

BID EVALUATION PROCESS - SUMMARY BY CMS

CMS evaluates bids submitted for items within a product category by:

1. Calculating the expected beneficiary demand in the CBA (Competitive Bidding Area) for the items in the product category.
2. Calculating the total supplier capacity that would be sufficient to meet the expected beneficiary demand in the CBA for the items in the product category.
3. Establishing a composite bid for each supplier and network that submitted a bid for the product category. (A "composite bid" means the sum of supplier's weighted bids for all items within a product category for purposes of allowing a comparison across bidding suppliers.)
4. Arraying the composite bids from the lowest composite bid price to the highest composite bid price.
5. Calculating the pivotal bid for the product category. ("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.)
6. Selecting the winning suppliers – all suppliers and networks whose composite bids are less than or equal to the pivotal bid for that product category, and that meet the basic eligibility, accreditation, and financial standard requirements.

CMS awards at least five contracts if there are five winning suppliers. (The requirement to award at least five contracts does not apply to national or regional mail order CBAs.) CMS awards at least two contracts if there are fewer than five winning suppliers, and the winning suppliers have sufficient capacity to satisfy beneficiary demand for the product category. The single payment amount is the median of the winning supplier bids per individual item within each product category.

After selecting the winners, CMS ensures that small suppliers have the opportunity to participate in a competitive bidding program by taking the following steps:

1. Setting a target number for small supplier participation by multiplying 30 percent by the number of winning suppliers
2. Identifying the number of qualified small suppliers whose composite bids are at or below the pivotal bid for the product category.
3. Selecting additional small suppliers whose composite bids are above the pivotal bid for the product category in ascending order based on the proximity of each small supplier's composite bid to the pivotal bid, until the number in step 1 is reached or there are no more composite bids submitted by small suppliers for the product category.