

Medicare DMEPOS

(Durable Medical Equipment, Prosthetics, Orthotics, and Supplies)

Competitive Bidding Program

Round 2 and
National Mail-Order Competitions

Request for Bids (RFB)

Instructions

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Introduction

This document provides instructions for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers in order to ensure they meet the requirements to submit a *bid* for the Medicare DMEPOS [Competitive Bidding Program](#) for Round 2 and for the national [mail-order](#) competition. Read and follow these instructions carefully. Should you have any questions, please refer to the numerous tools available on the [Competitive Bidding Implementation Contractor \(CBIC\)](#) website, <http://www.dmecompetitivebid.com/>, or call the CBIC customer service center at 877-577-5331.

LEGISLATIVE BACKGROUND

Section 1847 of the Social Security Act, as amended by the [Medicare Prescription Drug, Improvement, and Modernization Act of 2003 \(MMA\)](#) and the [Medicare Improvements for Patients and Providers Act of 2008 \(MIPPA\)](#), requires the Secretary to establish and implement a Medicare DMEPOS Competitive Bidding Program. Section 1847(a)(1)(D), as amended by the [Affordable Care Act \(ACA\)](#), provided for an additional 21 [metropolitan statistical areas \(MSAs\)](#) to the original 70 MSAs that were selected as of June 1, 2008, to be included in Round 2 of the program. It also allows for the subdivision of MSAs with populations of at least 8 million into multiple [competitive bidding areas \(CBAs\)](#). As a result, 100 CBAs are included in Round 2. Section 1847 of the Social Security Act also authorizes competition for national mail-order [items](#) and services.

The statute requires that Medicare replace the [fee schedule](#) payment methodology for certain DMEPOS items with a competitive bidding process. The intent is to improve the effectiveness of the Medicare methodology for setting DMEPOS payment amounts, which will reduce beneficiary out-of-pocket expenses and save the Medicare program money while ensuring beneficiary access to quality items and services.

The [final rule](#), which implements the DMEPOS Competitive Bidding Program, was published in the Federal Register at 72 FR 17992 - April 10, 2007. The [MIPPA](#) provisions are addressed in the [Changes to the Competitive Acquisition of Certain Durable Medical Equipment, Prosthetics, Orthotics and Supplies \(DMEPOS\) by Certain Provisions of the Medicare Improvements for Patients and Providers Act of 2008 \(76 FR 2873 - January 16, 2009\)](#), and the [ACA](#) provisions are implemented in [Payment Policies Under the Physician Fee Schedule and Other Revisions to Part B for CY2011 \(75 FR 73170 - November 29, 2010\)](#).

HOW THE COMPETITIVE BIDDING PROGRAM WORKS

Under the Competitive Bidding Program for Round 2 and for the national mail-order competition, suppliers are required to submit a bid and be awarded a contract to furnish certain DMEPOS items to Medicare beneficiaries residing in certain areas. Bids are submitted electronically through a web-based application process and the required hardcopy documents that accompany the bid should be submitted by common carrier (for example, U.S. Postal Service, Federal Express, United Parcel Service) or courier. Bids are evaluated based on the supplier meeting eligibility and financial requirements, and contracts are awarded to Medicare suppliers that offer the best price and meet these standards.

Considerations for Submitting a Bid

(Not an inclusive list – see the [Contract Supplier Obligations](#) fact sheet on the CBIC website for additional information.)

Period of Performance

Suppliers that are awarded a contract must agree to furnish the competitively bid items for the full duration of the contract period throughout the entire CBA. The length of the contract period may not exceed three years.

Servicing the Entire CBA

A [contract supplier](#) must furnish competitively bid items to any beneficiary who maintains a permanent residence in or who visits a CBA and who requests those items from the contract supplier. Members of a [network](#) may share the responsibility to furnish competitively bid items in the [product category](#) throughout the entire geographic area of a CBA.

The national mail-order competition CBA includes all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

The only exception to this rule applies to a skilled nursing facility (SNF) or nursing facility (NF) that is bidding for enteral nutrients, equipment, and supplies and is awarded a contract as a [specialty supplier](#) that furnishes competitively bid items only to its own residents to whom it would otherwise furnish Part B services.

Non-discrimination Against Beneficiaries

The items furnished by a contract supplier as part of the Competitive Bidding Program must be the same items that the contract supplier makes available to its other customers. This means that suppliers should furnish Medicare and non-Medicare customers with the same selection of DMEPOS brands and models.

Single Payment Amount

Under the DMEPOS Competitive Bidding Program, the existing DMEPOS fee schedule payment amounts will be replaced with the [single payment amounts](#) for selected items. The single payment amount for an item furnished under a Competitive Bidding Program is equal to the median amount of bids submitted and accepted for that item (see [42 CFR §414.416](#)).

The single payment amount remains in effect for the entire contract period and is not adjusted by any update factor (see [42 CFR §414.408\(b\)](#)).

[Physician Authorization Requirements](#)

Under the DMEPOS Competitive Bidding Program, physicians or treating practitioners may prescribe a specific brand or mode of delivery to avoid an adverse medical outcome. When a physician or treating practitioner prescribes a particular brand or mode of delivery of an item, the supplier must: 1) furnish the particular brand of an item or mode of delivery as prescribed; 2) consult with the physician or treating practitioner to find an appropriate alternative brand or mode of delivery; or 3) assist the beneficiary in locating a contract supplier that can furnish the particular brand or mode of delivery (see [42 CFR 414.420](#)).

Accreditation and Licensure Requirements

Under the DMEPOS Competitive Bidding Program, contract suppliers must be accredited by a Medicare-approved accreditation organization and comply with all applicable state and local licensing requirements. See the licensure section below under **Eligibility Rules** for more information and bidding instructions.

Eligibility Rules

Bidding suppliers must meet the following basic eligibility criteria to be considered for a contract. Each location listed on the bid must:

1. Have an Active Provider Transaction Access Number (PTAN)

Bidding suppliers must be Medicare-enrolled DMEPOS suppliers in good standing with an active [Provider Transaction Access Number \(PTAN\)](#) for each location listed on the bid. Suppliers should ensure that their enrollment file is up-to-date in the [Provider Enrollment, Chain and Ownership System \(PECOS\)](#) and with the National Supplier Clearinghouse (NSC) as information in the enrollment file will be verified during the registration and bidding process.

2. Be Accredited

Suppliers must be accredited by a [Centers for Medicare & Medicaid Services \(CMS\) approved accreditation organization](#) for the product category(s) for which they intend to bid. Contracts are awarded only to suppliers that are accredited for all items in the product category.

CMS Approved Accreditation Organizations:

- Accreditation Commission for Health Care, Inc.
- American Board for Certification in Orthotics & Prosthetics, Inc.
- Board of Certification/Accreditation International
- Commission on Accreditation of Rehabilitation Facilities
- Community Health Accreditation Program
- HealthCare Quality Association on Accreditation
- National Association of Boards of Pharmacy
- The Compliance Team, Inc.
- The Joint Commission
- The National Board of Accreditation for Orthotic Suppliers

3. Be Licensed

Revised 2/2/12 Bidding suppliers must ensure that copies of all applicable state licenses are RECEIVED by the NSC on or before May 1, 2012. Bids will be disqualified if a bidder does not meet all state licensure requirements for the applicable product categories and for every state in a CBA. Every supplier location is responsible for having all applicable license(s) for each state in which it provides services. For a multi-state CBA, the bidder must collectively have all applicable license(s) for every state in the CBA. Each location is not required to have licenses for every state in the CBA as long as each state has a bidding location licensed for the product category.

Example: A single location supplier bidding in the Minneapolis-St. Paul-Bloomington (Minnesota and Wisconsin) CBA that has only one (1) location that is in Minnesota must have that location appropriately licensed in both Minnesota and Wisconsin to provide the competitively bid item.

A supplier with [multiple locations](#) in a multiple-state CBA must have a licensed location for each state in the CBA.

