September 8, 2021

VGM & Associates
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U.S. Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244

Dear U.S. Centers for Medicare & Medicaid Services,

VGM & Associates is the nation's largest and most comprehensive Member Service Organization (MSO) for post-acute healthcare including DME (Durable Medical Equipment)/HME (Home Medical Equipment), Respiratory, Sleep, Wound Care, Complex Rehab, Women's Health, Therapy, Home Modifications, and Orthotics & Prosthetics providers. Over 2,500 providers with nearly 7,000 locations rely on VGM to connect them to valuable resources every single day.

We are writing to you because the DME/HME industry needs your help. There are a myriad of challenges facing DME/HME providers, not the least of which is a sharp increase in costs pertaining to several facets of their business. Since the onset of the COVID-19 pandemic, acquisition costs for many products have been rising steadily in the form of incremental price increases. Fuel costs, delivery vehicle costs, and labor costs have also been on the rise. Now, within the last few weeks, several major manufacturers of DME have announced yet another round of surcharges that have already been implemented or will be implemented within the next few weeks. The DME supplier community cannot absorb these price increases and continue to provide products to Medicare beneficiaries. Without swift action by CMS, Medicare beneficiaries will experience major access to care issues while attempting to receive these critical products and services. The DME/HME provider community needs help in the form of higher reimbursement rates, and they need it immediately.

These surcharges being handed down by manufacturers are primarily due to their own rising costs of raw materials to manufacture their products, and/or a sharp rise in shipping costs, especially from overseas. These are not the first surcharges since the pandemic began and may not be the last. This latest round of surcharges is of greater significance due to the breadth and depth of the surcharges. It is estimated that the manufacturers who have recently imposed surcharges represent approximately 65%[1] of the total market for several of the product categories impacted. The surcharges aren't coming from just one or two manufacturers, nor are they impacting just one or two product lines. They involve a growing list of several major manufacturers and distributors, and they impact dozens of product lines, many of which are high

[1] _Source_: Grand View Research Market Analysis Report; Published Date January 2021

volume products such as wheelchairs, hospital beds, walkers, and lift chairs. Many of the surcharges are in the 20-30% range of the price of the product, and in some cases, the dollar amount of the surcharge alone exceeds the current allowable from Medicare FFS for that item itself[2]. In other industries, when a surcharge or price increase is incurred, the cost is passed onto the end user purchasing that product. In this case, the DME supplier is incurring the increased costs but is unable to pass those additional costs on to the Medicare beneficiary.

VGM recognizes and appreciates some of CMS's efforts to ensure access to these medically necessary and cost-saving homecare products and services for patients during the COVID-19 Public Health Emergency (PHE) up to this point. Since the removal of 13 product categories from Round 2021 of the Competitive Bidding (CB) program, CMS has maintained an "any willing provider" state, allowing beneficiaries access to more providers.

Unfortunately, the removal of those 13 categories also resulted in a reversion back to the allowables that came out of the CB rounds prior to 2021 for many providers, especially those that serve any of the 130 Competitive Bid Areas (CBAs) throughout the country. Through the passage of recent legislation such as the CARES Act, some suppliers have received rate relief in the form of higher reimbursement rates in one of two ways:

1) For providers who serve rural areas, prolonging a 50/50 blended rate that was initially introduced via a mid-2018 IFR[3] and

2) creating a new 75/25 blended rate to be offered to providers who serve non-rural, non-CBAs that is currently scheduled to remain in place until the end of the PHE,

The legislation passed to date, however, has not offered any reimbursement increase for providers that serve the 130 CBAs. Rather, the reimbursement allowables for the providers that serve the CBAs remain tied to previous rounds of competitive bidding; rates that were derived via an auction methodology which utilized a "median bid" concept to set rates rather than a clearing price (as was to be used in Round 2021), and that were based on pre-pandemic demand and cost structure. The rates that came from that median bid methodology were artificially low and are not reflective of or sustainable in today's market.

[2] For example, see Attachment 1 where you will see a $75 surcharge from the manufacturer per walker, commonly billed with HCPCS code E0143 that is reimbursed at less than $50 in most CBAs)

[3] The IFR referenced here is CMS-1687-IFC: https://www.cms.gov/newsroom/fact-sheets/durable-medical-equipment-fee-schedule-adjustments-resume-transitional-5050-blended-rates-provide)

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As evidenced in the enclosed attachments[4], the COVID-19 pandemic continues to disrupt the supply chain for several key medical equipment and supply categories. When you factor in all of the additional costs brought about by the pandemic, including but not limited to PPE costs, manufacturer surcharges, increases in delivery costs ranging from 19-43%[5], increased labor costs, equipment quarantining/disinfecting/sanitizing costs, and other cost increases outlined above, none of which will likely disappear immediately once the PHE is declared over, it is clear that reimbursement rates need to be increased on a more permanent basis.

The increases to reimbursement need to be maintained not just through the PHE, but likely well beyond that. The end of the PHE will not likely trigger or coincide with a removal of these surcharges currently being implemented. Based on the information contained in this letter as well as the attached supplemental documents, we are asking CMS to take swift action to protect access to DME/HME products for Medicare beneficiaries by increasing the reimbursement rates for these products to better align with current market conditions. At minimum, we are asking that the 75/25 rates that were offered to some providers but not others through the CARES Act be offered to all providers in non-rural areas, including those serving the 130 CBAs. That action alone may not be enough to offset the rising costs, but it is a start.

If you have questions for us, please contact any member of VGM's government relations staff at 866-512-8465 or submit them via email to Emily.harken@vgm.com. We thank you in advance for your consideration, and we look forward to your response.

Sincerely,

Clint Geffert
President, VGM & Associates

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[4] For illustration purposes, we have only attached several examples of surcharges we have seen thus far. That list will likely continue to grow.
[5] For a breakdown of the increases in delivery costs for various regions of the U.S., please visit https://www.vgmdclink.com/resource-center/delivery-cost-survey-2021