

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**POWER WHEELCHAIRS IN THE
MEDICARE PROGRAM:
SUPPLIER ACQUISITION COSTS
AND SERVICES**



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OBJECTIVES

- (1) To compare Medicare payments for power wheelchairs with suppliers' acquisition costs.
- (2) To determine the number and types of services that suppliers performed in conjunction with providing power wheelchairs to Medicare beneficiaries.

BACKGROUND

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment. Qualified Medicare beneficiaries receive power wheelchairs from suppliers that bill the Medicare program for reimbursement. In 2007, approximately 173,300 Medicare beneficiaries received power wheelchairs, at a total cost of \$686 million.

Medicare's fee schedule amounts are based on manufacturer-suggested retail prices. They include reimbursement for the power wheelchair acquisition cost and services performed in conjunction with providing the wheelchair, such as assembling and delivering it and educating the beneficiary about its use. Prior Office of Inspector General (OIG) reviews have found that consumers can buy power wheelchairs for lower prices than Medicare and its beneficiaries. In May 2006, the Centers for Medicare & Medicaid Services (CMS) proposed a revised methodology for setting new fee schedule amounts that would not rely upon manufacturer-suggested retail prices and is responsive to the market. As of May 2009, CMS had not finalized this proposal.

CMS planned to use supplier-submitted competitive bids to establish reimbursement amounts for power wheelchairs and other durable medical equipment (DME), beginning in July 2008. Medicare and beneficiary payments under the Competitive Bidding Acquisition Program would have decreased by an average of 26 percent across all included categories of DME, saving up to an estimated \$1 billion annually. However, Congress delayed the program and exempted complex rehabilitation power wheelchairs from future competitive bidding. To offset the cost savings lost by this delay, fee schedule amounts were reduced in January 2009 by 9.5 percent.

We requested documentation of the amounts that suppliers paid to purchase a nationally representative sample of 375 standard and

complex rehabilitation power wheelchairs supplied to Medicare beneficiaries in the first half of 2007. We also requested documentation of the services that suppliers performed in conjunction with providing the power wheelchairs. We did not determine the cost of performing these services or other general supplier business expenses, such as billing, accreditation, staff salaries, or facility maintenance.

FINDINGS

Medicare allowed an average of \$4,018 for standard power wheelchairs that cost suppliers an average of \$1,048 in the first half of 2007. Medicare and its beneficiaries paid almost four times the average amount paid by suppliers to acquire standard power wheelchairs during the first half of 2007. The beneficiary's copayment (\$804) covered 77 percent of suppliers' average acquisition cost. Medicare's average payment under the Competitive Bidding Acquisition Program (\$3,073) would have been almost three times the average acquisition cost. Although Medicare's fee schedule amount was reduced from \$4,024 to \$3,641 to offset the Competitive Bidding Acquisition Program's delay, the 2009 fee schedule amount exceeds the average competitively bid price by \$568.

Medicare allowed an average of \$11,507 for complex rehabilitation power wheelchair packages that cost suppliers an average of \$5,880 in the first half of 2007. Medicare and its beneficiaries paid almost two times the average amount paid by suppliers to acquire complex rehabilitation power wheelchair packages during the first half of 2007. We define a complex rehabilitation power wheelchair package as the power wheelchair plus its power options and accessories. Medicare allowed an average of \$5,354 for complex rehabilitation power wheelchairs that cost suppliers an average of \$2,565. Medicare allowed an average of \$6,153 for the power options and accessories supplied with complex rehabilitation power wheelchairs that cost suppliers an average of \$3,316.

Suppliers of standard power wheelchairs reported performing an average of five services per chair, while suppliers of complex rehabilitation power wheelchair packages reported performing an average of seven services. Suppliers of standard power wheelchairs and complex rehabilitation power wheelchair packages reported performing respective averages of five and seven services prior to, during, and over an average of 9 months after delivering the chairs. Suppliers reported performing most services prior to and during the wheelchairs'

delivery. However, suppliers of complex rehabilitation power wheelchairs reported performing twice as many services as suppliers of standard chairs at times other than the day of delivery. Suppliers reported performing required services most of the time and additional services as needed.

RECOMMENDATION

Prior OIG evaluations found that consumers can purchase power wheelchairs at lower prices than Medicare and its beneficiaries. The findings of this evaluation suggest that CMS's current methodology for developing power wheelchair fee schedule amounts does not reflect actual acquisition costs.

Based on manufacturer invoices and other documentation that we collected from suppliers, we found that Medicare and its beneficiaries paid almost four times the average amount paid by suppliers to acquire standard power wheelchairs during the first half of 2007. Medicare and its beneficiaries paid suppliers an average of \$2,970 beyond the supplier's acquisition cost to perform an average of five services and cover general business costs.

Medicare's average allowed amount in the first half of 2007 (\$4,018) was 383 percent of suppliers' average acquisition cost for standard power wheelchairs. In comparison, the Competitive Bidding Acquisition Program, which would have reduced the average Medicare payment for standard power wheelchairs to \$3,073, would have been 293 percent of suppliers' average acquisition cost. Although Medicare's fee schedule amount was reduced to \$3,641 to offset the Competitive Bidding Acquisition Program's delay, the 2009 fee schedule amount exceeds the average competitively bid price by \$568.

Medicare and its beneficiaries paid almost two times the average amount paid by suppliers to acquire complex rehabilitation power wheelchair packages during the first half of 2007. Medicare and its beneficiaries paid suppliers an average of \$5,627 beyond the supplier's acquisition cost to perform an average of seven services and cover general business costs.

Based on these findings, we recommend that CMS:

Determine whether Medicare's fee schedule amounts for standard and complex rehabilitation power wheelchairs should be adjusted.

CMS should consider the following methods for reviewing fee schedule amounts:

- Use information from the Competitive Bidding Acquisition Program to adjust fee schedule amounts.
- Seek legislation to ensure that fee schedule amounts are reasonable and responsive to market changes.
- Use the results of this evaluation to determine whether an inherent reasonableness review is appropriate.

When setting fee schedule amounts, CMS should consider that supplier acquisition costs and services differ by power wheelchair type.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with our recommendation and noted that the report provides valuable insight on suppliers' average acquisition costs for standard and complex rehabilitation power wheelchairs. It also noted that it has worked on a number of important regulatory and administrative initiatives related to the coding, payment, and coverage of power wheelchairs in response to the significant growth in expenditures for these items under the Medicare program.

CMS also provided comments about each suggested method for determining whether Medicare's fee schedule amounts for standard and complex rehabilitation power wheelchairs should be adjusted. CMS concurred that it has the authority to use the payment amounts determined under the Competitive Bidding Acquisition Program to adjust the existing Medicare fee schedule amounts for DME items in areas not included in a competitive bidding program. CMS will conduct rulemaking to implement a detailed methodology and process for applying this authority. CMS also stated that it will carefully consider seeking legislation to ensure that fee schedule amounts are reasonable and responsive to market changes. It noted that, although it is considering taking steps to revise the administrative process for gap-filling fee schedule amounts for new DME items, new legislation may not be required to make these revisions. Further, CMS did not concur

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with using the results of this evaluation to determine whether an inherent reasonableness review is appropriate. CMS noted that it is not likely to consider undertaking a review of the standard and complex rehabilitation power wheelchair fee schedule amounts until the results of the supplier bids under the Competitive Bidding Acquisition Program have been assessed. Lastly, CMS stated that it will consider that supplier purchase prices and services differ by power wheelchair type when setting fee schedule amounts.

We support CMS's efforts to address these issues and encourage it to continue to make progress in these areas.

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OBJECTIVES

- (1) To compare Medicare payments for power wheelchairs with suppliers' acquisition costs.
- (2) To determine the number and types of services that suppliers performed in conjunction with providing power wheelchairs to Medicare beneficiaries.

BACKGROUND

Between 1999 and 2003, Medicare payments for power wheelchairs increased approximately 350 percent, from \$259 million to \$1.2 billion, while overall Medicare program expenditures rose 28 percent.¹ During 2005 and 2006, the Centers for Medicare & Medicaid Services (CMS) revised Medicare's policies for power wheelchair coverage, coding, and pricing to better support accurate payment and coverage decisions.^{2 3} In 2007, approximately 173,300 Medicare beneficiaries received power wheelchairs, at a total cost of \$686 million.⁴

Medicare Coverage Criteria for Power Wheelchairs

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment (DME). Items provided under Medicare Part B, including power wheelchairs, must be "reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member."⁵

Most beneficiaries who require power wheelchairs are unable to walk and have severe upper body weakness.⁶ Power wheelchairs are medically necessary for beneficiaries who cannot effectively perform mobility-related activities of daily living using other mobility-assistive

¹ 71 Fed. Reg. 17021, 17022 (Apr. 5, 2006).

² CMS, Pub. No. 11272P, "2006 Fee Schedule Amounts for Power Mobility Devices Have Been Refined," November 2006.

³ In November 2006, Medicare revised its power wheelchair fee schedule, increasing the number of procedure codes from 4 to 42.

⁴ Office of Inspector General (OIG) analysis of CMS's claims data, July 2008.

⁵ Social Security Act, § 1862(a)(1)(A).

⁶ CMS's Medicare Learning Network, "Medicare Coverage of Power Mobility Devices: Power Wheelchairs and Power Operated Vehicles," April 2006.

equipment, such as a cane, manual wheelchair, or power-operated scooter.^{7 8}

Medicare beneficiaries receive power wheelchairs from suppliers that bill the Medicare program for reimbursement.⁹ The prescribing physician provides the supplier with documentation from the beneficiary’s medical record to support the medical necessity of the power wheelchair, along with the power wheelchair prescription.¹⁰ Based on the physician’s prescription, the supplier recommends a specific power wheelchair for the beneficiary. The physician must then review and approve the supplier’s recommendation.