Example: For the Philadelphia-Camden-Wilmington (Pennsylvania, New Jersey, Delaware, and Maryland) CBA, the supplier must have a licensed location for PA, NJ, DE and MD. Each location does not have to be licensed for all states; however, every location that provides items in a state must be licensed for that state.

This requirement also applies to suppliers bidding in the national mail-order competition. The national mail-order competition includes all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa. The supplier must have the applicable licenses required for every part of the United States included in the national mail-order CBA. Please note that not all states require a license for mail-order diabetic supplies. However, every supplier location must be licensed as applicable for each state in which it provides services. A supplier with only one location in a multiple-state CBA must have a license for each state in the CBA in order to be awarded a competitive bidding contract.

For additional information, review the [licensure directory](#) on the NSC website and the [Licensure for Bidding Suppliers](#) fact sheet on the CBIC website.

4. Meet Financial Standards

All bidders must meet the financial standards for participation in the Competitive Bidding Program. Bidding suppliers are required to submit specified [financial documents](#) for the most recent year in which a tax return has been submitted. Financial documents should represent calendar or fiscal year 2010 or 2011. Documents should not be for an accounting year for months prior to 2009. CMS determines a supplier's financial viability based on [financial ratios](#) calculated from the bidder's submitted financial information. The financial ratios can be found on the CBIC website. All bidders must meet CMS' established financial thresholds to be considered for a contract.

General Regulatory Requirements for Bidders

Bidding suppliers must also comply with the following regulations to be awarded a contract:

Choice of CBAs/Product Categories

Bidders do not have to submit a bid for all Round 2 product categories and CBAs but may choose to bid for certain product categories in certain CBAs. Bidders may also choose to bid only in the national mail-order competition or may choose to bid in both competitions.

Physical Location

Contract suppliers must be ready to provide services in the CBA or nationwide, if bidding in the national mail-order competition, on day one of the contract period. Suppliers of mail-order diabetic testing supplies must be prepared to provide such supplies to Medicare beneficiaries in all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa. To ensure that only qualified suppliers become contract suppliers, a supplier must have at least one physical location that meets all requirements to serve a CBA in order to bid in that CBA. Suppliers with physical locations outside of CBAs may bid on those CBAs only if they meet all requirements (e.g., state licensure, accreditation) at the time of bidding. Bidding suppliers must ensure that copies of all applicable state licenses are RECEIVED by the NSC on or before May 1, 2012.

Revised 2/2/12

Contracts are awarded only to locations listed on Form A in the online [DMEPOS Bidding System \(DBidS\)](#). It is important that suppliers identify the PTANs of all locations that will provide competitively bid items in a CBA; only those locations identified on the bid will be included in the contract and eligible for Medicare payment for competitively bid items at the time the program begins.

Service Entire Bidding Area

Contract suppliers are required to furnish competitively bid items to beneficiaries throughout the entire CBA or, in the case of the national mail-order competition, in all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

Suppliers should not submit a bid unless they currently have the ability to furnish items and services throughout the entire bidding area.

- For **Round 2 product categories**, suppliers must agree to furnish competitively bid items to beneficiaries throughout the entire CBA.
- For **mail-order diabetic testing supplies**, suppliers must agree to furnish items to beneficiaries in all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

If a supplier intends to use the services of a [subcontractor](#), the supplier must ensure the subcontractor is accredited as applicable and complies with the standards in [42 CFR §424.57\(c\)](#). See the **Subcontracting** section of this document for more information about subcontracting.

Commonly Owned and/or Controlled Locations

Suppliers may not bid against themselves for the same product category in the same CBA. Therefore, commonly owned or commonly controlled suppliers must submit one bid that includes all commonly owned and/or controlled locations that would furnish competitively bid items in the same product category in the designated CBA or that would furnish mail-order diabetic testing supplies nationally. Separate bids submitted for the same product category in the same CBA by supplier organizations that are commonly owned or controlled will be disqualified; this includes suppliers bidding in the national mail-order competition.

Commonly owned and/or controlled locations outside of the CBA that would routinely furnish items in the product category to beneficiaries in the CBA must also be identified on Form A under the location-specific section. Only locations identified in the bid are included in the

contract and eligible for Medicare payment at the time the program begins. The [common ownership](#) rules also apply to the national mail-order competition; all locations that will provide diabetic testing supplies in the national mail-order competition must be identified in the bid.

Common ownership and [common control](#) requirements can be found in [42 CFR §414.414\(e\)](#).

Subcontracting

Suppliers participating in the Competitive Bidding Program may use subcontractors to assist them in carrying out the terms of the competitive bidding contract. If a supplier intends to use the services of a subcontractor, the supplier must ensure the subcontractor is accredited, if applicable, and must comply with the supplier standards in [42 CFR §424.57](#). The supplier standards describe the services for which a Medicare-enrolled DMEPOS supplier may subcontract to another [entity](#). These functions include the:

- purchase of inventory,
- maintenance and repair of rented equipment,
- delivery of a Medicare-covered item only, and
- setup and/or instruction on use of a Medicare-covered item

For additional information on the functions that subcontractors can and cannot do, see the CBIC website for the [Subcontracting](#) fact sheet.

Subcontractor Disclosure Requirements

If awarded a competitive bidding contract, contract suppliers must meet the following subcontractor disclosure requirements:

- Notify CMS of any subcontracting relationships established for purposes of furnishing items and services under the program.
- Disclose whether the subcontractor meets the accreditation requirements necessary to furnish these services.

Contract suppliers are responsible for the items and services they provide directly or through the use of a subcontractor. This includes maintaining proper documentation and ensuring appropriate delivery, setup, and/or instruction. See the NSC website at <http://www.palmettogba.com/nsc> for a more detailed explanation of subcontracting and the supplier standards.

Change of Ownership (CHOW): Implications for Bidding

If a CHOW occurs before the [bid window](#) closes, suppliers must update the information related to the CHOW on the [Request for Bids \(RFB\)](#) forms in DBidS. The supplier must also resubmit all accompanying hardcopy documents reflecting the CHOW by the close of the bid window. The supplier must also notify the NSC of the CHOW in accordance with the supplier standards.

If a CHOW occurs during bid evaluation, bids will be evaluated based on the information provided as of the close of the bid window. Documentation and information submitted on the new owner will not be used during this time period. If a supplier is offered a contract and executes a CHOW transaction after the bid window closes, it must abide by the CHOW requirements provided in [42 CFR §414.422\(d\)](#).

Contracts under this program may not be sold and may only be transferred when permitted by CMS consistent with the requirements in [42 CFR §414.422](#). Additionally, a CHOW does not guarantee that a purchaser will be allowed to assume a competitive bidding contract. The purchaser must meet all of the competitive bidding requirements before CMS approves a novation agreement that transfers all contract obligations to the purchaser. Fact sheets and frequently asked questions regarding CHOWs can be found on the [CBIC website](#).

Bona Fide Bids

All bid amounts must be bona fide (rational and feasible for the bidder to furnish at the [bid price](#)). Suppliers should not submit a bid for an item at a loss in order to improve their

chances of winning a contract. Suppliers should include all costs related to furnishing an item to the beneficiary in the bid price.

CMS will evaluate bids to ensure that they are bona fide and may request that a supplier submit additional information, such as manufacturers' invoices, to validate the bid amount. The supplier will also be required to provide a valid and reasonable rationale to support its bid amount.

If a supplier submits a **non-bona fide bid** for any competitively bid item in a product category, the **entire bid** for that product category in that CBA will be disqualified. For the national mail-order competition, the entire bid will be disqualified.

A [bid preparation worksheet](#) is available on the CBIC website to assist bidders in determining their bid amount and if their bid is bona fide. Suppliers should NOT mail this worksheet to the CBIC. However, if the supplier is asked to validate its bid during the bona fide bid process, the worksheet can be submitted along with a rationale to support the validity of the bid.

