



Office of External Affairs

MEDICARE NEWS

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CMS MAKES FIRST AWARDS TO MEDICARE ADMINISTRATIVE CONTRACTORS

CONTRACTING REFORM WILL LOWER ADMINISTRATIVE COSTS, IMPROVE QUALITY AND SERVICE FOR DURABLE MEDICAL EQUIPMENT BENEFITS

The Centers for Medicare & Medicaid Services (CMS) announced today that it has awarded contracts for four specialty contractors who will be responsible for handling the administration of Medicare claims from suppliers of durable medical equipment, prosthetics and orthotics. The new contracts awarded represent a first step in CMS' initiatives designed to improve service to beneficiaries and providers, support the delivery of coordinated and quality care, and provide greater administrative efficiency and effectiveness for fee-for-service Medicare.

The new Durable Medical Equipment Medicare Administrative Contractors (DME MACs), which were selected through a competitive bidding process, will replace the current Durable Medical Equipment Regional Carriers (DMERCs). The geographic jurisdictions are slightly realigned from those serviced by the DMERCs. The DME MAC contracts, which have a combined potential value of \$542 million, are the first of 23 that will be awarded by 2011 to fulfill requirements of the contracting reform provisions of the Medicare Modernization Act of 2003.

“As a result of the recent Medicare reforms, for the first time in Medicare’s 40-year history, we have been able to select our administrative contractors through a full and open competition to provide the best service at the lowest cost,” said CMS Administrator Mark B. McClellan, M.D., Ph.D. “These competitive reforms will lead to better quality, more efficiency, and greater accountability in the administration of the traditional Medicare program.”

CMS awarded the DME MAC contracts to companies who offered the best overall value to the government, in light of costs, technical qualifications, and other considerations such as past performance, corporate responsibility, and their understanding of the special requirements involved in

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processing claims for medical equipment and prosthetics provided to beneficiaries. A list of the new DME MAC jurisdictions appears below.

Under the current system, fiscal intermediaries process claims for Part A providers such as hospitals, skilled nursing facilities, and other institutional providers. Carriers process claims for physicians, laboratories and other suppliers under Medicare Part B. When contracting reform is fully implemented, the fiscal intermediaries and carriers will be replaced by MACs that will be responsible for both Part A and Part B claims. For beneficiaries and providers, the new structure will mean that they each have a single point of contact with the Medicare program. Once they become operational, the DME MACs will serve as the point of contact for all Medicare suppliers, whereas beneficiaries will pose their claims related questions to Beneficiary Contact Centers.

Each DME MAC contract is being awarded in January 2006 and will include a base period and four 1-year options. The DME MACs will have the opportunity to earn award fees based on their ability to meet or exceed the performance requirements set by CMS. Those performance requirements are rooted in CMS' key objectives for DME MACs: enhanced provider customer service, increased payment accuracy, improved provider education and training leading to correct claims submissions, and realized cost savings resulting from efficiencies and innovation. In accordance with the MMA, MAC contracts must be put up for competitive bidding at least every 5 years.

The DME MACs will immediately begin transition activities and will assume full responsibilities for the claims processing work currently performed by the DMERCs on July 1, 2006. However, the DME MACs will not take over any pre-pay or post-pay medical review function or benefit integrity function performed by a DMERC. CMS awarded separate payment safeguard contracts for these functions in early December.

For more information, see: <http://www.cms.hhs.gov/MedicareContractingReform/>

JURISDICTION	INCLUDED STATES	DME MAC
A	Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont	National Heritage Insurance Company
B	Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin	AdminaStar Federal
C	Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, New Mexico, North Carolina, Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia, and West Virginia.	Palmetto Government Benefits Administrator
D	Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, North Dakota, Northern Mariana Islands, Oregon, South Dakota, Utah, Washington, and Wyoming	Noridian Administrative Services