Medicare Reimbursement for Power Wheelchairs

Suppliers submit claims to Medicare for power wheelchairs using Healthcare Common Procedure Coding System codes (“procedure codes”). Medicare determines the highest dollar amount it will allow (“fee schedule amount”) for each procedure code. Medicare reimburses the supplier 80 percent of the allowed amount and the beneficiary is responsible for the remaining 20 percent.

Medicare’s fee schedule amounts include reimbursement for the supplier’s power wheelchair acquisition cost and also for supplier services, such as assembling and delivering the power wheelchair and educating the beneficiary about its use.¹¹ Medicare reimburses suppliers under separate procedure codes for wheelchair options and

⁷ CMS Medicare National Coverage Determinations Manual, Pub. No. 100-03, ch.1, § 280.3. Last modified in August 2005. Available online at http://www.cms.hhs.gov/manuals/downloads/ncd103c1_Part4.pdf. Accessed on March 17, 2009.

⁸ Mobility-related activities of daily living include toileting, feeding, dressing, grooming, and bathing in customary locations within the home.

⁹ Medicare covers power wheelchairs under a capped rental arrangement. The beneficiary may choose to rent or purchase the power wheelchair. However, Medicare beneficiaries typically choose to purchase power wheelchairs. In the first half of 2007, new purchases accounted for 95 percent of all Medicare power wheelchair expenditures.

¹⁰ Local coverage determinations issued by Medicare contractors require a physician or other treating practitioner to conduct a beneficiary examination to assess the beneficiary’s need for a power wheelchair before prescribing it. The supplier must also conduct an assessment of the beneficiary’s home to determine whether it is conducive to power wheelchair usage. Beneficiaries who receive a complex rehabilitation power wheelchair must have an additional specialty evaluation.

¹¹ Local Coverage Determination for Power Mobility Devices by Durable Medical Equipment Medicare Administrative Contractors for Jurisdictions A, B, C, and D, “Non-Medical Necessity Coverage and Payment Rules.”

accessories, such as specialty controllers, power-operated tilt and recline systems, armrests, and batteries.

CMS's current fee-setting methodology. The current power wheelchair fee schedule amounts are based on manufacturer-suggested retail prices (MSRP).¹² Manufacturers submit the MSRP for a power wheelchair model to Medicare as part of the model's coding review.¹³ Medicare does not receive information on suppliers' acquisition costs and other costs and discounts associated with acquiring power wheelchairs.

Competitive Bidding Acquisition Program. Under the Competitive Bidding Acquisition Program, CMS uses supplier-submitted bids to establish reimbursement amounts for power wheelchairs and other included DME, prosthetics, orthotics, and supplies (DMEPOS). The program's primary goals include reducing the amount Medicare and its beneficiaries pay for these items and creating a payment structure that is more reflective of a competitive market. Two weeks after CMS implemented the Competitive Bidding Acquisition Program in July 2008, Congress passed the Medicare Improvements for Patients and Providers Act of 2008, delaying and reforming the program.¹⁴

Medicare and beneficiary payments under the original round of bidding would have decreased by an average of 26 percent across all included DME categories, saving up to an estimated \$1 billion annually upon expansion to 80 metropolitan areas.^{15 16} To offset the cost savings lost by the Competitive Bidding Acquisition Program's delay, Congress

¹² CMS Pub. No. 11272P, "2006 Fee Schedule Amounts for Power Mobility Devices Have Been Refined," November 2006.

¹³ Medicare deflates MSRPs to the base year of the fee schedule (1986) and reinflates them using the Consumer Price Index for All Urban Consumers.

¹⁴ DMEPOS Competitive Bidding: Announcements and Communications. Available online at http://www.cms.hhs.gov/DMEPOSCompetitiveBid/04_Announcements_and_Communication_s.asp. Accessed on August 1, 2008.

¹⁵ "DMEPOS Competitive Bidding - Round One - Weighted Average Savings." Available online at www.dmecompetitivebid.com. Accessed on May 6, 2008.

¹⁶ "CMS Says Medicare Competitive Bidding Program for Durable Medical Equipment Might Save \$1B in 2009," May 21, 2008. Available online at http://www.kaisernetwork.org/daily_reports/rep_index.cfm?DR_ID=51092. Accessed on November 6, 2008.

reduced existing fee schedule amounts for power wheelchairs and other types of DME by 9.5 percent, effective January 1, 2009.^{17 18 19}

After a public comment period, CMS will begin a new round of competitive bidding in October 2009. Although these amounts will apply only to the metropolitan areas included in the Competitive Bidding Acquisition Program, CMS has the authority to use information from the bidding process to adjust payment rates in other localities.^{20 21} As of August 2009, CMS had not finalized the details of a methodology for adjusting payment rates in other localities.

Proposed rule to revise fee-setting methodology. In May 2006, CMS proposed regulations through notice and comment rulemaking that would revise its methodology for setting fee schedule amounts for new DMEPOS items.^{22 23} Because CMS cannot ensure that MSRPs reflect the cost of supplying an item, the proposed methodology does not rely upon them. Instead, CMS proposed using functional technology assessments to (1) help substantiate when new items are comparable to items with established fee schedule amounts; or (2) in the event that new items are not comparable to items with established fee schedule amounts, determine an amount based on a comparative cost analysis of similar products on the market. As of August 2009, CMS had not finalized this proposal.

Inherent reasonableness authority. CMS may use its inherent reasonableness authority to deviate from standard payment methodologies if they result in payment amounts that are determined to

¹⁷ “The Medicare Improvements for Patients and Providers Act of 2008: Delay and Reform of the Medicare DMEPOS Competitive Bidding Program.” Available online at <http://www.lifescienceslegalupdate.com/2008/07/articles/health-care/medicare-medicaid/the-medicare-improvements-for-patients-and-providers-act-of-2008-delay-and-reform-of-the-medicare-dmepos-competitive-bidding-program/>. Accessed on August 1, 2008.

¹⁸ After 2009, the fee schedule amounts will be adjusted according to annual increases in the Consumer Price Index for All Urban Consumers.

¹⁹ Congress excluded complex rehabilitation power wheelchairs in HCPCS K0848–K0864 from future competitive bidding.

²⁰ Social Security Act, § 1834(a)(1)(F)(ii), Medicare Improvements for Patients and Providers Act of 2008, §§ 154(a)(3 and 4).

²¹ CMS must consider variations in the costs of services and items when adjusting payment rates in localities outside the Competitive Bidding Acquisition Program.

²² 71 Fed. Reg. 25654, 25688 (May 1, 2006).

²³ According to the proposed rule, the revised methodology would apply even to those items in the Competitive Bidding Acquisition Program, until bids for those items are available.

be grossly excessive or deficient.²⁴ For example, CMS may use its inherent reasonableness authority when payments are “grossly higher or lower than acquisition or production costs for the category of items or services.”²⁵ However, CMS must show that special payment limits established under its inherent reasonableness authority are realistic and equitable.

Supplier Acquisition Costs for Power Wheelchairs

Suppliers incur costs to purchase power wheelchairs and perform services in conjunction with providing them to Medicare beneficiaries. Suppliers also incur general business costs, such as staff salaries and facility maintenance.

Medicare’s 2007 fee schedule amounts were criticized by some power wheelchair suppliers. They claimed that the amounts do not cover the costs of purchasing and providing the power wheelchairs while allowing them to earn a reasonable profit.²⁶

Acquisition costs. Suppliers purchase power wheelchairs from manufacturers or distributors. The manufacturer or distributor may offer volume or prompt pay discounts, rebates, and other incentives that decrease the suppliers’ acquisition costs. Suppliers may also pay for the cost of shipping the power wheelchair to their facilities and other charges, such as a fuel surcharge, which increase the acquisition costs.

Supplier services. Medicare coverage policy requires that a supplier perform a home assessment to verify that the beneficiary can maneuver the power wheelchair in the home, ensure delivery of the power wheelchair, and educate the beneficiary on how to use it safely and effectively.²⁷ ²⁸ In addition, as needed, suppliers should answer questions from the beneficiary about the power wheelchair and repair or replace the power wheelchair according to its warranty.²⁹ Medicare

²⁴ 42 CFR § 405.502(g).

²⁵ Ibid.

²⁶ “Power Wheelchair Industry Lines Up 44 House Members Opposing Medicare Fee Cut,” November 3, 2006. Available online at <http://www.seniorjournal.com/NEWS/Medicare/6-11-03-PowerWheelchair.htm>. Accessed on April 16, 2007.

²⁷ Local Coverage Determination for Power Mobility Devices by DME Medicare Administrative Contractors for Jurisdictions A, B, C, and D, “Documentation Requirements.”

²⁸ 42 CFR §§ 424.57(c)(12).

²⁹ 42 CFR §§ 424.57(c)(6) and (13).

requires that a supplier maintain documentation to support performing the home assessment, the power wheelchair's delivery, and educating the beneficiary, but not other required services.

In addition, to obtain Medicare billing privileges, suppliers must meet certain quality standards.³⁰ For example, suppliers are required to “provide the beneficiary with appropriate equipment for trial and simulation, when necessary”; “verify that seating, positioning and specialty assistive technology have been evaluated and documented in the beneficiary's record”; and provide “follow-up services to the beneficiary and/or caregiver(s), consistent with the type(s) of equipment provided, and recommendations from the prescribing physician.”^{31 32}

Power Wheelchair Types

Medicare covers more than 650 power wheelchair models.³³ Medicare conducts coding reviews of model information submitted by manufacturers and assigns each model to 1 of Medicare's 42 power wheelchair procedure codes (K0813–K0864).³⁴ The procedure code assignment is based on the model's performance, patient weight capacity, seat type, portability, and power seating system capability.³⁵

Two types of power wheelchairs, standard and complex rehabilitation, accounted for over 80 percent of all Medicare power wheelchair expenditures in the first half of 2007. These are covered by Medicare under 27 procedure codes, which include 395 power wheelchair models.