National Mail-Order Competition

50 Percent Rule

In accordance with [42 CFR §414.411](#), bidders for mail-order diabetic supplies must demonstrate that their bids cover at least 50 percent of all types of diabetic testing strips on the market. This rule will help ensure that Medicare beneficiaries have access to a wide variety of mail-order diabetic supplies.

Bidders must complete the [National Mail-Order 50 Percent Compliance](#) form on the CBIC website to indicate the brands of diabetic testing strips they intend to furnish if awarded a contract. The form MUST be received by the CBIC along with the other required hardcopy documents by the close of the bid window. The [bidder number](#) MUST be indicated on the form. Only suppliers that meet the 50 percent rule and mail their form to the CBIC will be eligible for contract award.

A [bid preparation worksheet](#) is available on the CBIC website to assist bidders in determining if their bid for diabetic testing supplies is bona fide. Suppliers should NOT mail this worksheet to the CBIC unless they are later asked to provide documentation to support their bid.

For additional information, please refer to the [National Mail-Order Competition for Diabetic Supplies](#) fact sheet on the CBIC website.

Bidding Process

The bidding process includes three steps:

1. Register for user ID and password
2. Submit bid in the bidding system
3. Mail required hardcopy documents

1. Register

Suppliers intending to submit a bid must first obtain a user ID and password to access DBidS by registering in the Individuals Authorized Access to the CMS Computer Services (IACS) application. Bidding suppliers will register in IACS on the [CBIC website](#). Only an individual identified as an [authorized official \(AO\)](#) on the CMS-855S enrollment form can register the company and approve the registration of the end users and [backup authorized officials \(BAOs\)](#). A BAO is someone who is also identified as an AO on the 855S and can serve as a backup to the AO.

Registration Schedule

Registration Opens	December 5, 2011, at 9:00:00 a.m.
Registration Closes	February 9, 2012, at 9:00:00 p.m.

Please see the [IACS Reference Guide](#) on the CBIC website for step-by-step instructions on how to register.

2. Submit Bid

All bidders must submit bids electronically via [DBidS](#), which is located on the CBIC website. Please carefully review the [DBidS Reference Guide](#) for instructions and assistance.

Bidding Schedule

DBidS Opens	January 30, 2012, at 9:00:00 a.m.
DBidS Closes	March 30, 2012, at 8:59:59 p.m.

A supplier's bid must be **completed**, **approved**, and **certified** by the close of the bid window in order to be considered. Please note that changes to a bid after it has been approved or certified may result in a need to reapprove or recertify.

Bidders do not have to submit a bid for all Round 2 product categories and CBAs but may choose to bid for certain product categories in certain CBAs.

Changing a Bid Submission

Bidders have 60 days to submit their bids in DBidS. Bidders may amend their bids as many times as necessary prior to the close of the 60-day bid window.

Hardcopy documents may be amended prior to the close of the bid window as long as the amended documents are identified as "amended" and **received by the CBIC on or before March 30, 2012**.

Once the bid window has closed, no further changes can be made to the electronic bid, and CMS will only accept hardcopy documents that it has requested through the covered

document review process. See **Covered Document Review Process** section of this document for more information.

Confidentiality

CMS will protect the confidentiality of bidders' proprietary financial and bidding information to the extent provided by law and will follow the procedure stated in [45 CFR §5.65](#). CMS will not share information about any bidder's proposal with other bidders.

However, an independent evaluator may be granted access to bidders' or networks' bidding information as permitted by law. Any reports that are created to evaluate the program will be reported in an anonymous or aggregate format. Bidding information may be reviewed as required by law by the U.S. Government Accountability Office (GAO) and the Department of Health and Human Services (DHHS) Office of Inspector General (OIG), and by the Department of Justice (DOJ) as permitted by law. CMS will request that any reports created to evaluate the program by the GAO and DHHS/OIG will report bidding information in an anonymous or aggregate format.

Contractor staff with access to bidding information is required to sign a statement agreeing to maintain the confidentiality of each bidder's information.

Bid Application

The bid application consists of two RFB forms approved by the Office of Management and Budget (OMB):

Form 10169A: Bid Application

Form 10169B: Bidding Form.

Bidders are required to complete Form A and Form B online using the [DMEPOS Bidding System \(DBidS\)](#), which can be accessed through the CBIC website. If you are bidding in both the Round 2 and national mail-order competition, you have to complete only one Form A that includes all of the information on your company. You would then select national mail-order for the CBA and mail-order diabetic supplies among your product categories.

Form A: Bid Application

- Requests information about (1) the bidder's organization and (2) the organization's locations that are included in the bid. Suppliers must identify their organizations as one of a specific business organization type (supplier with [single location](#), supplier with multiple locations, or network). For definitions and additional information, see the **Bidding Types Identified on Form A** section of this document.
- Requires the bidder to provide identifying information, such as the legal business name, doing-business-as name, mailing address, and physical address for both the business organization and for each location identified by the PTAN. Bidders must also select the CBA(s)/product category(s) for which they are bidding.

Only the PTANs entered on the bid will be included in a contract award and will be the only PTANs qualified to receive payment from Medicare for competitively bid items.

Suppliers are only required to complete ONE Form A for each business organization type (supplier with **single location**, supplier with **multiple locations**, or **network**). Suppliers submit ONE Form A, regardless of the number of CBAs and product categories being bid and regardless of whether the supplier is bidding in Round 2 and/or in the national mail-order competition for diabetic testing supplies. There are only two exceptions to this requirement which are described below.

Exception to the Requirement for Submitting Only One Form A:

1. If a supplier is bidding independently in one product category/CBA or the national mail-order competition and is also bidding as part of a network in another CBA, the supplier must register in IACS and then submit separate Form As. The supplier will receive distinct bidder numbers and must complete two Form As: 1) as an independent bidder, and 2) as a network bidder if the bidder is the [primary network member](#). *NOTE: Suppliers may not bid for the same product category in the same CBA as both a single entity and as part of a network.*
2. If a supplier has more than one location within the same CBA and one or more of the locations furnishes a different product line that does not compete against the other location(s), the supplier will have distinct bidder numbers and must complete separate Form As representing each bidder number.

Please refer to the [IACS User Guide](#) for more information on this exception.

The business organization section of Form A must be complete before a bidder number is assigned. The bidder number is very important and **MUST** be included on **EACH PAGE** of the required hardcopy documents.

The authorized official or backup authorized official must **approve** Form A before it is considered complete and before the bidder can progress to Form B. Please note that changes made to the bid after it has been approved or certified may result in a need to reapprove or recertify the bid. However, no changes can be made after the bid window has closed.

Bidding Types Identified on Form A

Single Location

A single location supplier is a bidding entity with only one location that has one or more owners and is represented by a single PTAN.

Multiple Location

Multiple-location suppliers have two or more locations with one or more owners (may be commonly owned or commonly controlled) and each location is identified by a unique PTAN. Multiple-location suppliers may or may not share a common taxpayer identification number. Multiple-location suppliers may be one of the following:

Subsidiary of a Parent Company/Holding Company

[Parent-subsidiaries](#) are separate entities where one entity has control of the other. In general, a parent entity is a company that owns controlling interests in one or more companies. A subsidiary is a company that is controlled by a parent company. These companies do not have to operate in the same locations or even in the same business.

Commonly Owned or Commonly Controlled

Commonly owned suppliers are those where one or more of them has an ownership interest totaling at least 5 percent in the other(s). The term "ownership interest" is defined as "the possession of equity in the capital, stock, or profits of another supplier," as defined in [42 CFR 414.412\(e\)](#). Commonly controlled suppliers are those where one or more of the supplier's owners is also an officer, director, or partner in another supplier.

Commonly owned or commonly controlled suppliers must submit one bid that includes all commonly owned or controlled locations that would furnish the same product category within the designated CBA. Separate bids submitted for the same product category in the same CBA by commonly owned or controlled supplier organizations will be disqualified. Likewise, commonly owned or controlled suppliers that submit separate bids for mail-order diabetic testing supplies will be disqualified.

