

CAPITOL STREET

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CMS Likely to Finalize DME Comp Bidding, Soften Home Health Cuts

CGMs and Insulin Pumps Likely Added Potentially Later Announcement, Mid-2027 Start Soonest

Relevant Companies



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We expect CMS to move forward with its plan to restart the durable medical equipment (DME) competitive bidding program (CBP) in its final CY 2026 Home Health rule, expected by early November. We believe CMS will formally announce the timeline and product categories for CBP in a later announcement, which could give stakeholders more time to lobby against the inclusion of Continuous Glucose Monitors (CGMs) and associated insulin pumps, though we think they may be added. We expect implementation of CBP to take place in mid-2027 at the earliest, as the bid process has previously taken around 6 months or more ([here](#)).

In the same rule, we believe CMS will soften the proposed 6.4% cut to home health before rates go into effect on Jan. 1, 2026. Typical past actions involved phasing in the cuts, asking for more data, or congressional legislation should cuts still be draconian.

»» Key Points

CMS will likely announce the DME CBP timeline/product categories after the November final rules, via sub-regulatory guidance. In past rounds of the program, the agency did not use payment rules to announce product categories and CBP areas. The timeline is also likely to be announced in the guidance and our guesstimate is that it will take 18 months to launch the program, so mid-2027 is likely the soonest they can start.

We believe the White House wants to do something to bring down Medicare payments for CGMs and may use a forthcoming OIG report as justification. Recall, the HHS Office of the Inspector General (OIG) is still set to release a study this year to determine whether CMS should make downward payment adjustments via competitive bidding or its inherent reasonable (IR) authority ([here](#)). CMS has rarely exercised its IR authority and faced legal and congressional pushback when it attempted to use it for oxygen equipment and surgical dressings in the late 90's ([here](#)).

We believe CMS is more likely to move forward with adding CGMs and insulin pumps to CBP, though we could see the agency narrowing the scope given pushback during the public comment period. Plausible

options suggested by stakeholders include delaying their inclusion in the program or starting with a smaller number of CBAs using Medicare's demo authority under CMMI. This would only apply to Medicare payments, and likely not impact OTC devices (DXCM, ABT).

Adding CGMs to Competitive Bidding aligns with the Administration's broader goals of increasing access to CGMs and addressing waste, fraud, and abuse. As a reminder HHS Secretary RFK Jr wants all Americans to have a CGM/wearable in 4 years (our take [here](#)). DME CBP also decreases waste, fraud, and abuse, which is a major goal of the Trump Administration ([here](#)) as well as Congressional Republicans ([here](#)). In the proposed rule ([here](#)), CMS argues that lower payments, fewer suppliers, and tighter oversight in the DME CBP make it harder for bad actors to commit fraudulent activity.

CMS received ~9,000 comments related to its DME CBP proposals ([here](#)), most of which were critical of the agency's plans to restart the program and include CGMs and insulin pumps. Below are some of the main arguments from AAHomecare, the trade association for home medical equipment ([here](#)).

- **CMS should exclude CGMs from the bid program as this is a relatively new technology with a very limited number of manufacturers.** The addition of CGMs will introduce access barriers, administrative burden on suppliers, and stifle innovation.
- **CMS should not reintroduce insulin infusion pumps to the bid program.** CMS previously included insulin infusion pumps and determined that they were not suited for competitive bidding, especially considering the fragile patient population that requires such therapy.
- **CMS has exceeded its authority by proposing to include certain medical supplies such as ostomy, urological and tracheostomy supplies in the bid program.** CMS inappropriately relies on legal justifications that disregard fundamental principles of statutory construction and inappropriate information to support the revised interpretation.
- **CMS should not reclassify CGMs and insulin infusion pumps and supplies to the "frequent and substantial servicing" payment category.** The items do not meet the legal requirements for such a change.

