

Insert intro paragraph to introduce your company and detail your relationship with the payer if necessary.

DME providers are an extremely important segment of the overall healthcare continuum. They provide products and services for your members in the least costly and most preferred setting possible, their homes. These products and services help keep overall healthcare costs down by getting patients out of, or even preventing them from being admitted to, more costly settings such as hospitals, nursing homes, long term care facilities, rehab facilities, etc. In many cases they employ and utilize trained clinical staff such as Registered Nurses (RN), Respiratory Therapists (RT), Assistive Technology Professionals (ATP), etc. when providing those products and services.

We are writing to you because we as a DME/HME provider need your help. There are several challenges facing DME/HME providers, not the least of which is a sharp increase in costs pertaining to several facets of our business. Since the onset of the COVID-19 pandemic, acquisition costs for many products have been rising steadily in the form of both surcharges and incremental price increases. Fuel costs, delivery vehicle costs, and labor costs have also been on the rise.

Manufacturing costs are rising rapidly. These increased costs are primarily attributed to the rising costs of the raw materials used to manufacture their products (aluminum, steel, nickel, copper, PVC, etc. are all experiencing double digit cost increases of up to 40% right now). These raw materials are key components of several medical devices. Manufacturers are also experiencing spikes in labor costs and a sharp rise in shipping costs, especially from overseas. Early in 2022, companies are paying upwards of \$15,000 per shipping container right now compared to just \$2000 - \$3000 in previous years.

As a result of these rising material, labor, and shipping costs, several major DME manufacturers have announced multiple rounds of surcharges that have already been implemented or will be implemented in the near future. The DME supplier community cannot absorb these price increases and continue to provide the products and services to your members. Without swift action, some of your members will experience delays in receiving the products and services they need and may not be able to access these critical products and services in their homes at all. To continue providing these goods and services, we need help in the form of higher reimbursement rates.

These are not the first surcharges since the pandemic began and likely will not be the last. This latest round of surcharges is of greater significance due to the breadth and depth of the surcharges. 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 several major manufacturers and distributors, and they impact dozens of product lines, many of which are high volume products such as wheelchairs, hospital beds, walkers, CPAP machines, oxygen concentrators, and lift chairs. 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. 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 reimbursement for that item itself. For example, a major manufacturer of walkers has announced a \$75 surcharge per walker. That

¹ Source: Grand View Research Market Analysis Report; Published Date January 2021

\$75 is added to, and does not include, the cost of the walker itself. Reimbursement for that same walker currently sits at around \$50. Hospital beds, wheelchairs, oxygen concentrators, and other commonly utilized product categories have seen similar price increases. Beds and concentrators are commonly ordered items to help patients treat or recover from several chronic and acute conditions, including COVID-19.

In other industries, when a surcharge or price increase occurs, the cost is passed on to the end user purchasing that product. We've already seen that in several other industries during the COVID-19 pandemic. In this case, the DME suppliers are currently incurring the increased costs but are unable to pass those additional costs on to the end user due to fixed fee schedules and/or contractual language prohibiting us from charging the patient any amount above the contracted fee schedule.

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%², increased labor costs, equipment quarantining/disinfecting/sanitizing costs, and other cost increases outlined herein, none of which will likely disappear immediately once the PHE is declared over, it is clear that reimbursement rates need to be increased. The rates we agreed to when we signed our contract with you are no longer viable and are not representative of today's environment.

CMS has acknowledged the additional costs for DME suppliers brought about by the pandemic and has adjusted their fee schedule to better account for current market conditions. They increased their allowables in March of 2020 (by introducing a new higher rate for many providers by combining 75% of the 2020 rate with 25% of the rate from 2015, which was a higher rate), removed their 2% sequestration on Medicare claims for DME, and added another approximately 5% to the fee schedule for 2022 in the form of a CPI-U increase.

Based on the information contained in this letter, we are asking you to take action to protect access to DME/HME products for your members by **increasing the reimbursement rates for these products to better align with current market conditions**. Without that action, your members may experience difficulty accessing DME products and services and be forced to seek care in a more costly institutional/facility type of setting. The increases to reimbursement, even if it is temporary, needs 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.

If you have questions for us, please contact [REDACTED] at [REDACTED]. We thank you in advance for your consideration, and we look forward to your response.

² 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>