National Chain

A DMEPOS chain organization is defined by the National Supplier Clearinghouse as "25 or more" DMEPOS supplier locations. Chain organizations must identify all locations inside and outside of the CBA that would routinely furnish the items in the product category to beneficiaries within the CBA. Only those locations (PTANs) identified on the bid will be included on the contract and only those locations are eligible for payment if the bidder is awarded a contract. However, approved locations can be added after contract award.

Franchise

A franchise is a company that purchases a license from an owner of a trademark or trade name permitting another to sell a product or service under the name or mark. If a franchise only shares the company name or corporate marketing services from the franchisor company, these companies are not considered commonly owned for bidding purposes. Each franchise must submit a separate bid to include its own financial documents.

Network

[Small suppliers](#) have the option to join a network if they are unable to independently furnish all of the items in the product category to Medicare beneficiaries throughout the entire geographic area of a CBA. A small supplier is defined in [42 CFR 414.402](#) as one that generates gross revenue of \$3.5 million or less in annual receipts, including Medicare and non-Medicare revenue.

Please note that networks are **excluded** from bidding in the national mail-order competition because all suppliers in the national mail-order competition must be able to independently furnish all of the items in the product category throughout the entire geographic area. Therefore, networks are excluded from bidding in this competition.

Network Agreement: Each network must form a single legal entity to submit a bid. A network must identify a [primary network member](#) that will be responsible for submitting a bid on behalf of the network. The network must provide a name for its network in DBidS and must identify all of its members and their locations.

Member Certification: Each [network member](#) must provide a separate statement certifying that it joined the network because it was unable to independently furnish all of the items in the product category throughout the entire geographic area for which the network is submitting a bid. The primary network supplier should print a certification statement in DBidS for each member to sign and include all signed certifications with the package of required hardcopy documents.

All agreements, including contracts, required to create the entity must be in place and signed before the network submits a bid. These agreements must be submitted along with other required hardcopy documents.

Each network member must provide all items in the product category for which he or she is awarded a contract.

Networks must have at least two (2), but not more than twenty (20), members.

At the time the network submits its bid for Round 2, its current market share for each product category in the CBA may not exceed 20 percent of the total Medicare demand for that product category in the CBA. If the network has provided greater than 20 percent of Medicare volume for the entire product category in the CBA during the last calendar year, that network bid will be disqualified. Please see the [bid preparation worksheet](#) for assistance in determining market share.

Each member of the network, along with its locations, must meet all eligibility, accreditation, licensure, and financial requirements at the time of bidding to participate in the Competitive Bidding Program. Each member must ensure that copies of all applicable state licenses are RECEIVED by the NSC on or before May 1, 2012. If one member of the network does not meet one or more of the competitive bidding requirements, then the entire network's bid is disqualified.

Revised 2/2/12

A small supplier may join one or more networks but cannot submit an individual bid to furnish the same product category in the same CBA as a network in which it is a member. A small supplier may not be a member of more than one network if those networks submit bids to furnish the same product category in the same CBA.

Common Ownership Among Networks

Commonly owned or commonly controlled suppliers that are members of a network must submit one bid that includes all locations that will provide the competitively bid items in the CBA. All locations must be included on Form A to be awarded a contract and receive Medicare payment for competitively bid items in the CBA.

Separate bids for the same product category in the same CBA that are submitted by suppliers independently or as members of the network that are commonly owned or commonly controlled will be disqualified. See the **Common Ownership or Common Control** section of this document for more information.

In addition, any commonly owned or commonly controlled locations outside of the CBA that would routinely furnish items in a product category to beneficiaries within the CBA must also be included on Form A. These locations must be listed in the location-specific information section to be awarded a contract and receive Medicare payment for competitively bid items in the CBA.

Important: Networks are excluded from bidding in the national mail-order competition.

All suppliers in the national mail-order competition must be able to independently furnish all of the items in the product category throughout the entire geographic area. Therefore, networks are excluded from bidding in this competition.

Specialty Supplier

Skilled nursing facilities (SNFs) and nursing facilities (NFs) are not exempt from the Competitive Bidding Program. A SNF or NF that also serves as a DMEPOS supplier and wants to become a contract supplier must submit a bid and compete in the Competitive Bidding Program. Only those facilities that are enrolled as DMEPOS suppliers with the NSC and meet the applicable competitive bidding requirements may submit a bid to become a contract supplier.

A SNF or NF may choose to become a specialty supplier. A specialty supplier is a SNF or NF that elects to furnish competitively bid items only to its own residents. To become a specialty supplier, the SNF or NF must select the specialty supplier option on Form A and be awarded a contract as a specialty supplier. SNFs or NFs that do not become contract suppliers (either a specialty supplier or regular contract supplier) must use contract suppliers to furnish competitively bid items to their residents in their CBA.

Form B: Bidding Form

- Includes the bidding forms for each product category/CBA and for the national mail-order competition. A separate Form B is required for each competition.
- Requests historic information about the supplier's experience in the product category and/or CBA. The supplier must provide the number of units it has furnished to all customers, Medicare and non-Medicare, for the top 80 percent of the [Healthcare Common Procedure Coding System \(HCPCS\)](#) codes in the product category during the past calendar year in the CBA.
- Requires suppliers to identify the manufacturer and model of the products they plan to make available to beneficiaries in the CBA. This information will be used to populate the Medicare Supplier Directory on the Medicare website, <http://www.medicare.gov/>. The supplier directory will list the manufacturer information for the top items provided by contract suppliers to allow beneficiaries to make informed choices about the available products. The Medicare Supplier Directory is used by Medicare beneficiaries, caregivers, referral providers, and 1-800-MEDICARE customer service representatives when assisting beneficiaries. Therefore, it is important that bidders provide accurate information on Form B.
- For the national mail-order competition: Bidders are required to complete a separate [form](#) on the CBIC website that documents that the supplier is in compliance with the 50 percent rule. Please see the **National Mail-Order Competition** section of this document for more information.

Bidding Form:

Total Estimated Capacity – Requires suppliers to provide their expected capacity. The total estimated capacity indicates the number of units per HCPCS code you estimate you can furnish throughout the entire CBA for one (1) year. The [bid preparation worksheet](#) on the CBIC website contains the unit by product category definitions. To determine your expected capacity, calculate the number of units you currently furnish in the area on a yearly basis and add units you would be capable of providing annually as of the start of the contract period. It is anticipated that suppliers can maintain this level or greater throughout the contract period.

Bid Price – The amount for which you can furnish the item, including all costs associated with furnishing the item. The bid price must be rational and feasible and must indicate the cost of furnishing a new item or the rental of a new item at the bid price submitted.

Item description, bid type, item weight and fee schedule amount will be provided on the bid form.

After a supplier has completed Form B, the authorized official or backup authorized official must certify Form B. Bids that are not certified will not be considered for bid evaluation.

Bids will be evaluated based on the information provided in DBidS and submitted in the package of hardcopy documents. Once the bid window closes, all bids are considered final and cannot be amended by the bidder. Bidders can always check the DBidS status page for 45 days after the bid window closes to confirm that their online bid is complete, approved, and certified by the authorized official or backup authorized official, and whether their hardcopy documents have been received by the CBIC. The DBidS status page will remain available for 45 days after the bid window closes for you to check your status. This allows you to confirm that your online bid is complete, approved, and certified by the authorized official. You can also confirm whether your hardcopy documents were received by the CBIC and by the covered document review date.

An indication that the document package has been received does not mean that the documents in the package are accurate, complete, or otherwise meets CMS' criteria. It is each bidder's responsibility to submit a complete package that includes all required hardcopy documents.

Please refer to the **Required Hardcopy Documents** section for additional information and instructions.

CMS reserves the right to seek clarification or corrections from a bidder if necessary. CMS will seek such clarifications or corrections uniformly.