Standard power wheelchairs. The most frequently reimbursed procedure code, K0823, accounted for nearly three-quarters of Medicare's power

³⁰ The Medicare Improvements for Patients and Providers Act of 2008 requires all DMEPOS suppliers to meet quality standards for Medicare accreditation by September 30, 2009.

³¹ DMEPOS Supplier Quality Standards. Available online at <http://www.cms.hhs.gov/MedicareProviderSupEnroll/Downloads/DMEPOS AccreditationStandards.pdf>. Accessed on December 5, 2008.

³² The requirement pertaining to equipment trials applies only to suppliers of complex rehabilitation power wheelchairs.

³³ Medicare Pricing, Data Analysis, and Coding (PDAC) contractor, Motorized Wheelchair Product Classification List, July 16, 2009.

³⁴ Medicare has not assigned power wheelchairs to procedure codes K0817–K0819, K0832–K0834, and K0844–K0847.

³⁵ Statistical Analysis DME Regional Carrier, “Power Mobility Device Coding Guidelines,” August 3, 2006.

wheelchair claims and expenditures in the first half of 2007.³⁶ Medicare covers 98 power wheelchair models under procedure code K0823.³⁷ We refer to K0823 power wheelchairs as “standard power wheelchairs” in this report.

Standard power wheelchairs are designed for daily use to provide basic mobility for persons weighing less than 300 pounds and feature an automotive-style seat. Accessories, such as armrests and oxygen tank carriers, may be added to standard power wheelchairs. However, standard power wheelchairs cannot be upgraded with power options (e.g., a powered seating system) or many other electronic features (e.g., a device to allow the user to control their chair by sipping and puffing through a straw).³⁸ In the first half of 2007, standard power wheelchairs were supplied with an average of two accessories.³⁹ Medicare’s average allowed amount for a standard power wheelchair accessory was \$234.

Medicare’s fee schedule amount for standard power wheelchairs during the first half of 2007 was \$4,024. The average reimbursement amounts for standard power wheelchairs under the original round of the Competitive Bidding Acquisition Program was \$3,073, 24 percent lower than the 2007 fee schedule amount.⁴⁰ In January 2009, to offset the costs savings lost by the delay of the Competitive Bidding Acquisition Program, the fee schedule amount for standard power wheelchairs was reduced by 9.5 percent, to \$3,641.

Complex rehabilitation power wheelchairs. Complex rehabilitation power wheelchairs accounted for less than 7 percent of Medicare power

³⁶ OIG analysis of claims from the National Claims History file submitted under procedure code K0823 with dates of service from January 1 to June 30, 2007, processed as of June 30, 2007.

³⁷ Medicare PDAC contractor, Motorized Wheelchair Product Classification List, July 16, 2009.

³⁸ Local Coverage Determination for Power Mobility Devices by DME Medicare Administrative Contractors for Jurisdictions A, B, C, and D, “Code Specific Requirements” and “Definitions.”

³⁹ OIG analysis of claims from National Claims History file associated with claims submitted under procedure code K0823 with dates of service from January 1 to June 30, 2007, processed as of June 30, 2007.

⁴⁰ OIG analysis of Competitive Bidding Acquisition Program prices. The price represents the average of prices for all 10 Metropolitan Statistical Areas.

wheelchair claims and expenditures in the first half of 2007.⁴¹ Medicare covers 297 complex rehabilitation power wheelchair models under 26 procedure codes.^{42 43}

To receive a complex rehabilitation power wheelchair, a beneficiary must meet criteria beyond those required to receive a standard power wheelchair. For example, the beneficiary’s mobility limitation must be because of a neurological condition, muscle disease, or skeletal deformity.

Accessories, such as armrests and oxygen tank carriers, may be added to complex rehabilitation power wheelchairs. These wheelchairs can be upgraded with power options and other electronic features (referred to together as “power options”) to accommodate beneficiaries’ specific mobility needs.⁴⁴ In the first half of 2007, complex rehabilitation power wheelchairs were supplied with an average of five power options and/or accessories.⁴⁵ Medicare’s average allowed amount for a power option or an accessory supplied with a complex rehabilitation power wheelchair was \$995.

The fee schedule amounts for complex rehabilitation power wheelchair procedure codes ranged from \$4,132 to \$11,965 in 2007. Reimbursement amounts for complex rehabilitation power wheelchairs, power options, and accessories under the original round of the Competitive Bidding Acquisition Program were an average of 15 percent lower than the 2007 fee schedule amounts.⁴⁶ In January 2009, to offset the cost savings lost by the delay of the Competitive Bidding Acquisition

⁴¹ OIG analysis of claims from National Claims History file submitted under procedure codes K0835–K0864 with dates of service from January 1 to June 30, 2007, processed as of June 30, 2007.

⁴² DME, Prosthetics, Orthotics, and Supplies Supplier Quality Standards, August 2007, page 11. Complex rehabilitation procedure codes are K0835 through K0843 and K0848 through K0864.

⁴³ Medicare PDAC contractor, Motorized Wheelchair Product Classification List, July 16, 2009.

⁴⁴ Local Coverage Determination for Power Mobility Devices by DME Medicare Administrative Contractors for Jurisdictions A, B, C, and D, “Code Specific Requirements.”

⁴⁵ OIG analysis of claims from National Claims History file associated with claims submitted under procedure codes K0835–K0864 with dates of service from January 1 to June 30, 2007, processed as of June 30, 2007.

⁴⁶ “DMEPOS Competitive Bidding-Round One-Weighted Average Savings.” Available online at www.dmecompetitivebid.com. Accessed May 6, 2008.

Program, complex rehabilitation power wheelchair fee schedule amounts were reduced by 9.5 percent, to between \$3,739 and \$10,828.

Prior Office of Inspector General Work

Prior OIG reviews have found that consumers and suppliers can buy power wheelchairs for less than Medicare and its beneficiaries. OIG found that the Medicare fee schedule amounts for power wheelchairs exceeded median prices available to consumers over the Internet by a median of 45 percent during the first quarter of 2007.⁴⁷ Standard power wheelchairs were available on the Internet for a median price of \$2,959, which Medicare's fee schedule amount of \$4,024 exceeded by 36 percent.

Another OIG report found that Medicare's 2003 fee schedule amount for the most frequently reimbursed power wheelchair procedure code at the time (K0011) exceeded prices negotiated by suppliers with manufacturers and distributors by 242 percent.⁴⁸ OIG recommended that CMS use the pricing information obtained as part of the review to determine whether an inherent reasonableness review for K0011 power wheelchairs was appropriate.

METHODOLOGY

Scope

We reviewed the acquisition costs of power wheelchairs supplied to Medicare beneficiaries in the first half of 2007. In addition, we reviewed the services that suppliers reported performing in conjunction with providing these power wheelchairs. We did not determine the cost of performing these services or other general supplier business expenses, such as billing, accreditation, staff salaries, or facility maintenance.

This evaluation focuses on standard and complex rehabilitation power wheelchairs. We also reviewed the acquisition costs of certain power options and accessories supplied with complex rehabilitation power wheelchairs. We did not include in our analysis the acquisition cost of accessories supplied with standard power wheelchairs because

⁴⁷ Department of Health and Human Services, OIG, "A Comparison of Medicare Program and Consumer Internet Prices for Power Wheelchairs," OEI-04-07-00160, October 2007.

⁴⁸ Department of Health and Human Services, OIG, "A Comparison of Prices for Power Wheelchairs in the Medicare Program," OEI-03-03-00460, April 2004.

beneficiaries who received standard power wheelchairs needed fewer, less expensive accessories.

Sample Selection

Our population consisted of new, nonrental standard and complex rehabilitation power wheelchair claims from CMS's National Claims History DME Standard Analytical File with dates of service during the first half of 2007.⁴⁹ We removed all claims submitted by suppliers that were not actively enrolled in Medicare.⁵⁰ We also removed claims associated with suppliers or prescribing providers under investigation by OIG.⁵¹ After removing these claims, the population from which we sampled included 93 percent of standard and 91 percent of complex rehabilitation power wheelchair claims.

We grouped the resulting population into three strata:⁵²

1. standard power wheelchair claims submitted by low-volume suppliers (those that submitted fewer than 10 standard power wheelchair claims in the first half of 2007),
2. standard power wheelchair claims submitted by high-volume suppliers (those that submitted 10 or more standard power wheelchair claims in the first half of 2007), and
3. complex rehabilitation power wheelchair claims.

⁴⁹ The final date to submit claims with dates of service during the first half of 2007 was June 30, 2008. We analyzed claims CMS had processed, as of June 30, 2007. Therefore, the population of claims from which we sampled does not include all claims with dates of service during the first half of 2007. Suppliers had submitted 79 percent of claims at the time we selected our sample.

⁵⁰ Pursuant to 42 CFR § 424.520(a), to maintain Medicare billing privileges after initial enrollment, suppliers must comply with Medicare regulations and relevant Federal and State requirements. Pursuant to 42 CFR § 424.535, Medicare may revoke a supplier's billing privileges because of a felony, noncompliance with enrollment requirements, etc. Pursuant to 42 CFR § 424.540, Medicare also may deactivate a supplier's billing privileges when the supplier does not submit a claim for a full year or when the supplier fails to report a change to the information provided on the enrollment application.

⁵¹ We removed 3,430 standard and 301 complex rehabilitation power wheelchair claims because of suppliers' Medicare enrollment status or an ongoing investigation. After removing these, our population consisted of 43,133 standard and 3,001 complex rehabilitation power wheelchair claims.

