaries in a geographic area. The Medicare program uses those bids to exclude from the second stage the firms that submitted the highest bids. The remaining firms are invited to contract, for a period of three years, to supply that category of DME in that geographic area. The contractual price, or single payment amount (SPA), is the median bid of all the firms that are invited to participate in the second stage. Firms are free to decline to accept the contract.

H.R. 284 would require that firms wishing to bid in a geographic area meet applicable licensure requirements of the state in which they are bidding and obtain a surety bond of between $50,000 and $100,000 from a bonding agency. If the company submitted a bid below the SPA in a geographic area but declined to accept a contract, it would forfeit the bond to the federal government. The estimate assumes those requirements would apply for contracts that go into effect beginning on January 1, 2019; in CBO's judgment, it would take several years to establish the requirements of the bond process through regulations and other program guidance.

CBO is unsure whether under H.R. 284 the bonding agency or the Centers for Medicare and Medicaid Services (CMS), which administers the competitive bidding program, would hold the bond throughout the bidding process. CBO anticipates that these details would be clarified through regulations.

CBO expects that implementing the legislation would not have a significant effect on the prices that CMS establishes for DME items, but that it would result in the forfeiture of a small number of surety bonds. CBO estimates that the revenues from such forfeitures will amount to less than $500,000 in each year, and will total about $1 million over the 2019-2025 period. This estimate assumes enactment in the spring of 2015.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in the following table. As noted above, CBO estimates that revenues would rise by less than $500,000 per year.

CBO Estimate of Pay-As-You-Go Effects for H.R. 284, as ordered reported by the House Committee on Ways and Means on February 26, 2015

	By Fiscal Year, in Millions of Dollars												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015-2020	2015-2025
NET DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	0	-1

H.R. 284 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Lara Robillard. The estimate was approved by Holly Harvey, Deputy Assistant Director for Budget Analysis.