For step-by-step instructions on entering or modifying information in DBidS, please refer to the [DBidS Reference Guide](#).

Certification Statement

After completing Form A and Form B, the authorized official must certify the bid in DBidS.

In order for a bid submission to be complete, an authorized official or backup authorized official must approve Form A and certify that the information provided on Form A, Form B, and in the package of required hardcopy documents is true, correct, and complete. Only an authorized official or backup authorized official may approve Form A and certify the bid by completing the approval and certification statement in DBidS. The certification statement serves as the bidder's electronic signature.

Please note that changes made to Form A or Form B after approval or certification may require the authorized official or backup authorized official to reapprove Form A or recertify Form B. You can verify the status of your bid by revisiting the DBidS home page.

NOTE FOR NETWORKS: Networks are required to submit a hardcopy certification statement for each member along with their package of hardcopy documents. The primary network member should print copies of the online certification statement and provide these copies to each network member to sign. Each network member should individually sign its certification statement and provide it, along with the other required hardcopy documents, to the primary network member. This certification statement is a required hardcopy document for each network member and certifies that the network member joined the network because it is a small supplier and unable to independently furnish the items in the product category to beneficiaries throughout the entire geographic area of the CBA.

The primary network member must also submit a network agreement attesting to the creation of a single legal entity for purposes of participating in the Competitive Bidding Program.

Required Hardcopy Documents

In addition to completing Form A and Form B in DBidS, bidders must submit the required hardcopy documents in one complete package to the CBIC. **Only one package of hardcopy documents is required for each bidder number, regardless of how many Form B bids are submitted.** Each package must include:

ALL BIDDERS in Round 2 and/or the national mail-order competition:

- Financial documents
 - [Income Statement](#)
 - [Balance Sheet](#)
 - [Statement of Cash Flows](#)
- Tax return extract
- Credit report and credit score

(See [Required Financial Documents By Business Type](#) chart.)

NETWORK BIDDERS:

- Legal agreement and
- Network certification pages signed by each network member

NATIONAL MAIL-ORDER BIDDERS

- 50 percent compliance form

BIDDERS THAT INTEND TO SUBCONTRACT

- [Letter of intent](#) to enter into a subcontracting agreement

BIDDERS THAT HAVE BEEN SANCTIONED WITHIN LAST FIVE YEARS

- Settlement agreement or corporate integrity agreement, if applicable

It is VERY IMPORTANT that EACH PAGE include the supplier's bidder number to ensure that the documents are associated with the correct bid. The bidder number is issued in DBidS after completion of the business organization section in Form A.

All hardcopy documents must be **RECEIVED** by the CBIC **on or before March 30, 2012**. Documents not received by that date will not be accepted. We highly recommend that the package be sent by a method that can be tracked and requires a signature upon receipt. The only documents that will be accepted and considered for evaluation after March 30, 2012, are missing documents identified in a written notice from the CBIC during the covered document review process. Hardcopy document packages should be sent to:

Palmetto GBA
Competitive Bidding Implementation Contractor
2743 Perimeter Pkwy, Suite 200-400
Augusta, GA 30909-6499

- ! Submit all documents in loose page format – no binders, folders, staples, or paper clips
- ! The bidder number **MUST** be included on EACH PAGE of the required hardcopy documents. The bidder number is assigned once the Business Organization page within Form A in the DMEPOS Bidding System (DBidS) is completed. Once assigned, the bidder number can be found on each page in DBidS.
- ! Only ONE package of documents is required per bidder number, regardless of the number of Form Bs.

Use the Hardcopy Document Package Checklist (Appendix B) and Required Financial Documentation by Business Type Chart when preparing your submission.

Special Documentation Requirements for Specific Bidder Types

Commonly Owned or Commonly Controlled

Compile all required documentation from each supplier and submit one package. Suppliers cannot bid against themselves for the same product category in the same CBA. Therefore, commonly owned or commonly controlled suppliers must submit one bid that includes all locations in the CBA that will furnish competitively bid items.

Parent-Subsidiaries

If the bidding supplier is a subsidiary of a parent organization and the subsidiary files its own tax return, the subsidiary must submit its own financial documentation. If the subsidiary does not file its own tax return, the subsidiary must submit the parent's financial documentation.

New Suppliers

If a supplier has been in business for less than one (1) year from the date on which the bid is submitted, the supplier must submit appropriate combinations of actual and pro forma data representing the months to which they apply to equal a one-year period.

For example, a supplier in business for six months would submit actual financial statements for the six months actually in business and pro forma or prospective financial statements for the remaining six months. Actual and pro forma financial statements should not be aggregated or combined for the same period. Each statement must be separately prepared for the months in which it applies. The combination of actual and pro forma statements must cover a 12-month period.

Networks

Compile all required documentation from each supplier included in the network and submit one package. If the supplier is submitting an individual bid and is also submitting a bid as part of a network, the supplier must submit separate financial packages for each bidder number to support both the individual and the network bids. Suppliers cannot bid against themselves for the same product category in the same CBA. Therefore, a supplier cannot submit both an individual bid and a network bid for the same product category and CBA.

Required Financial Documentation

All bidding suppliers are required to submit certain financial documents for the most current year (fiscal or calendar) in which a tax return has been submitted. **The financial statements and the tax extract must be for the same 12-month accounting period.** Therefore, financial documents should represent calendar or fiscal year 2010 or 2011. Documents should not be for an accounting year that includes months prior to 2009.

For example, if the financial statements are for the 2010 calendar year, the tax return extract must be for the 2010 calendar year. For specific requirements based on your business type (corporation, sole proprietor, partnership, non-profit, municipality- or state-owned organization), please refer to the [Required Financial Documents by Business Type](#) chart.

Financial Statements Checklist (Calendar or Fiscal Year)

All bidding types must submit:

1. Three financial statements, which are the income statement, balance sheet, and statement of cash flows;
2. Tax return extract; and
3. Credit report with numerical score.

All documents should be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

1) Financial Statements

The **Income Statement** must include:

- Revenues
- Adjustments to revenues (if applicable)
- Cost of goods sold
- Expenses by category such as salary, utilities, rent, etc.
- Net income/loss

The **Balance Sheet** must include:

- Current assets
- Total assets
- Current liabilities
- Total liabilities
- Stockholders' equity or owner's capital

The **Statement of Cash Flows** must include:

- Cash flow resulting from operating activities
- Cash flow resulting from financing activities
- Cash flow resulting from investing activities
- Beginning and ending cash balances

! See examples of financial statements in Appendix C.

! Only submit the required documents. Do NOT include other documents such as bank references, personal financial statements of corporate stockholders, advertising materials, or bank statements. Only required documents will be evaluated; supplemental documents will be disregarded.

We strongly recommend that the financial statements be compiled by an independent accounting firm.

The financial statements must be submitted on either a fiscal or calendar year and must be for a 12-month accounting period; **individual financial statements for each month are not acceptable.**

Financial statements must be prepared on either the accrual or cash basis of accounting. Financial statements must include all parts identified in the [Required Financial Documents by Business Type](#) chart. If not already included, it is recommended that bidders modify their balance sheet to include inventory, accounts receivable, and accounts payable.

Each financial statement must correspond with related financial statements. For example, ending cash on the statement of cash flows should equal ending cash on the balance sheet.

Data within the financial statements must accurately total.

The statement of cash flows should be sectioned into cash flows resulting from operating activities, financing activities, and investing activities. **If you do not have activities in one or more sections, you must indicate this by placing a zero value under the appropriate titled section.**

Forms submitted by bidders to federal agencies for other purposes, such as Small Business Administration (SBA) forms, are not acceptable substitutes for financial statements.

2) Tax return extract

The tax return and the three financial statements outlined above must be for the same 12-month accounting period. These documents should be for the most current year in which a tax return has been submitted. Therefore, financial documents should represent calendar or fiscal year 2010 or 2011. No part of an accounting year should include months prior to 2009.