⁵² We chose to divide the standard power wheelchair population at a supplier volume of 10 claims during the first half of 2007 based on the distribution of suppliers and claims. Twenty-five percent of suppliers had 10 or more claims and these accounted for 83 percent of all standard power wheelchair claims.

We selected 375 total claims by selecting simple random samples of 125 claims from each stratum. Appendix A provides the number of claims; suppliers; and Medicare-allowed amounts for the population and sample, by category.

Data Collection

We requested from suppliers documentation to support their acquisition costs (i.e., the manufacturer's invoice) and the services that they reported performing in conjunction with providing these power wheelchairs.⁵³ Before mailing the requests, we solicited feedback on our documentation request from three power wheelchair suppliers. Representatives of these companies reviewed our documentation request to ensure the language was clear to suppliers.

We obtained suppliers' addresses from the National Supplier Clearinghouse. We mailed up to three requests to the suppliers of power wheelchairs in our sample and telephoned nonresponding suppliers to ensure that they had received the requests. Suppliers submitted documentation for 364 sample claims. We will forward a list of nonresponding suppliers to CMS.

We removed six claims for which the suppliers did not submit the manufacturers' invoices. We also removed 14 claims for power wheelchairs that the manufacturer supplied directly to the beneficiaries because no invoices existed for our review. Finally, we removed 42 claims because we could not confirm that they were coded correctly.⁵⁴ We discovered miscoded claims because the model listed on the invoice was not one of the Medicare-approved models for the claim's procedure code. We will forward information about these miscoded claims to CMS. After removing these claims, our sample consisted of 302 claims.

Documentation of supplier acquisition costs. We requested that suppliers provide the power wheelchair invoices so that we could determine the prices they paid for the power wheelchairs. We requested documentation to support all discounts, rebates, or other price

⁵³ The invoice is the itemized bill from the manufacturer or distributor, containing individual prices, the total charge, and the terms.

⁵⁴ Forty-five claims were miscoded, and five were potentially miscoded. However, we did not remove eight claims for complex rehabilitation power wheelchairs that should have been submitted under other complex rehabilitation power wheelchair procedure codes because, although they were miscoded, they were still within the scope of this report.

reductions that were not included in the invoice prices, as well as additional charges paid by the suppliers.

In addition, we requested invoices for many of the power options and accessories supplied with complex rehabilitation power wheelchairs in our sample. We included in our evaluation power options or accessories that (1) were supplied with more complex rehabilitation power wheelchairs than standard power wheelchairs in the first half of 2007 and (2) accounted for over 0.1 percent of the total expenditures for all complex rehabilitation power options and accessories during that time. These power options and accessories accounted for 91 percent of expenditures for all complex rehabilitation power options and accessories. Appendix B provides the number of complex rehabilitation power wheelchairs in our sample supplied with each power option or accessory, the items' descriptions, and the items' fee schedule amounts.

Documentation of supplier services. We asked suppliers to provide documentation to support the services they performed in conjunction with providing the power wheelchairs in our sample. To capture services performed over a range of time, we asked suppliers to report services that they performed before December 31, 2007. We accepted services performed at any time before the power wheelchair's delivery, during its delivery, and after its delivery (until December 31, 2007).

We asked suppliers about the following types of services:

- service(s) performed as part of the initial evaluation for the wheelchair and/or home assessment;
- service(s) required to assemble the wheelchair;
- the wheelchair's delivery;
- service(s) performed during the wheelchair's delivery (e.g., beneficiary or caregiver education and minor adjustments);
- service(s) performed as part of equipment repair and/or maintenance;
- follow-up seating, positioning, or programming adjustment(s); and
- response(s) to beneficiary or caregiver questions.

We also provided suppliers the opportunity to report services other than those listed in our documentation request and services for which they were unable to provide documentation.

Data Analysis

We analyzed the data that suppliers submitted for these power wheelchairs and projected the results.⁵⁵ Appendix C provides the confidence intervals for all estimates.

Supplier acquisition costs. Starting with the price on the invoice, we added any supplier-reported costs to ship the power wheelchair from the manufacturer or distributor to the supplier’s facility (if not included in the invoice price) and subtracted any discounts, rebates, or other incentives. The final calculated price represents the supplier’s acquisition cost for the power wheelchair.

Using the same method, we determined the acquisition costs for complex rehabilitation power options and accessories.⁵⁶ Then, we determined the acquisition cost for each complex rehabilitation “package” (the power wheelchair plus its power options and accessories).

We determined the range of supplier acquisition costs from the sample data. We projected mean acquisition costs based on sample data.⁵⁷ We also determined Medicare’s average allowed amounts using population data.

Supplier services. We analyzed a total of 1,622 supplier services. In addition to services that suppliers were able to document, this total includes 356 services that suppliers reported but did not support with documentation. We also included 40 services that suppliers did not report but that were evident in our review of the documents submitted. We did not include 178 services associated with power wheelchairs that we identified as miscoded.⁵⁸ We also did not include 100 reported services, including billing activities outside the scope of our review and services for which the suppliers were reimbursed separately.

⁵⁵ We used SAS and SUDAAN survey data analysis software to project our sample results nationally.

⁵⁶ We did not receive invoices for 18 of the 364 options and accessories supplied with complex rehabilitation power wheelchairs in our sample. For these 18 items, we substituted the maximum acquisition cost from other invoices for the same type of item. When no other invoices were available, we substituted the fee schedule amount. Therefore, we produced estimates that would likely be higher than the actual acquisition costs.

⁵⁷ All means are reported as “averages” in this report.

⁵⁸ Because our analysis does not include miscoded claims, services associated with these claims do not affect the average numbers of services suppliers reported performing.

We grouped the services into four categories, based on the service types indicated by the supplier:

1. Services performed prior to delivery (“predelivery services”). We allowed suppliers to report services performed at any time before the power wheelchairs’ delivery.
2. Services performed on the day the power wheelchair was delivered (“during-delivery services”).
3. Services performed over an average of 9 months after delivery (“follow-up services”).⁵⁹
4. Services not referenced in our request, supplier responses to beneficiary questions, and home assessments with insufficient documentation to categorize them as pre- or during-delivery services (“other services”). Suppliers may have performed these services at any phase of supplying the power wheelchairs.

See Appendix D for descriptions of the service types and the categories to which services were assigned.

We analyzed the reported services to determine: the average number of services that suppliers reported performing for power wheelchairs, by service category and in total; the frequency with which suppliers reported performing each service; and services in each category, as a percentage of all services that suppliers reported performing. We compared the results of each of these analyses by supplier volume and by standard versus complex rehabilitation power wheelchairs.

Limitations

The acquisition costs for 38 percent of power wheelchairs in our sample included batteries. The invoices did not list battery costs separately; therefore, we were unable to subtract their cost from the power wheelchair acquisition costs. Medicare reimburses batteries separately, allowing between \$60 and \$372 per wheelchair for batteries.^{60 61}

⁵⁹ The minimum time after the power wheelchairs’ delivery and until December 31, 2007, was 6 months and the maximum was 1 year.

⁶⁰ Power wheelchairs require two batteries for operation. Power wheelchair batteries are reimbursed by Medicare under procedure codes K0733, E2360–E2365, E2371, and E2372. However, Medicare coverage policy states that Medicare will deny nonsealed batteries (procedure codes E2360, E2362, E2364, and E2372) as not medically necessary.

⁶¹ DMEPOS 2007 Fee Schedule.

I N T R O D U C T I O N

We provided suppliers the opportunity to explain if they were unable to provide documentation to support services they performed in conjunction with providing the power wheelchair. We included in our analysis all undocumented services that suppliers reported. However, suppliers may not have reported all services for which they were unable to provide documentation. We did not independently verify that suppliers performed the services they reported.

Many supplier services are performed on an as-needed basis; therefore, a service rate of less than 100 percent does not imply supplier neglect.

Standards

This study was conducted in accordance with the “Quality Standards for Inspections” approved by the Council of the Inspectors General on Integrity and Efficiency.

Medicare allowed an average of \$4,018 for standard power wheelchairs that cost suppliers an average of \$1,048 in the first half of 2007

Medicare and its beneficiaries paid almost four times the average amount paid by suppliers to acquire standard power wheelchairs during the first half of 2007. Medicare and its beneficiaries

paid an average of \$4,018 for standard power wheelchairs, which accounted for nearly three-quarters of Medicare’s power wheelchair claims and expenditures in the first half of 2007. Based on the manufacturer invoices, suppliers paid between \$608 and \$2,821 to purchase standard power wheelchairs that they supplied to Medicare beneficiaries. The average supplier acquisition cost was \$1,048.⁶² The beneficiary’s copayment covered 77 percent of the average acquisition cost.⁶³

Table 1 compares suppliers’ average acquisition cost for standard power wheelchairs with Medicare and beneficiary payments under the 2007 and 2009 fee schedules and the Competitive Bidding Acquisition Program. Acquisition costs do not include suppliers’ indirect costs, such as the cost of performing services or other supplier business expenses.

Table 1. Standard Power Wheelchair Price Comparison				
Pricing Information	Average Supplier Acquisition Cost* (2007)	Medicare’s Average Allowed Amount (2007)	Medicare’s Average Competitive Bidding Price** (2008)	Medicare’s 2009 Fee Schedule Amount
Average price	\$1,048	\$4,018	\$3,073	\$3,641
Comparison price, as a percentage of supplier acquisition cost	NA	383%	293%	347%

* OIG analysis of supplier acquisition costs, 2008.

** Average of 10 Competitive Bidding Area single payment amounts for standard power wheelchairs under the Competitive Bidding Acquisition Program’s cancelled Round 1.

