

Nationwide Survey Highlights Devastating Impacts of Medicare 75/25 Rate Cuts for Home Medical Equipment Industry

ISSUE

Durable Medical Equipment Prosthetics, Orthotics and Supplies (DMEPOS – also commonly referred to as Home Medical Equipment) suppliers are struggling under Medicare fee schedules derived from the DMEPOS Competitive Bidding Program (CBP) that fails to factor the current market costs of providing care. This has resulted in an unsustainable reimbursement environment, jeopardizing patient access to care and threatening the financial viability of the DMEPOS Industry in meeting our communities' needs. Since 2013, an estimated 38% of traditional suppliers have closed their doors or stopped serving Medicare beneficiaries.

Due to mounting concerns about the impacts of Medicare's cost-cuts on access to care, Congress and Centers for Medicare and Medicaid Services (CMS) have intervened numerous times through the years to provide additional relief, most recently providing a 75/25 blended rate for non-bid, non-rural areas through 2023 (75% Competitive Bid rate/25% unadjusted Medicare fee schedule rates). The expiration of the 75/25 blended rate on January 1, 2024 led to a 20% reduction across the top 25 HCPCS codes,¹ dealing a crushing blow to the Industry and threatening to decimate the HME infrastructure that enables people to manage their medical needs at home.

SURVEY

In July 2024, the American Association for Homecare (AAHomecare) launched a nationwide survey on the impact of the expired Medicare FFS 75/25 blended rate for non-bid/non-rural areas on the HME community. Over 100 HME suppliers serving non-bid non-rural areas participated, sharing harsh realities they face under the new rates and their ability to serve patients and communities.

KEY FINDINGS

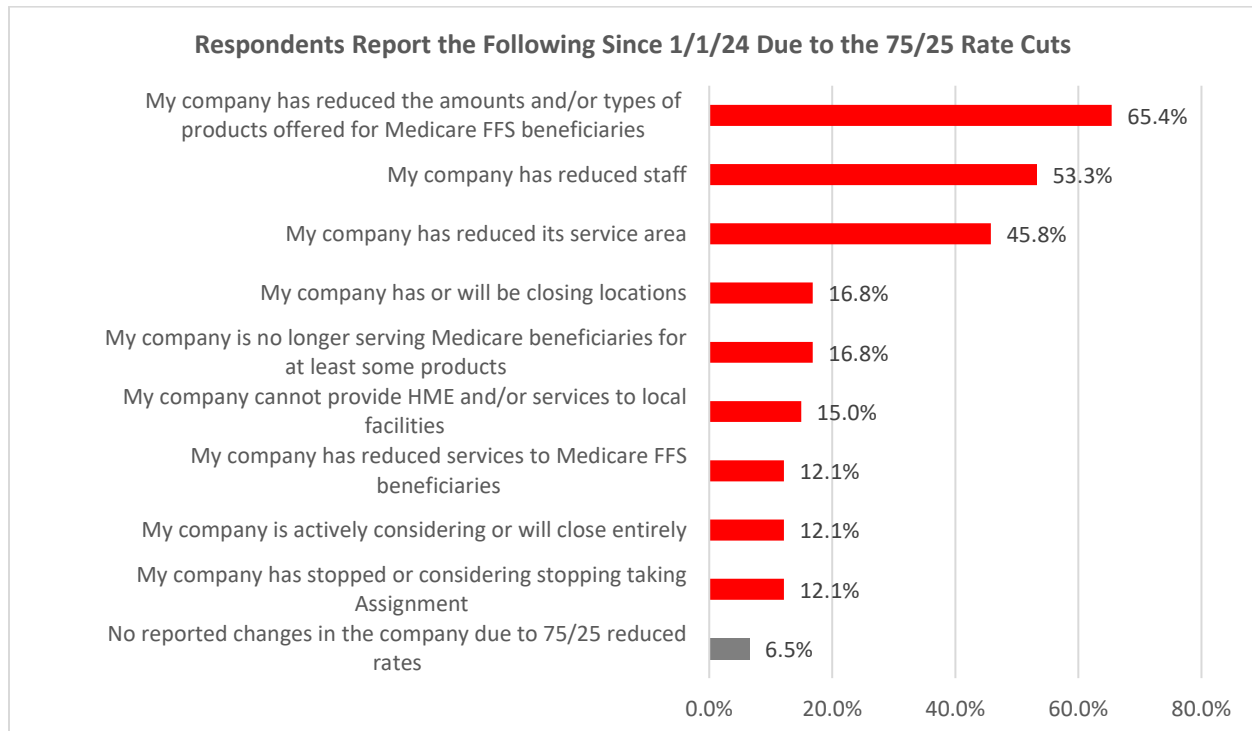
The decrease in reimbursement across non-bid, non-rural areas has made a dramatic impact on the HME community. An overwhelming 93.5% of survey respondents reported having to make company changes in response to the 75/25 rate reduction. Notably:

- 65% reduced the amounts and/or types of products offered
- 46% reduced their service areas
- 53% laid off staff
- 35% used personal savings to maintain the business
- Over 1 in 10 surveyed are actively considering or planning closing their business entirely

The compounded impact of the rate reductions cannot be overstated. 86% of respondents report that the expiration of the 75/25 blended rate has triggered rate reductions in their other payers' reimbursement rates.

In many areas across the country, the HME infrastructure is nearing a breaking point, which could cause widespread access issues not only for Medicare beneficiaries but for all Americans who rely on HME to manage their medical needs in a home-based setting, regardless of payer.

1. <https://mailchi.mp/aahomecare/2024-rate-analysis>



Real World Stories from Survey Respondents

- *“As the owner, I have taken out personal loans to keep things going. Currently the business has borrowed \$30,000 from me, and I see no immediate way to pay myself back. I have also cut my salary to mitigate the losses. I will have to consider closing. I am only one of two DME companies in our entire county. This area would be devastated.”*
- *“Due to the rate cuts, we have had to make significant reductions in volume of services and staff, with the fear of possibly having to shutter our doors completely if the rates are not restored. We have been and are on track to lose large amounts of money each week because of the volume of customers we have on FFS Medicare whose payments have been impacted by the reduction... we serve a large amount of the local population, and without us, many residents would completely lose access to care.”*
- *“Reduced staff, reduced coverage area, reduced revenue. We have been in business for over 23 years, and it seems like the durable medical equipment business cannot get a win. Medicare Advantage plans and commercial plans go by the Medicare allowable, so when they reduce rates, everyone reduces rates. We cannot sustain at the current rates.*
- *“I have been in business 31 years, and we love our community and to serve our Medicare population, but sadly it has come to a breaking point.”*
- *“We will likely be exiting the market for all mobility DME because of this within the next 6 months... Our hesitation for exiting the market is because there is no one to fill the void. Patients will simply go without.”*
- *“Devastating. My costs have escalated, and reimbursement decreased. This is not sustainable... It is becoming impossible to stay in business. Margins are not there.”*

The full 75/25 Impact Report findings can be found at aahomecare.org/impact.