- DO NOT submit the entire tax return, only the required pages.
- The required pages of the tax return and the financial statements must cover the same 12-month accounting period.
- For example, if the tax return extract is for the 2010 calendar year, then the financial statements must be for the same calendar year – 2010.
- The tax return extract requirement does not apply to municipality- and state-owned entities which do not submit tax returns. These entities are not required to provide other documents to substitute for this requirement.

3) Credit report with numerical credit score

Suppliers must submit a copy of a credit report with numerical score that was prepared **within 90 days prior** to the opening of the bid window. All credit reports/scores must be prepared **on or after November 1, 2011, and before March 31, 2012.**

- ! Credit reports must be prepared by one of the following: Dun & Bradstreet, Experian, Equifax, TransUnion, or Standard & Poor's.
- ! Credit reports from other companies will not be accepted.

Credit reports must include a numerical score. The only exception is an alpha score from Standard & Poor's. Any other forms of gauging credit other than a numerical score (such as arrows indicating relative value of credit or the number of days beyond term) are not acceptable.

If no credit report is available for the business, a personal credit report and numeric score for the principal business owner is acceptable as long as it is prepared by an acceptable bureau within 90 days prior to the opening of the bid window. However, a personal credit report and score is not acceptable from bidders filing a regular 'C' corporation tax return (Form 1120), except in cases of newly formed corporations.

Required Financial Documents by Business Type Chart

Business Type	Income Statement	Balance Sheet	Statement of Cash Flows	Tax Return Extract	Credit Report & Numerical Score
LLC, PC, S or C Corporation	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Stockholders' equity 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>Most current year for which a tax return has been submitted (should not include any months prior to 2009 for fiscal filers).</p> <p>MUST INCLUDE:*</p> <ul style="list-style-type: none"> • Form 1120: pages 1 – 5 or • Form 1120S: pages 1 – 4 or • Schedule C: pages 1 – 2 or • Form 1065: pages 1 – 5 	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's
Sole Proprietor	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Owner's capital 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>Most current year for which a tax return has been submitted (should not include any months prior to 2009 for fiscal filers).</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Schedule C: pages 1 – 2 	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's

Business Type	Income Statement	Balance Sheet	Statement of Cash Flows	Tax Return Extract	Credit Report & Numerical Score
<p>Partnership</p>	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Partners' capital 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>Most current year for which a tax return has been submitted (should not include any months prior to 2009 for fiscal filers).</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Form 1065: pages 1 – 5 	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's
<p>Non-Profit Organization</p>	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Total net assets or fund balances 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>Most current year for which a tax return has been submitted (should not include any months prior to 2009 for fiscal filers).</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Form 990: pages 1 and 9 –11 	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's

Business Type	Income Statement	Balance Sheet	Statement of Cash Flows	Tax Return Extract	Credit Report & Numerical Score
<p>Municipality- or State-Owned Organization</p>	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Total net assets or fund balances 	<p>Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>A tax extract is submitted only if the municipality- or state-owned organization has a tax filing requirement. Contact the Competitive Bidding Implementation Contractor if you filed a tax return.</p>	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's
<p>New Supplier</p>	<p>Income statements for a 12-month period with actual and pro forma data separately prepared for the months to which they apply.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>Balance sheets for a 12-month period with actual and pro forma data separately prepared for the months to which they apply.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Stockholders' equity or owner's capital • Non-profit, municipality- or state-owned organizations must include total net assets or fund balances instead of stockholders' equity or owner's capital 	<p>Statements of cash flows for a 12-month period with actual and pro forma data separately prepared for the months to which they apply.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>If a tax return has been filed, refer to the relevant business types above for requirements.</p> <p>MUST INCLUDE:*</p> <ul style="list-style-type: none"> • Form 1120: pages 1 – 5 or • Form 1120S: pages 1 – 4 or • Form 1065: pages 1 – 5 or • Schedule C: pages 1 – 2 or • Form 990: pages 1 and 9 –11 	<p>Credit report with score that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's <p>If a credit report is not available for the business, the principal business owner must supply a personal credit report with numerical score prepared within 90 days prior to the opening of the bid window by one of the credit bureaus listed above.</p>

Business Type	Income Statement	Balance Sheet	Statement of Cash Flows	Tax Return Extract	Credit Report & Numerical Score
Network	<p>One year for each network member. Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Revenue • Adjustment to revenues • Cost of goods sold • Expenses by category • Net income/loss 	<p>One year for each network member. Financial statements and tax extract cover same accounting period.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Current assets • Total assets • Current liabilities • Total liabilities • Stockholders' equity or owners' capital 	<p>One year for each network member. Financial statements and tax extract cover same year.</p> <p>MUST INCLUDE:</p> <ul style="list-style-type: none"> • Operating activities • Financing activities • Investing activities • Beginning and ending cash balances 	<p>For each network member, refer to the relevant business types above for tax extract requirements.</p> <p>MUST INCLUDE:*</p> <ul style="list-style-type: none"> • Form 1120: pages 1 – 5 <i>or</i> • Form 1120S: pages 1 – 4 <i>or</i> • Form 1065: pages 1 – 5 <i>or</i> • Schedule C: pages 1 – 2 <i>or</i> • Form 990: pages 1 and 9 –11 	<p>Credit report with score, for each network member, that was completed within 90 days prior to the opening of the bid window.** All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.</p> <p>MUST BE PREPARED BY ONE OF THE FOLLOWING:</p> <ul style="list-style-type: none"> • Dun & Bradstreet • Experian • Equifax • TransUnion • Standard & Poor's

* The required form depends on your accounting period and business type. Contact your tax preparer if you have any questions.

** Credit reports must reflect a numerical score unless you are using Standard & Poor's. Standard & Poor's credit report uses an alpha score instead of a numeric score; therefore, the report must contain the alpha grade such as AAA, AA, etc. Gauges with an arrow indicating the relative value of credit or a credit report indicating the number of days beyond term are not acceptable.

Note: Financial statements should be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Other Required Documents (Non-Financial)

National Mail-Order Bidders

- **National Mail-Order 50 Percent Compliance Form**
Bidders for the national mail-order competition for diabetic testing supplies must complete, print, and mail the 50 Percent form that demonstrates the bid covers 50 percent of the brands of diabetic testing strips on the market. Bids that do not include this form will be disqualified.

Network Bidders

- **Legal Agreement Between All Network Members**
Networks must form a single legal entity for the purpose of submitting a bid as a network. All agreements, including contracts, between the network's members must be in place and signed before the network entity may submit a bid.

A copy of the legal agreement must be submitted with the other required documents.

- **Small Supplier Certification Statement**
The primary network member must submit a separate network certification page for each member that is signed by the individual network member. This page certifies that the network member *is unable to independently furnish all of the items in the product category for which the network is submitting a bid to beneficiaries throughout the entire geographic area of the CBA*. Please note that bidders in the national mail-order competition are excluded from participating in a network.

Bidders That Choose to Subcontract in Round 2 or National Mail-Order

- **Letter of Intent to Enter into a Subcontracting Agreement**
A signed letter of intent to enter into a subcontracting agreement must include the following information:
 - Identification of the parties,
 - Language clearly indicating that the subcontractor has agreed to supply items/functions/services,
 - Anticipated length of agreement,
 - Attestation that the subcontractor currently possesses all required state licenses for every state in the CBA for which they will be servicing,
 - Attestation that the subcontractor currently meets all quality standards and is accredited by a CMS-approved accreditation organization, if applicable,
 - Signature of both the bidder's authorized official and the subcontractor
 - Language obligating the subcontractor to abide by state and federal privacy and security requirements, including the privacy provisions stated in the regulation for this program.

See the **Subcontracting** section of this document for more information about subcontracting.

Bidders That Have Been Sanctioned

- **Settlement Agreement or Corporate Integrity Agreements**
The bidder must submit a copy of any settlement agreement or corporate integrity agreement that has been reached between the supplier and any federal agency within the last five years.