Medicare’s average allowed amount in the first half of 2007 (\$4,018) was 383 percent of suppliers’ average acquisition cost for standard power wheelchairs. In comparison, Medicare’s average payment under the Competitive Bidding Acquisition Program (\$3,073) would have been

⁶² See Appendix E for median supplier acquisition costs and confidence intervals.

⁶³ The average beneficiary copayment for standard power wheelchairs was \$804 during the first half of 2007.

293 percent of suppliers’ average acquisition cost.⁶⁴ Although Medicare’s fee schedule amount was reduced to \$3,641 to offset the Competitive Bidding Acquisition Program’s delay, the 2009 fee schedule amount exceeds the average competitively bid price by \$568. Medicare’s 2009 fee schedule amount is 347 percent of suppliers’ average acquisition cost.⁶⁵

Low-volume suppliers paid more than high-volume suppliers for standard power wheelchairs

Table 2 illustrates the differences in acquisition costs that high- and low-volume suppliers paid.

Table 2: Price Comparisons for Standard Power Wheelchairs				
Volume of Standard Power Wheelchair Sales	Medicare’s Average Allowed Amount	Average Supplier Acquisition Cost	Range of Supplier Acquisition Costs*	Medicare’s Average Allowed Amount as a Percentage of Suppliers’ Average Acquisition Cost
High-volume suppliers	\$4,020	\$1,006	\$608-\$1,733	400%
Low-volume suppliers	\$4,008	\$1,249	\$770-\$2,821	321%
All suppliers	\$4,018	\$1,048	\$608-\$2,821	383%

* Figures are from sample results and are not projected nationally.
 Source: OIG analysis of supplier acquisition costs, 2008.

High-volume suppliers paid between \$608 and \$1,733 for standard power wheelchairs in the first half of 2007, or an average of \$1,006. Low-volume suppliers paid between \$770 and \$2,821, or an average of \$1,249.⁶⁶

Medicare allowed an average of \$11,507 for complex rehabilitation power wheelchair packages that cost suppliers an average of \$5,880 in the first half of 2007

Medicare and its beneficiaries paid almost two times the average amount paid by suppliers to acquire complex rehabilitation power wheelchair packages during the first half of 2007. Medicare and its

⁶⁴ Single payment amounts for standard power wheelchairs based on selected bids under the Competitive Bidding Acquisition Program’s cancelled Round 1 ranged from \$2,756 to \$3,601.

⁶⁵ These estimates do not account for changes in supplier acquisition costs since the first half of 2007.

⁶⁶ The difference between high- and low-volume suppliers’ average acquisition costs for standard power wheelchairs is statistically significantly at the 95-percent confidence level. See Appendix C for the difference estimate, confidence intervals, and p-values.

beneficiaries paid an average of \$11,507 for complex rehabilitation power wheelchair packages, which include the wheelchair and its power options and accessories. Suppliers' acquisition costs ranged between \$1,921 and \$14,698 per package. The average supplier acquisition cost was \$5,880.⁶⁷ Beneficiaries' copayments covered 39 percent of the supplier's acquisition cost for the package, on average.⁶⁸

Table 3 compares Medicare-allowed amounts and supplier acquisition costs for complex rehabilitation power wheelchair packages. Medicare's average allowed amount was 196 percent of suppliers' average acquisition cost during the first half of 2007. After the 9.5-percent fee schedule reduction in January 2009, Medicare's average allowed amount is 177 percent of suppliers' average acquisition cost.^{69 70}

Table 3: Price Comparisons for Complex Rehabilitation Power Wheelchair Packages				
Item(s)	Medicare's Average Allowed Amount	Average Supplier Acquisition Cost**	Range of Supplier Acquisition Costs***	Medicare's Average Allowed Amount as a Percentage of Suppliers' Average Acquisition Cost
Power wheelchair*	\$5,354	\$2,565	\$1,049-\$5,495	209%
Power options and accessories	\$6,153	\$3,316	\$75-\$10,235	186%
Package total	\$11,507	\$5,880	\$1,921-\$14,698	196%

* Includes only those complex rehabilitation power wheelchairs supplied as part of a package.

** Column does not sum because of rounding.

*** Figures are from sample results and are not projected nationally.

Source: OIG analysis of supplier acquisition costs, 2008.

Medicare allowed an average of \$5,354 for complex rehabilitation power wheelchairs that cost suppliers an average of \$2,565

Medicare and its beneficiaries paid over two times, or 209 percent of, the average amount paid by suppliers to acquire complex rehabilitation power wheelchairs that were supplied with power options and accessories during the first half of 2007. Suppliers' acquisition costs

⁶⁷ The range values are from the sample and are not projected nationally.

⁶⁸ The average beneficiary copayment for complex rehabilitation power wheelchair packages was \$2,301 during the first half of 2007.

⁶⁹ This estimate does not account for any changes in supplier acquisition costs since the first half of 2007.

⁷⁰ The estimated, average allowed amount is \$10,414. This estimate assumes that Medicare beneficiaries received the same distribution of complex rehabilitation procedure codes after January 2009 as in the first half of 2007.

ranged between \$1,049 and \$5,495 per chair, and the average acquisition cost was \$2,565.⁷¹ Medicare’s complex rehabilitation fee schedule amounts ranged from \$4,132 to \$11,965 in the first half of 2007. Medicare and its beneficiaries paid an average of \$5,354 for these power wheelchairs.

Medicare allowed an average of \$6,153 for the power options and accessories supplied with complex rehabilitation power wheelchairs that cost suppliers an average of \$3,316

Medicare and its beneficiaries paid 186 percent of the average amount paid by suppliers to acquire complex rehabilitation power options and accessories during the first half of 2007. Power options and accessories included powered tilt and recline systems, headrests, and electronic connections between power options and the wheelchair controllers.

Suppliers’ acquisition costs ranged between \$75 and \$10,235, and the average acquisition cost was \$3,316.⁷² Medicare and its beneficiaries paid an average of \$6,153.

Suppliers of standard power wheelchairs reported performing an average of five services per chair, while suppliers of complex rehabilitation power wheelchair packages reported performing an average of seven services

Suppliers reported performing an average of five services prior to, during, and within an average of 9 months after delivering standard power wheelchairs to Medicare beneficiaries. Suppliers reported performing an average of seven services in conjunction with providing

complex rehabilitation power wheelchair packages. However, suppliers reported performing an average of five services for complex rehabilitation power wheelchairs for which the beneficiaries received no power options or accessories.⁷³ Appendix F presents the average number of services reported, by wheelchair type and service category.

⁷¹ The range values are from the sample and are not projected nationally.

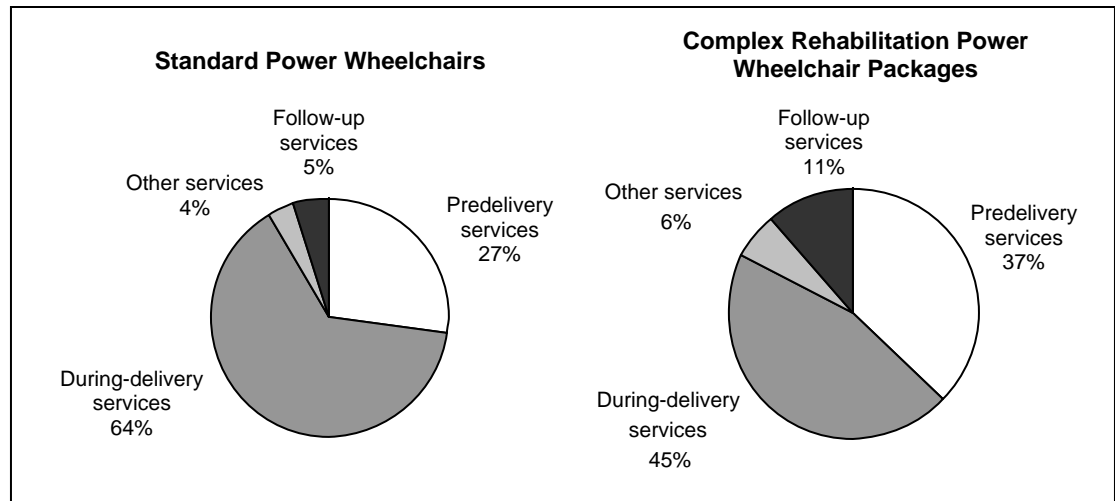
⁷² Ibid.

⁷³ This estimate’s sample size consists of 30 claims. See Appendix C for the confidence intervals.

Suppliers reported performing most services prior to and during the power wheelchairs' delivery

Predelivery and during-delivery services accounted for 91 percent of services suppliers reported performing in conjunction with providing standard power wheelchairs and 82 percent of services they reported performing for complex rehabilitation power wheelchair packages, as shown in Figure 1.

Figure 1.
Service Categories
as a Percentage of
All Services
Reported, by
Wheelchair Type



Source: OIG analysis of supplier services, 2008.
Note: Percentages may not sum to 100 percent because of rounding.

Services that suppliers reported performing prior to delivery. Predelivery services accounted for 27 percent of services reported for standard power wheelchairs. The most common predelivery service suppliers reported performing when providing standard power wheelchairs was assembling them.⁷⁴ Suppliers of 64 percent of standard power wheelchairs reported assembling the wheelchairs.

Predelivery services accounted for 37 percent of services reported for complex rehabilitation packages. Suppliers of 75 percent of complex rehabilitation power wheelchair packages reported performing or participating in evaluations of the beneficiaries.

Services that suppliers reported performing during delivery. During-delivery services accounted for 64 percent of services reported for standard

⁷⁴ The difference is statistically different from other predelivery services at the 95-percent confidence level in a multiple comparison test using a Bonferroni threshold of 0.0167.

power wheelchairs and 45 percent of services reported for complex rehabilitation power wheelchair packages.

