



MED-CARE DIABETIC & MEDICAL SUPPLIES INC.
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March 31, 2014

The Honorable Senator Claire McCaskill
Senate Homeland Security Subcommittee on Financial and Contracting Oversight
Senate Hart Building, Rm 601
Washington, DC 20510
(202) 224-4462

Dear Senator McCaskill,

Thank you for the opportunity to appear before your Committee last year, and to address any follow-up questions resulting from my testimony. Pursuant to your request, these responses reflect figures from April 2013 when the questions were posed. In regards to questions 2 & 3, Med-Care's legal counsel has advised that we need a HIPAA waiver in order to provide the patient specific information requested therein. We know it is extremely important to protect patient privacy in these matters. We are prepared to promptly share this information with you once you receive and transmit the waiver. With respect to the other questions that arose during the hearing, please find Med-Care's responses below.

1. Provide the percentage of Med-Care's business that services Medicare Part D beneficiaries.

ANSWER: Med-Care cannot completely dissect this percentage of all Part D payments due to our various payments sourcing, with some Part D payments coming from Medicare PBMs which also process claims for private pay patients. However, to the best of our ability, the percentage is less than 10%.

4. Provide the percentage of Med-Care's business that comes from calls made to Medicare seniors from the numbers on Med-Care's website

ANSWER: Med-Care has a multifaceted marketing strategy which includes use of radio, mail, referrals, as well as multiple entry point to their website. Due to this mix, it is difficult to determine exact number of calls that originated from their website. With that in mind, we believe the percentage would be approximately 80%.



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5. The percentage of the \$35 million Med-Care received from CMS in 2012 that came from Med-Care orders for equipment initiated by doctors.

ANSWER: Each order for equipment is pursuant to a physician's order. Nothing is sent or filled without that consent. Absent this order from a physician, we cannot bill Medicare nor private insurance for the equipment. Physicians have wide discretion in this process as they can refuse to sign this order if they do not believe Med-Care should deliver supplies to their patients. The Med-Care business model is built to market to the patient, thus avoiding some of the safe-harbor pitfalls that can result from direct physician marketing. However, the physicians ultimately have the final word. Given all of this, the percentage that is initiated by a physician is approximately 5% but the percentage that is authorized by a physician is 100%.

6. The percentage of the \$35 million Med-Care received from CMS in 2012 that came from Med-Care orders for equipment initiated by patients.

ANSWER: As we previously stated our business plan and marketing practices, which have been approved by CMS, are based on a consumer focused model. However, a consumer/patient cannot initiate a request until a physician has authorized the need for medical supplies with a prescription. Even with this prescription, the patient's physician must authorize the order (see above answer). The result is that approximately 95% of the 2012 revenue estimate came from the patient's choice to use Med-Care, but again, 100% of the orders were authorized by a physician.

I hope my answers and my testimony are helpful to the subcommittee's review of these issues. We appreciate the opportunity to assist in your oversight of the Medicare program.

Sincerely,

Dr. Steven R. Silverman
President