Covered Document Review Process

CMS will review financial documents that have been received on or before the covered document review date (CDRD). Other required (non-financial) documents are not subject to the CDRD process. The CDRD is either the later of the date that is 30 days before the end of the bid submission due date or 30 days after the start of the bid submission period. For example, if the 60-day bid window opens on October 1 and closes on November 30, the CDRD would be October 31. The CDRD for the Round 2 and national mail-order competitions is **February 29, 2012**.

No hardcopy documents will be accepted after the bid window closes, with the exception of documents requested by the CBIC as part of the covered document review process set forth in [MIPPA](#).

Bidders that submit financial documents on or before the CDRD will be notified in writing by CMS within 90 days of the CDRD of any missing financial document(s). Bidders have ten (10) business days from the date of the notice to submit the identified missing financial document(s).

Bidders that do not submit their hardcopy financial documents on or before the CDRD will not be notified of any missing financial documents.

The review only determines if there are any missing financial documents. It does not indicate if the documents received are acceptable, accurate, or meet applicable requirements.

After the bid window closes, bidders may only submit the requested financial documents identified as part of the CDRD process and cannot submit corrections to any other required documents.

See the [Covered Document Review Date](#) fact sheet on the CBIC website for further information.

Appendix A: Definitions

Authorized Official (AO): The authorized official must be an individual identified as the authorized official on the CMS-855S enrollment application. This individual must be appointed by the supplier and be the supplier's general partner, chairman of the board, chief financial officer, chief executive officer, president, direct owner of the supplier organization, or must hold a position of similar status and authority within the supplier's organization. The authorized official has the legal authority granted by the supplier to submit a bid on behalf of the company and to enter into a contract with Medicare to furnish competitively bid items to Medicare beneficiaries. For registration purposes, there can only be one AO for an organization. The AO may approve or reject the request for backup authorized officials (BAO) and end users to access and enter data in DBiS.

Backup Authorized Official (BAO): One or more individuals listed on the CMS-855S form who can serve as a backup to the authorized official (AO) in order to avoid disruption in the bidding process should the AO leave the organization or become unavailable during the bid window. For registration purposes, there can be one or more BAOs in an organization.

Balance Sheet: A financial statement that summarizes a company's assets, liabilities, and owner's equity at a specific point in time.

Bid: An offer to furnish an item for a particular price and time period that includes, as appropriate, any services that are directly related to the furnishing of the item. The bid should consider all costs associated with furnishing an item.

Bidder Number: System generated number that identifies each unique bidding entity.

Bid Price/Amount: The amount a bidder offers to furnish a competitively bid item to Medicare beneficiaries in a specific CBA, as part of the Competitive Bidding Program. The bid amount must be bona fide for each item (identified by the HCPCS code). It should be rational, feasible, and supportable, include the cost of furnishing the item throughout the CBA (except for SNFs and NFs that elect to participate as specialty suppliers) for the duration of the contract period, and include overhead and profit.

Bid Window: The period of time during which the bidder can submit bids for consideration in a competitive bidding round. No bids are accepted after the bid window closes.

Centers for Medicare & Medicaid Services (CMS) Approved Accreditation Organization: An organization that has been approved by CMS to accredit suppliers of DMEPOS items. A listing of approved accreditation organizations can be found by visiting: <http://www.cms.gov/MedicareProviderSupEnroll/Downloads/DeemedAccreditationOrganizationsCMB.pdf>

Common Ownership or Common Control: (i) an ownership interest is the possession of equity in the capital, stock, or profits of another supplier; (ii) a controlling interest is when one or more of the owners of a supplier is an officer, director, or partner in another supplier; and (iii) two or more suppliers are commonly owned if one or more of them has an ownership interest totaling at least 5 percent in the other(s).

Competitive Bidding Area (CBA): An area established by the Secretary for the purposes of the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program. The area is defined by ZIP codes and may be larger than or smaller than the related metropolitan statistical area (MSA).

The national mail-order CBA includes all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

Competitive Bidding Implementation Contractor (CBIC): The CMS contractor that is responsible for conducting certain functions, including assisting CMS with performing bid evaluations, supporting CMS' education efforts, and monitoring the Medicare DMEPOS Competitive Bidding Program.

Competitive Bidding Program: A program where CMS solicits bids from qualifying suppliers, establishes a single payment amount, and awards contracts within a designated CBA.

Contract Supplier: An entity awarded a contract by CMS to furnish items under a Competitive Bidding Program.

Entity: For competitive bidding purposes, the term "entity" refers to a unique bidder. For example, for a supplier that is commonly owned and/or commonly controlled and has multiple locations, all the locations furnishing competitively bid items within the designated CBA are considered one entity.

Fee Schedule: Medicare Part B payment amounts, as authorized by section 1834 of the Social Security Act, for DMEPOS items and services that are not included in the Competitive Bidding Program.

Healthcare Common Procedure Coding System (HCPCS): A standardized coding system used to process certain claims, including those for DMEPOS items and services, submitted to Medicare, Medicaid, and other health insurance programs by providers, physicians, and other suppliers.

Income Statement (Profit and Loss Statement or Statement of Operations): A financial report on the results of a business' performance as reflected in the profitability of a business over a certain period. It itemizes the revenues and expenses of past performance that led to the current profit or loss.

Item: A product included in the Competitive Bidding Program that is identified by a HCPCS code, which may be specified for competitive bidding (for example, a product when it is furnished through mail-order), or a combination of codes and/or modifiers, and includes the services directly related to the furnishing of that product to the beneficiary. Items that may be included in a Competitive Bidding Program are:

- (1) Durable medical equipment (DME) other than class III devices under the Federal Food, Drug and Cosmetic Act, as defined in [42 CFR §414.202](#) of this part and group 3 complex rehabilitative wheelchairs and further classified into the following categories:
 - (i) Inexpensive or routinely purchased items, as specified in [42 CFR §414.220\(a\)](#).
 - (ii) Items requiring frequent and substantial servicing, as specified in [42 CFR §414.222\(a\)](#).
 - (iii) Oxygen and oxygen equipment, as specified in [42 CFR §414.226\(c\)\(1\)](#).
 - (iv) Other DME (capped rental items), as specified in [42 CFR §414.229](#).
- (2) Supplies necessary for the effective use of DME other than inhalation drugs.
- (3) Enteral nutrients, equipment, and supplies.
- (4) Off-the-shelf orthotics, which are orthotics described in [Section 1861\(s\)\(9\)](#) of the Act that require minimal self-adjustment for appropriate use and do not require expertise in trimming, bending, molding, assembling or customizing to fit a beneficiary.

Letter of Intent: A signed letter that represents an agreement to enter into a subcontracting relationship, but is not the contract between the supplier and the subcontractor.

Mail-Order: Any item shipped or delivered to the beneficiary's place of residence, regardless of the method of delivery. A non mail-order item is one that a beneficiary or caregiver purchases at a local pharmacy or supplier storefront rather than having the item delivered to the beneficiary's residence. Diabetic testing supplies are the only items included in the current national mail-order competition.

Metropolitan Statistical Area (MSA): Area designated by the U.S. Office of Management and Budget (OMB) for the purposes of census data and other urban population calculations. An MSA can include major cities and the suburban areas surrounding them.

Multiple Locations: Two or more locations that are owned by one owner or by more than one owner (commonly owned or commonly controlled). Each location must be identified by its unique 10-digit PTAN.

Network: A group of between two to 20 small suppliers that form a legal entity to provide competitively bid items throughout an entire CBA. These suppliers must certify they cannot independently furnish all competitively bid items in the product category to beneficiaries throughout the entire geographic area of the CBA for which the network is submitting a bid. The network collectively submits a bid as a single entity.

Network Member: Any member of a network, including the primary network member.

Parent-Subsidiary: Parent-subsidiaries are separate entities where one entity has control of the other.

Primary Network Member: The network member that submits a bid on behalf of the network.