The most common service performed during the delivery of standard and complex rehabilitation power wheelchairs, other than the delivery itself, was education of the beneficiaries or caregivers on the power wheelchairs' use or maintenance.⁷⁵ Suppliers reported educating the beneficiaries or caregivers of standard and complex rehabilitation power wheelchairs at least 90 percent of the time.

Suppliers reported performing few follow-up or other types of services

Follow-up and all other services accounted for 9 percent of services reported for standard power wheelchairs.⁷⁶ Suppliers reported performing maintenance or repairs for 11 percent of standard power wheelchairs. They reported adjusting 5 percent of standard power wheelchairs in the months following delivery.

Follow-up and all other services accounted for 17 percent of services reported for complex rehabilitation power wheelchair packages.⁷⁷ Suppliers reported performing maintenance or repairs on 31 percent of complex rehabilitation power wheelchairs supplied as part of packages. They reported adjusting 27 percent of these wheelchairs.

Complex rehabilitation power wheelchair suppliers reported performing twice as many services as standard power wheelchair suppliers at times other than the day of delivery

Suppliers reported performing an average of two pre-delivery, follow-up, and other services for standard power wheelchairs. They reported performing an average of four of these services in conjunction with providing complex rehabilitation power wheelchairs that were part of a package, twice the number that suppliers of standard power wheelchairs reported.

Suppliers of complex rehabilitation power wheelchair packages were more likely to report performing or participating in beneficiary evaluations, providing equipment trials for the beneficiaries, and conducting home assessments prior to delivering the wheelchairs.

⁷⁵ The differences are statistically different from other during-delivery services at the 95-percent confidence level in a multiple comparison test using a Bonferroni threshold of 0.0125.

⁷⁶ We collected data on follow-up services performed during a minimum of 6 months and an average of 9 months after the wheelchairs' delivery.

⁷⁷ Ibid.

Suppliers were also more likely to report performing repairs and maintenance and making follow-up adjustments for complex rehabilitation power wheelchair packages than for standard power wheelchairs.^{78 79} Appendix F compares the frequency with which suppliers reported performing each type of service, by wheelchair type.

Suppliers reported performing required services most of the time, as well as other services that were performed as needed

Suppliers reported performing three required services—delivering the power wheelchairs, providing education, and assessing the homes of beneficiaries—most of the time. Suppliers provided proof of delivery for 100 percent of power wheelchairs. Suppliers of both power wheelchair types also reported educating over 90 percent of beneficiaries or caregivers on the use or maintenance of their power wheelchairs. Suppliers of 89 percent of standard power wheelchairs and 80 percent of complex rehabilitation power wheelchairs reported conducting home assessments to verify that the beneficiaries could adequately maneuver the power wheelchairs.

In addition, suppliers reported performing other services that Medicare requires on an as-needed basis. For example, suppliers of approximately one-tenth of standard power wheelchairs and one-third of complex rehabilitation power wheelchairs reported performing repairs and maintenance on the power wheelchairs.

⁷⁸ The differences are statistically significant at the 95-percent confidence level using a Bonferroni threshold of 0.0036. See Appendix C for difference estimates, confidence intervals, and p-values.

⁷⁹ Suppliers were more likely to report performing home assessments during delivery of standard power wheelchairs than during delivery of complex rehabilitation power wheelchairs.

► R E C O M M E N D A T I O N

Prior OIG evaluations found that consumers can purchase power wheelchairs at lower prices than Medicare and its beneficiaries. The findings of this evaluation suggest that CMS's power wheelchair payments and, therefore, its current methodology for developing power wheelchair fee schedule amounts do not reflect actual acquisition costs. Medicare's fee schedule amounts should be sufficient to cover costs that suppliers incur to purchase and supply power wheelchairs to beneficiaries. However, Medicare and its beneficiaries should not pay amounts that result in suppliers' excess profit.

Based on manufacturer invoices and other documentation we collected from suppliers, we found that Medicare and its beneficiaries paid almost four times the average amount paid by suppliers to acquire standard power wheelchairs during the first half of 2007. Suppliers purchased standard power wheelchairs for an average of \$1,048 and reported performing an average of five services in conjunction with providing them in the first half of 2007. Because Medicare allowed an average of \$4,018 for standard power wheelchairs, Medicare and its beneficiaries paid suppliers an average of \$2,970 beyond the supplier's acquisition cost to perform an average of five services and cover general business costs.

Medicare's average allowed amount for standard power wheelchairs in the first half of 2007 (\$4,018) was 383 percent of suppliers' average acquisition cost. In comparison, Medicare's average payment under the Competitive Bidding Acquisition Program (\$3,073) would have been 293 percent of suppliers' average acquisition cost. Although Medicare's fee schedule amount was reduced to \$3,641 to offset the Competitive Bidding Acquisition Program's delay, the 2009 fee schedule amount exceeds the average competitively bid price by \$568.

Medicare and its beneficiaries paid almost two times the average amount paid by suppliers to acquire complex rehabilitation power wheelchair packages during the first half of 2007. Suppliers purchased complex rehabilitation power wheelchair packages for an average of \$5,880 and reported performing an average of seven services in the first half of 2007. Because Medicare allowed an average of \$11,507 for complex rehabilitation power wheelchair packages, Medicare and its beneficiaries paid suppliers an average of \$5,627 beyond the supplier's acquisition cost to perform an average of seven services and cover general business costs.

Based on these findings, we recommend that CMS:

Determine Whether Medicare’s Fee Schedule Amounts for Standard and Complex Rehabilitation Power Wheelchairs Should Be Adjusted

CMS should consider the following methods for reviewing fee schedule amounts:

- Use information from the Competitive Bidding Acquisition Program to adjust fee schedule amounts. Medicare’s current fee schedule amount for a standard power wheelchair exceeds the average price established through competitive bidding by \$568. Medicare and its beneficiaries would have paid an average of \$3,073 under the original round of the Competitive Bidding Acquisition Program. Under the 2009 fee schedule, which was reduced by 9.5 percent to offset the Competitive Bidding Acquisition Program’s delay, Medicare and its beneficiaries pay up to \$3,641. CMS should consider using the bids submitted by suppliers when determining whether fee schedule amounts are appropriate.
- Seek legislation to ensure that fee schedule amounts are reasonable and responsive to market changes. CMS’s current methodology for developing power wheelchair fee schedule amounts is based on MSRPs. In May 2006, CMS proposed a revised methodology for setting fee schedule amounts that would not rely upon MSRPs. CMS should continue to develop a new methodology that better reflects actual acquisition costs and is responsive to the market, and use notice and comment rulemaking to implement it. Upon doing so, CMS should consider seeking legislation to apply the new methodology to existing power wheelchair fee schedule amounts.
- Use the results of this evaluation to determine whether an inherent reasonableness review is appropriate. CMS may use its inherent reasonableness authority to set special payment limits when payments are “grossly higher or lower” than acquisition costs. CMS should consider using its inherent reasonableness authority to determine whether power wheelchair fee schedule amounts are appropriate.

When setting fee schedule amounts, CMS should consider that supplier acquisition costs and services differ by power wheelchair type. Standard power wheelchairs cost suppliers less, as a percentage

of their Medicare payment, than complex rehabilitation power wheelchair packages. In addition, suppliers of complex rehabilitation power wheelchair packages reported performing more services, including twice as many at times other than the day of delivery, than suppliers of standard power wheelchairs.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with our recommendation and noted that the report provides valuable insight on suppliers' average acquisition costs for standard and complex rehabilitation power wheelchairs. It also noted that it has worked on a number of important regulatory and administrative initiatives related to the coding, payment, and coverage of power wheelchairs in response to the significant growth in expenditures for these items under the Medicare program. The goals of these initiatives are to ensure that beneficiaries have access to the appropriate technology and to improve the appropriateness of Medicare's payment rates for this equipment.

CMS also provided comments about each suggested method for determining whether Medicare's fee schedule amounts for standard and complex rehabilitation power wheelchairs should be adjusted. In response to our first suggested method, CMS concurred that it has the authority to use the payment amounts determined under the Competitive Bidding Acquisition Program to adjust the existing Medicare fee schedule amounts for DME items in areas not included in a competitive bidding program. CMS stated that it will be conducting rulemaking to implement a detailed methodology and process for applying this authority.

In response to our second suggested method, CMS stated that it will consider this method carefully. CMS noted that, although it is considering taking steps to revise the administrative process for gap-filling fee schedule amounts for new DME items, new legislation may not be required to make these revisions.

In response to our third suggested method, CMS did not concur with using its inherent reasonableness authority. CMS noted that it is not likely to consider undertaking a review of the standard and complex rehabilitation power wheelchair fee schedule amounts until the results of the supplier bids under the Competitive Bidding Acquisition Program have been assessed.

R E C O M M E N D A T I O N

CMS also stated that it will consider that supplier purchase prices and services differ by power wheelchair type when setting fee schedule amounts.

We did not make changes to the report based on CMS comments. We support CMS's efforts to address these issues and encourage it to continue to make progress in these areas. The full text of CMS's comments is provided in Appendix G.

Population and Sample Sizes, by Category							
Stratum	Definition	Population			Sample		
		Claims	Expenditures	Suppliers	Claims	Expenditures	Suppliers
1	Standard power wheelchairs supplied by low-volume suppliers	7,223	\$28,949,132	2,352	125	\$499,152	124
2	Standard power wheelchairs supplied by high-volume suppliers	35,910	\$144,354,060	716	125	\$502,989	94
1 and 2	All standard power wheelchairs	43,133	\$173,303,192	3,068	250	\$1,002,141	218
3	Complex rehabilitation power wheelchairs*	3,001	\$16,010,906	1,064	125	\$665,200	113
Total		46,134	\$189,314,098	3,362**	375	\$1,667,341	325**

* Procedure codes K0835–K0864.

