

## **Opportunity for Participation by Small Suppliers New Definition of Small Business and 30 Percent “Set Asides”**

Information available to CMS on the size distribution of businesses that provide DMEPOS indicates that the majority of suppliers in the DMEPOS industry qualify as small businesses according to the SBA definitions. CMS’ analysis of DMEPOS claims data suggests that at least 90 percent of DMEPOS suppliers had Medicare allowed charges of less than \$1 million in CY 2003. The figure of \$1 million could be an underestimate of total receipts because it does not include non-Medicare receipts and non-DMEPOS receipts, but it does suggest that most DMEPOS suppliers are small.

To ensure the participation of multiple suppliers and storefront locations, beneficiary access, and increased participation by small suppliers, CMS has revised its rules as follows:

The definition of a “small supplier” is a supplier that generates gross revenue of \$3.5 million or less in total annual receipts.

To help small suppliers to have an opportunity to participate in the Medicare DMEPOS Competitive Bidding Program and to generally support HHS' goals for contracting with small businesses, CMS has established a target number for DMEPOS small supplier participation in each competitive bidding area.

CMS has a target number that 30% of winners, contract suppliers, will be small suppliers. Small supplier participation will be determined by multiplying 30 percent times the number of suppliers that have met CMS’ bidding requirements and whose composite bids are at or lower than the pivotal bid for each product category in each CBA. The number resulting from this multiplication represents CMS’ goal for small supplier participation for that product category. CMS will then count to see if the number of suppliers whose composite bids are at or below the pivotal bid is equal or greater than the target number CMS has computed for that product category.

If the number of suppliers is lower than the target number, CMS will give the small supplier whose composite bid is above the pivotal bid, but closest to it of all the small suppliers whose composite bids are above the pivotal bid for the product category, the option of accepting a contract to furnish the product category at the single payment amounts. If the target number is still not met, CMS will offer a contract to the small supplier whose composite bid is the next closest to, but above, the pivotal bid, and will use this methodology until CMS reaches the target number or there are no additional small suppliers that submitted a bid for the product category.