

Requirement to Submit a Bona Fide Bid

The Competitive Bidding Program regulations require that each bidder must submit a bona fide bid that complies with all the terms and conditions specified in the Request for Bids (RFB) (see 42 CFR 414.414 (b) (4)). The RFB instructions define a bid as an offer to furnish an item for a particular price and time period that includes, as appropriate, any services that are directly related to the furnishing of the item. The bidder should consider all costs associated with furnishing an item to Medicare beneficiaries throughout the competitive bidding area (CBA) when submitting their bid. This includes the cost for the supplier to purchase the item, overhead, and profit. If you are submitting a bid for an item that includes multiple brands of products, make sure you consider the cost of each brand and the volume of that brand that you intend to furnish if you are awarded a contract.

The following table provides an example of how you could determine a bid for an item that includes multiple brands. This is only an example. Use your own brands, costs, volume estimates, overhead, and profit to determine your bid.

Brands of Item You Plan to Offer if You Win a Contract	Your Cost to Buy Brand	Volume of Brand You Estimate You Will Furnish	Weighted Cost (cost to buy x estimated volume)
1. Brand A	\$1.00	25%	\$0.25
2. Brand B	\$2.00	25%	\$0.50
3. Brand C	\$3.00	25%	\$0.75
4. Brand D	\$4.00	25%	\$1.00
			Add weighted cost of all brands
			↓
			\$2.50
			Add profit and overhead
			↓
			YOUR BID AMOUNT

All bids submitted under the program are screened and evaluated to ensure they are bona fide. The Competitive Bidding Implementation Contractor (CBIC) may ask suppliers to submit a rationale and documentation to verify that they can furnish an item for the bid amount.

Types of documentation that can support a bid amount include, but may not be limited to, the following:

- manufacturer invoices,
- receipts (including retail sales receipts),
- manufacturer price lists, and
- signed written quotes

This documentation can be obtained from manufacturers, distributors, retail sales facilities, internet sales facilities, or any other sources that can legally sell suppliers the item.

If a supplier does not provide information to verify that a bid is bona fide, that supplier will be eliminated from the competition for the given product category and CBA.

Bid amounts for each item must be bona fide (i.e., when the bid is considered by itself without considering bids submitted for the other items in the product category, it passes scrutiny as a rational and feasible payment for furnishing the item). For Round 2 Recompete and the national mail-order recompete, bid amounts will be compared to other bid amounts submitted for the same item in the same CBA. If a supplier submits a non-bona fide bid for any single item in a product category, the supplier is eliminated from that competition for the entire product category.

Possible factors that may result in a determination that a supplier submitted a non-bona fide bid include the following:

- Submitting a rental bid when the RFB instructions require a purchase bid amount, or vice versa, for one or more of the items in a product category.
- Entering an incorrect bid inadvertently.
- Submitting a “loss leader” bid (an infeasible bid for one item within the product category even though the bids for other items in the product category are feasible). Suppliers should not submit a bid for any item at a loss just to improve their chances of winning a contract, even if they believe they will have no problem furnishing all items within the product category when considering all of their bids as a whole.
- Submitting a bid without consideration of the cost to buy the item, profit and overhead.

Please check your bids carefully before you certify in the online bidding system (DBidS). Suppliers may change their bids while the bid window is open, but bids cannot be changed after the bid window closes.