** Suppliers figures do not sum to totals because of overlap (some suppliers in our sample provided both standard and complex rehabilitation power wheelchairs).

Source: Office of Inspector General analysis of Medicare power wheelchair claims with dates of service from January 1 to June 30, 2007.

➤ A P P E N D I X ~ B

Complex Rehabilitation Power Options and Accessories, From Sample			
HCPSCS	Number of Chairs Item Supplied With	Description of Complex Rehabilitation Power Option and Accessory	Fee Schedule Amount*
E1028	60	Manual swingaway, retractable or removable mounting hardware for joystick, other control interface or positioning accessory	\$207
E0955	51	Headrest, cushioned, any type, including fixed mounting hardware, each	\$202
E1002	40	Power seating system, tilt only	\$4,113
E2620	38	Positioning wheelchair back cushion, planar back with lateral supports, width less than 22 inches, any height, including any type mounting hardware	\$548
E2311	24	Electronic connection between wheelchair controller and two or more power seating system motors, including all related electronics, indicator feature, mechanical function selection switch, and fixed mounting hardware	\$2,369
E1010	21	Addition to power seating system, power leg elevation system, including legrest, pair	\$1,144
E1007	19	Power seating system, combination tilt and recline, with mechanical shear reduction	\$8,741
K0734	17	Skin protection wheelchair seat cushion, width less than 22 inches, any depth	\$331
E2607	13	Skin protection and positioning wheelchair seat cushion, width less than 22 inches, any depth	\$290
E2310	12	Electronic connection between wheelchair controller and one power seating system motor, including all related electronics, indicator feature, mechanical function selection switch, and fixed mounting hardware	\$1,170
E0956	11	Lateral trunk or hip support, any type, including fixed mounting hardware, each	\$99
E2611	8	General use wheelchair back cushion, width less than 22 inches, any height, including any type mounting hardware	\$312
E2615	8	Positioning wheelchair back cushion, posterior-lateral, width less than 22 inches, any height, including any type mounting hardware	\$452
K0736	8	Skin protection and positioning wheelchair seat cushion, adjustable, width less than 22 inches, any depth	\$334
E2209	7	Arm trough, with or without hand support, each	\$107
K0108**	7	Wheelchair component or accessory not otherwise specified	NA
E2617**	6	Custom-fabricated wheelchair back cushion, any size, including any type mounting hardware	NA
E2613	5	Positioning wheelchair back cushion, posterior, width less than 22 inches, any height, including any type mounting hardware	\$393
E2373**	3	Hand or chin control interface, compact remote joystick, proportional, including fixed mounting hardware	NA
E2605	3	Positioning wheelchair seat cushion, width less than 22 inches, any depth	\$269
E1004	2	Power seating system, recline only, with mechanical shear reduction	\$4,869
E1008	2	Power seating system, combination tilt and recline, with power shear reduction	\$8,742
E2330	2	Head control interface, proximity switch mechanism, nonproportional, including all related electronics, mechanical stop switch, mechanical direction change switch, head array, and fixed mounting hardware	\$3,422
K0735	2	Skin protection wheelchair seat cushion, adjustable, width 22 inches or greater, any depth	\$422
K0737	2	Skin protection and positioning wheelchair seat cushion, adjustable, width 22 inches or greater, any depth	\$42
E2322	1	Hand control interface, multiple mechanical switches, nonproportional, including all related electronics, mechanical stop switch, and fixed mounting hardware	\$1,410
E2377	1	Expandable controller, including all related electronics and mounting hardware, upgrade provided at initial issue	\$486
E2392**	1	Solid (rubber/plastic) caster tire with integrated wheel, any size, replacement only, each	NA
E2399**	1	Not otherwise classified interface, including all related electronics and any type mounting hardware	NA
E2609**	1	Custom-fabricated wheelchair seat cushion, any size	NA

* Durable Medical Equipment, Prosthetics, Orthotics, and Supplies 2007 Fee Schedule. (Amounts have been rounded to the nearest dollar.)

** Reimbursement amount determined on a case-by-case basis.

Estimates and Confidence Intervals for Power Wheelchair Acquisition Costs			
Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval
High-Volume Standard Power Wheelchair Suppliers			
Average acquisition cost	99	\$1,006	\$965-\$1,047
Average Medicare-allowed amount (\$4,020) as a percentage of acquisition cost	99	400%	384%-417%
Low-Volume Standard Power Wheelchair Suppliers			
Average acquisition cost	102	\$1,249	\$1,187-\$1,311
Average Medicare-allowed amount (\$4,008) as a percentage of acquisition cost	102	321%	306%-338%
All Standard Power Wheelchairs Suppliers			
Average acquisition cost	201	\$1,048	\$1,012-\$1,083
Average Medicare-allowed amount during the first half of 2007 (\$4,018) as a percentage of acquisition cost	201	383%	371%-397%
Average Medicare payment under Competitive Bidding Acquisition Program (\$3,073) as a percentage of acquisition cost	201	293%	284%-304%
January 2009 Medicare fee schedule amount (\$3,641) as a percentage of acquisition cost	201	347%	336%-360%
Beneficiary's average copayment (\$804) as a percentage of acquisition cost	201	77%	74%-79%
Complex Rehabilitation Power Wheelchair Packages			
Average acquisition cost for package	71	\$5,880	\$5,231-\$6,529
Average Medicare-allowed amount during the first half of 2007 (\$11,507) as a percentage of acquisition cost	71	196%	176%-220%
Medicare-allowed amount based on January 2009 fee schedule (\$10,414) as a percentage of acquisition cost	71	177%	160%-199%
Beneficiary's average copayment (\$2,301) as a percentage of average acquisition cost	71	39%	35%-44%
Average acquisition cost for power wheelchair	71	\$2,565	\$2,389-\$2,740
Average Medicare-allowed amount for power wheelchair during the first half of 2007 (\$5,354) as a percentage of acquisition cost	71	209%	195%-224%
Average acquisition cost for power options	71	\$3,316	\$2,748-\$3,883
Average Medicare-allowed amount for power options and accessories during the first half of 2007 (\$6,153) as a percentage of acquisition cost	71	186%	158%-224%
Comparison			
Comparison of acquisition cost for standard power wheelchairs paid by high- and low-volume suppliers	201	\$243	\$170-\$317

Estimates and Confidence Intervals for Average Number of Supplier Services, by Category			
Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval
All Standard Power Wheelchairs Suppliers			
Average number of services suppliers reported performing prior to delivery	201	1.4	1.3-1.6
Average number of services suppliers reported performing during delivery	201	3.4	3.2-3.6
Average number of follow-up services suppliers reported performing	201	0.2	0.1-0.4
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	201	0.2	0.1-0.3
Average number of all services suppliers reported performing	201	5.3	5.0-5.6
High-Volume Standard Power Wheelchair Suppliers			
Average number of services suppliers reported performing prior to delivery	99	1.4	1.2-1.6
Average number of services suppliers reported performing during delivery	99	3.6	3.4-3.8
Average number of follow-up services suppliers reported performing	99	0.3	0.1-0.4
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	99	0.2	0.1-0.3
Average number of all services suppliers reported performing	99	5.4	5.1-5.8
Low-Volume Standard Power Wheelchair Suppliers			
Average number of services suppliers reported performing prior to delivery	102	1.6	1.4-1.8
Average number of services suppliers reported performing during delivery	102	2.5	2.3-2.7
Average number of follow-up services suppliers reported performing	102	0.2	0.1-0.4
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	102	0.2	0.1-0.3
Average number of all services suppliers reported performing	102	4.6	4.3-5.0

Estimates and Confidence Intervals for Average Number of Supplier Services, by Category (Continued)			
Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval
Complex Rehabilitation Power Wheelchair Packages			
Average number of services suppliers reported performing prior to delivery	71	2.4	2.1-2.7
Average number of services suppliers reported performing during delivery	71	3.0	2.8-3.2
Average number of follow-up services suppliers reported performing	71	0.7	0.5-1.0
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	71	0.4	0.2-0.6
Average number of all services suppliers reported performing	71	6.5	6.0-7.1
Complex Rehabilitation Power Wheelchairs With No Power Options or Accessories			
Average number of services suppliers reported performing prior to delivery	30	1.8	1.3-2.2
Average number of services suppliers reported performing during delivery	30	2.5	2.2-2.8
Average number of follow-up services suppliers reported performing	30	0.4	0.1-0.8
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	30	0.3	0.1-0.5
Average number of all services suppliers reported performing	30	5.0	4.3-5.7
All Complex Rehabilitation Power Wheelchairs			
Average number of services suppliers reported performing prior to delivery	101	2.2	2.0-2.5
Average number of services suppliers reported performing during delivery	101	2.8	2.7-3.0
Average number of follow-up services suppliers reported performing	101	0.7	0.5-0.9
Average number of responses to beneficiary questions, other, and uncategorized services suppliers reported performing	101	0.4	0.2-0.5
Average number of all services suppliers reported performing	101	6.1	5.6-6.5

Estimates and Confidence Intervals for Supplier Service Categories			
Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval
All Standard Power Wheelchairs Suppliers			
Predelivery services, as percentage of all services	1,008	27.3%	25.2%-29.5%
During-delivery services, as percentage of all services	1,008	64.2%	61.4%-67.0%
Follow-up services, as percentage of all services	1,008	4.7%	2.8%-6.7%
Responses to beneficiary questions, other, and uncategorized services, as percentage of all services	1,008	3.8%	2.4%-5.1%
Complex Rehabilitation Power Wheelchair Packages			
Predelivery services, as percentage of all services	464	37.1%	34.0-40.1%
During-delivery services, as percentage of all services	464	45.5%	42.2%-48.8%
Follow-up services, as percentage of all services	464	11.4%	8.2%-14.7%
Beneficiary questions, other, and uncategorized services, as percentage of all services	464	6.0%	3.7%-8.4%

