

Small Supplier Considerations/ Small Supplier Target

The Social Security Act mandates that appropriate steps be taken to ensure that small suppliers have an opportunity to be considered for participation in the Medicare DMEPOS Competitive Bidding Program. For competitive bidding purposes, a small supplier is a supplier that generates gross revenue of \$3.5 million or less in annual receipts including Medicare and non-Medicare revenue. The program attempts to have at least 30 percent of contract suppliers be small suppliers. In Round 1 Recompete, over 50 percent of contracts were awarded to small suppliers.

During bid evaluation, qualified suppliers that meet all program eligibility requirements and whose composite bids¹ are less than or equal to the pivotal bid² will be offered a contract to participate in the Medicare DMEPOS Competitive Bidding Program. If there are not enough small suppliers at or below the pivotal bid to meet the small supplier target, additional contracts are offered to qualified small suppliers. Contracts are offered until the 30 percent target is reached or there are no more qualified small suppliers for that product category in that competitive bidding area.

Network members are counted individually for purposes of the small supplier target but an entire network would be offered a contract. For example, if three small suppliers are needed to meet the 30 percent target and the next small supplier above the pivotal bid is a network with 10 members, all members of that network will be offered a contract.

It's important to note that the single payment amounts are calculated before the small supplier target process and do not change as a result of the process.

¹ **Composite bid** means the sum of a supplier's weighted bids for all items within a product category within a CBA for purposes of allowing a comparison across bidding suppliers.

² **Pivotal bid** means the lowest composite bid based on bids submitted by suppliers for a product category that includes a sufficient number of suppliers to meet beneficiary demand for the items in that product category.