Product Category: A grouping of related items that are used to treat a similar medical condition.

Provider Enrollment, Chain and Ownership System (PECOS): The Internet-based application that can be used in lieu of the Medicare enrollment application (i.e., paper CMS-855) to enroll, view or change enrollment information, track the enrollment application process, add or change a reassignment of benefits, submit changes to existing enrollment information, reactivate an existing enrollment record, or withdraw from the Medicare Program.

Provider Transaction Access Number (PTAN): Previously referred to as the NSC supplier or billing number.

Request for Bids (RFB): A part of the formal process by which CMS is requesting eligible Medicare DMEPOS bidders to submit bids for the amount for which they would furnish items and services included in the Competitive Bidding Program, as well as certain documents (hardcopy and/or electronic) that demonstrate that the bidder meets applicable financial, quality, and accreditation requirements.

Single Location: A supplier with one location that is owned by one or more owners and is represented by a single PTAN.

Single Payment Amount: Allowed payment for an item furnished under a Competitive Bidding Program.

Small Supplier: A supplier that generates gross revenue of \$3.5 million or less in annual receipts, including Medicare and non-Medicare revenue.

Specialty Supplier: A skilled nursing facility (SNF) or nursing facility (NF) that is awarded a competitive bidding contract to furnish competitively bid items only to its own residents to whom it would otherwise furnish Part B services.

Statement of Cash Flows: Includes cash flows resulting from operating, financing, and investing activities.

Subcontractor: An entity, an individual, or a group of individuals that contracts with a contract supplier to supply a service either to a contract supplier or directly to the beneficiary. Medicare payment is made to the contract supplier for the cost of the service.

Appendix B: Hardcopy Document Package Checklist

Hardcopy Document Package Checklist

This checklist is not a required document, but a guide to help you prepare your package of hardcopy documents for submission. Fact sheets, charts, and other resources pertaining to submitting a package can be found on the Competitive Bidding Implementation Contractor (CBIC) website, www.dmecompetitivebid.com. Follow the [Request for Bids \(RFB\) Instructions](#) carefully to ensure your documents meet all requirements. Remember, financial statements should be prepared in accordance with generally accepted accounting principles (GAAP).

Financial Documentation*

- Income Statement** – must include the following:
 - Revenues
 - Expenses by category such as salary, utilities, rent, etc.
 - Adjustments to revenues (if applicable)
 - Net income/loss
 - Cost of goods sold
- Balance Sheet** – must include the following:
 - Current assets
 - Total assets
 - Total liabilities
 - Current liabilities
 - Stockholders' equity or owner's capital
- Statement of Cash Flows** – must include the following:
 - Cash flow resulting from operating activities
 - Cash flow resulting from investing activities
 - Cash flow resulting from financing activities
 - Beginning and ending cash balances
- Tax Return Extract** (DO NOT send the entire tax return, only the required pages.)
- Credit Report** with score prepared within 90 days prior to the opening of the bid window by one of the five approved credit reporting agencies (Dun & Bradstreet, Experian, Equifax, TransUnion, or Standard & Poor's). All credit reports/scores must be prepared on or after November 1, 2011, and before March 31, 2012.

Non-Financial Documentation**

- Legal Agreement and Network Certification Page signed by EACH network member** – (if applicable)
- Signed Letter of Intent to Enter into a Subcontracting Agreement** – (if applicable)
- Settlement Agreement or Corporate Integrity Agreement** – (if applicable)

Miscellaneous

- Bidder number on EACH page of EVERY document.**
- All documents submitted in loose page format** – no binders, folders, spiral binding, staples or paper clips.
- ONE package per bidder number, regardless of number of bids for each product category/competitive bidding area.** For commonly owned or commonly controlled suppliers, compile all required documents from EACH supplier included in the bid and submit ONE package. For networks, compile all required documents from EACH network member and submit ONE package.

NATIONAL MAIL-ORDER BIDDERS ONLY

- National Mail-Order 50 Percent Compliance form

All hardcopy document packages must be **RECEIVED** by the CBIC on or before the close of the bid window. Packages should be sent to:

PALMETTO GBA
COMPETITIVE BIDDING IMPLEMENTATION CONTRACTOR
2743 PERIMETER PKWY, SUITE 200-400
AUGUSTA, GA 30909-6499

If you need to submit a revised document or additional documentation before the close of the bid window, you only need to submit those documents and not the entire package.

*Refer to the [Required Financial Documents by Business Type](#) chart for specific requirements based on your business type.

**Refer to the Non-Financial Documents section of the [RFB Instructions](#) for specific requirements.

Appendix C: Sample Hardcopy Financial Documents

Sample Financial Statements

Income Statement

[Company Name]	[Period ending date]
Revenue	Year to Date Amount
Gross sales	
<i>Less sales returns and allowances</i>	
Net sales	
Cost of sales	Year to Date Amount
Beginning inventory	
Plus goods purchased/manufactured	
Total goods available	
Less ending inventory	
Total cost of goods sold	
Gross profit (loss)	
Operating expenses	Year to Date Amount
Selling	
Salaries and wages	
Commissions	
Advertising	
Depreciation	
Total selling expenses	
General/administrative	
Salaries and wages	
Employee benefits	
Payroll taxes	
Insurance	
Rent	
Utilities	
Depreciation and amortization	
Office supplies	
Travel and entertainment	
Postage	
Equipment maintenance and rental	
Interest	
Furniture and equipment	
Total general/administrative expenses	
Total operating expenses	
Net income before taxes	
Taxes on income	
Net income (loss)	

Important Tips

The Income Statement must include:

- Revenues
- Adjustments to revenues (if applicable)
- Cost of goods sold
- Expenses by category such as salary, utilities, rent, etc.
- Net income/loss

SAMPLE

Sample Financial Statements
Balance Sheet

[Date]

ASSETS

Current Assets

Cash
Accounts receivable
(less doubtful accounts)
Inventory
Temporary investment
Prepaid expenses

Total Current Assets

Fixed Assets

Long-term investments
Land
Buildings
(less accumulated depreciation)
Plant and equipment
(less accumulated depreciation)
Furniture and fixtures
(less accumulated depreciation)

Total Net Fixed Assets

TOTAL ASSETS

LIABILITIES

Current Liabilities

Accounts payable
Short-term notes
Current portion of long-term notes
Interest payable
Taxes payable
Accrued payroll

Total Current Liabilities

Long-Term Liabilities

Mortgage
Other long-term liabilities

Total Long-Term Liabilities

TOTAL LIABILITIES

Stockholders' Equity

Capital stock
Retained earnings

Total Stockholders' Equity

TOTAL LIABILITIES & EQUITY

Important Tips

The Balance Sheet must include:

- Current assets
- Total assets
- Current liabilities
- Total liabilities
- Stockholders' equity or owner's capital

Sample Financial Statements

Statement of Cash Flows

[Company Name]	[Time Period]
Cash flows from operating activities	
Cash received from customers	
Cash paid for merchandise	
Cash paid for wages and other operating expenses	
Cash paid for interest	
Cash paid for taxes	
Other	
Net cash provided (used) by operating activities	
Cash flows from investing activities	
Cash received from sale of capital assets (plant and equipment, etc.)	
Cash received from disposition of business segments	
Cash received from collection of notes receivable	
Cash paid for purchase of capital assets	
Cash paid to acquire businesses	
Other	
Net cash provided (used) by investing activities	
Cash flows from financing activities	
Cash received from issuing stock	
Cash received from long-term borrowings	
Cash paid to repurchase stock	
Cash paid to retire long-term debt	
Cash paid for dividends	
Other	
Net cash provided (used) in financing activities	
Increase (decrease) in cash during the period	
Cash balance at the beginning of the period	
Cash balance at the end of the period	

Important Tips

The Statement of Cash Flows must include:

- Cash flow resulting from operating activities
- Cash flow resulting from investing activities
- Cash flow resulting from financing activities
- Beginning and ending cash balances