Key Provisions in the Proposed Rule (our take [here](#))

- Class II CGMs/pumps would be added to CBP, while Class III CGMs/pumps would be limited to CBP pricing if priced >15% more than Class II CGMs/pumps.
- CGMs/pumps would be moved into the "frequent and ongoing servicing" payment category, with a 90-day rental period for CGMs.
- Separate payment for supplies and accessories for the equipment would no longer be made and contract suppliers would retain ownership of the rental equipment.
- Seniors would be allowed to forgo a 5-year waiting period for CGMs, potentially boosting utilization albeit on a likely lower margin basis.

Background on DME Competitive Bidding

The DME CBP program has been paused since COVID (with the exception of two product categories).

The program was instrumental in reducing Medicare prices for items such as oxygen equipment, CPAP devices, and Negative Pressure Wound Therapy. According to MedPAC ([here](#)), Medicare's payment rates for some of the highest expenditure DME products have fallen by an average of nearly 50% compared to the year prior. In 2012, CMS estimated that the DME CBP would save more than \$42 B over 10 years (\$25 B in savings for the program and \$17 B in savings for beneficiaries).

Round	Contract Effective Dates	Competitive Bid Areas, Product Categories	Average Savings
Round 1 Rebid	Jan 1, 2011 - Dec 31, 2013	9 CBAs, 9 categories	~32% (here)
Round 2	July 1, 2013 - June 30, 2016	91 CBAs, 8 categories	~45% (here)
Round 1 Recompete	Jan 1, 2014 - Dec 31, 2016	Same 9 CBAs, 6 categories	~37% (here)
Round 2 Recompete	July 1, 2016 - Dec 31, 2018	117 CBAs, 7 categories	Unavailable
Round 1 2017	Jan 1, 2017 - Dec 31 2018	13 CBAs, 7 categories	Unavailable
Temporary Gap Period	Jan. 1, 2019 - Dec 31, 2020	N/A	N/A
Round 2021 (Round 1 and 2 CBAs)	Jan 1, 2021 - Dec 31 2023	127 CBAs, 2 categories (reduced from 16 due to COVID)	~\$600 M total savings (here)
Temporary Gap Period	Jan. 1, 2024 - present	N/A	N/A

HOME HEALTH PAY

Separately, we expect some mitigation of the proposed 6.4% cut to home health agencies in the final rule, due to a groundswell of opposition. The National Alliance for Care at Home, with 150+ organizations, called for a reversal of the proposed cut ([here](#)) with bipartisan backing in Congress ([here](#)). While the cut is likely to be softened, we believe we're unlikely to see a return to the past where there would be no temporary adjustment and only half of the proposed permanent adjustment. We note that if CMS continues on this path there could be 5% temporary adjustments for the next 5-6 years (our take [here](#)).

What happened? The Trump Administration sees things differently for home health agencies (HHAs).

- The Patient Driven Groupings Model (PDGM) is finally being implemented by CMS, with a proposal that contains an eye-popping -6.4% reduction. MedPAC, a non-partisan payment commission, who has voted to recommend to Congress Medicare reductions of these levels for years, would be pleased.
- We believe there is a view at CMS that HHAs can absorb cuts due to FFS margins. Past rulemaking had CMS not collecting on the ever-growing temporary adjustments. This version takes 5% for that element along with the full 4+% on the permanent adjustment, which is a new 2% added to the leftover 2% from 2025. In past years, CMS recognized that Medicare Advantage inadequate pay was outside the control of the HHAs (though they did not admit to a willing subsidization through FFS).

The puts and takes of the -6.4% update. The -6.4% update reflects the effects of the proposed CY 2026 home health payment update of +2.4% (\$425 M increase), an estimated -3.7% from the effects of the permanent behavior adjustment (\$655 M decrease), a -4.6% decrease that reflects the effects of the temporary adjustment (\$815 M decrease), and an estimated -0.5% decrease from an update to the fixed-dollar loss ratio (\$90 M decrease). Proprietary home health agencies' payments are projected to decline -6.5%.

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