Estimates and Confidence Intervals for Percentage of Claims That Involved Supplier Services			
Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval
All Standard Power Wheelchair Suppliers			
Percentage of power wheelchairs the supplier reported assembling	201	64.0%	55.7%-71.5%
Percentage of power wheelchairs for which the supplier reported performing a patient evaluation	201	46.6%	38.3%-55.0%
Percentage of power wheelchairs for which the supplier reported performing a home assessment prior to delivery	201	27.3%	21.1%-34.7%
Percentage of power wheelchairs for which the supplier reported providing for an equipment trial	201	5.9%	3.1%-10.9%
Percentage of power wheelchairs the supplier reported delivering	201	99.8%	98.8%-100.0%
Percentage of power wheelchairs for which the supplier reported educating the beneficiary or caregiver	201	93.1%	89.2%-95.7%
Percentage of power wheelchairs for which the supplier reported making adjustments during delivery	201	61.0%	52.7%-68.6%
Percentage of power wheelchairs for which the supplier reported performing a home assessment during delivery	201	54.9%	46.7%-62.8%
Percentage of power wheelchairs for which the supplier reported testing the wheelchair's functionality during delivery	201	23.8%	17.3%-31.8%
Percentage of power wheelchairs for which the supplier reported performing repairs or maintenance	201	10.9%	6.5%-17.6%
Percentage of power wheelchairs for which the supplier reported performing follow-up adjustment(s)	201	5.4%	2.8%-10.0%
Percentage of power wheelchairs for which the supplier reported responding to a beneficiary or caregiver question about the power wheelchair	201	4.4%	2.0%-9.2%
Percentage of power wheelchairs for which the supplier reported performing a home assessment that could not be categorized as prior to or during delivery	201	7.2%	3.8%-13.2%
Percentage of power wheelchairs for which the supplier reported performing a service not referenced	201	8.2%	4.8%-13.8%
Percentage of power wheelchairs for which the supplier reported performing a home assessment	201	89.4%	83.2%-93.6%
Complex Rehabilitation Power Wheelchair Packages			
Percentage of power wheelchairs the supplier reported assembling	71	66.2%	54.6%-76.1%
Percentage of power wheelchairs for which the supplier reported performing a patient evaluation	71	74.6%	63.4%-83.4%
Percentage of power wheelchairs for which the supplier reported performing a home assessment prior to delivery	71	50.7%	39.3%-62.0%
Percentage of power wheelchairs for which the supplier reported providing for an equipment trial	71	33.8%	23.9%-45.4%
Percentage of power wheelchairs the supplier reported delivering	71	100.0%	95.1%-100.0%
Percentage of power wheelchairs for which the supplier reported educating the beneficiary or caregiver	71	91.5%	82.5%-96.1%
Percentage of power wheelchairs for which the supplier reported making adjustments during delivery	71	62.0%	50.3%-72.4%
Percentage of power wheelchairs for which the supplier reported performing a home assessment during delivery	71	23.9%	15.5%-35.1%
Percentage of power wheelchairs for which the supplier reported testing the wheelchair's functionality during delivery	71	18.3%	11.0%-29.0%
Percentage of power wheelchairs for which the supplier reported performing repairs or maintenance	71	31.0%	21.4%-42.5%
Percentage of power wheelchairs for which the supplier reported performing follow-up adjustment(s)	71	26.8%	17.8%-38.1%
Percentage of power wheelchairs for which the supplier reported responding to a beneficiary or caregiver question about the power wheelchair	71	7.0%	3.0%-15.8%
Percentage of power wheelchairs for which the supplier reported performing a home assessment that could not be categorized as prior to or during delivery	71	5.6%	2.1%-14.0%
Percentage of power wheelchairs for which the supplier reported performing a service not referenced	71	19.7%	12.1%-30.5%
Percentage of power wheelchairs for which the supplier reported performing a home assessment	71	80.3%	69.5%-87.9%

Estimates and Confidence Intervals for Percentage of Claims That Involved Supplier Services (Continued)

Estimate Description	Sample Size	Point Estimate	95-Percent Confidence Interval	P-Value
Comparisons by Wheelchair Type				
Difference in percentage of power wheelchairs for which the supplier reported performing a patient evaluation	272	(28.1%)	(41.1%)-(15.1%)	<0.001
Difference in percentage of power wheelchairs for which the supplier reported providing for an equipment trial	272	(27.9%)	(39.4%)-(16.5%)	<0.001
Difference in percentage of power wheelchairs for which the supplier reported performing a home assessment prior to delivery	272	(23.4%)	(36.7%)-(10.0%)	0.001
Difference in percentage of power wheelchairs for which the supplier reported performing a home assessment during delivery	272	31.0%	18.2%-43.7%	<0.001
Difference in percentage of power wheelchairs for which the supplier reported performing repairs or maintenance	272	(20.1%)	(32.0%)-(8.2%)	0.001
Difference in percentage of power wheelchairs for which the supplier reported performing follow-up adjustment(s)	272	(21.4%)	(32.1%)-(10.7%)	<0.001

Note: Parentheses indicate a negative value.

Supplier Service Categories and Descriptions			
Category	Service	Service Description	
Predelivery services	Evaluate beneficiary	Supplier employee performed or participated in an evaluation of the beneficiary	
	Provide for equipment trial	Supplier provided trial power wheelchair(s) to beneficiary	
	Assemble wheelchair	Supplier assembled wheelchair	
	Perform home assessment *	Supplier evaluated home to verify that the beneficiary could adequately maneuver the wheelchair, considering physical layout, doorway width, doorway thresholds, and surfaces (may also be performed during delivery)	
During-delivery services	Deliver wheelchair *	Supplier delivered the power wheelchair to beneficiary	
	Adjust wheelchair	Supplier adjusted power wheelchair at time of delivery	
	Educate beneficiary *	Supplier educated the beneficiary or caregiver on the power wheelchair's use, safety, or maintenance at time of delivery	
	Test wheelchair	Supplier tested the power wheelchair's functions, such as brakes or electronics system, at time of delivery	
	Perform home assessment *	(May also be performed prior to delivery)	
Follow-up services	Perform repair/maintenance**	Supplier performed maintenance on or replaced the power wheelchair or related accessories	
	Adjust wheelchair	Supplier adjusted the power wheelchair or accessories	
Other services	Respond to beneficiary question **	Supplier responded to question from beneficiary or caregiver regarding the power wheelchair	
	Perform home assessment *	(Documentation was insufficient to categorize as either a pre- or during-delivery service)	
	Services not referenced in request	Loan equipment	Supplier loaned mobility equipment to beneficiary to use while waiting for equipment
		Move wheelchair	Moved wheelchair for beneficiary from home to nursing facility
		Provide instructions	Instructions provided to beneficiary outside delivery
		Coordinate evaluation	Supplier coordinated evaluation for beneficiary
		Perform administrative services	Supplier performed activity related to administrative processing of beneficiary or equipment
		Followup with beneficiary	Follow-up contact with beneficiary initiated by supplier (does not include power wheelchair adjustment or maintenance)
		Provide part/accessory with no charge	Supplier provided part or accessory with no charge to beneficiary
		Perform purchasing activity	Supplier performed activity related to purchase of the device

* Service is required by Medicare coverage policy for every power wheelchair.

** Service is required to be performed as needed by Medicare coverage policy.

Median Supplier Acquisition Costs and Confidence Intervals			
Power Wheelchair Sub-Type	Sample Size	Median Supplier Acquisition Cost	95-Percent Confidence Interval
Standard Power Wheelchairs			
High-volume suppliers	99	\$930	\$929-\$985
Low-volume suppliers	102	\$1,168	\$1,114-\$1,201
All suppliers	201	\$969	\$930-\$1,052
Complex Rehabilitation Power Wheelchair Packages			
Power wheelchair	71	\$2,351	\$2,273-\$2,476
Power options and accessories	71	\$2,691	\$2,402-\$3,108
Total package	71	\$5,167	\$4,813-\$5,588

Source: Office of Inspector General analysis of supplier acquisition costs, 2008.

Average Numbers of Supplier Services per Power Wheelchair, by Service Category					
Power Wheelchair Sub-Type	Predelivery Services	During-Delivery Services	Follow-up Services	Other Services	All Services*
Standard Power Wheelchairs					
High-volume suppliers	1.4	3.6	0.3	0.2	5.4
Low-volume suppliers	1.6	2.5	0.2	0.2	4.6
All suppliers	1.4	3.4	0.2	0.2	5.3
Complex Rehabilitation Power Wheelchairs					
Packages	2.4	3.0	0.7	0.4	6.5
Wheelchairs supplied with no power options or accessories**	1.8	2.5	0.4	0.3	5.0
All complex rehabilitation power wheelchairs	2.2	2.8	0.7	0.4	6.1

* Column may not sum to total because of rounding.

** These estimates' sample size consists of 30 claims. See Appendix C for the confidence intervals.

Source: Office of Inspector General analysis of supplier services, 2008.

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Supplier Service Frequencies			
Category	Service	Percentage of Power Wheelchairs for Which Supplier Performed Service	
		All Standard Power Wheelchairs	Complex Rehabilitation Power Wheelchair Packages
Predelivery services	Assemble wheelchair	64%	66%
	Evaluate beneficiary	47%	75%
	Perform home assessment * **	27%	51%
	Provide for equipment trial	6%	34%
During-delivery services	Deliver wheelchair *	100%	100%
	Educate beneficiary *	93%	92%
	Adjust wheelchair	61%	62%
	Perform home assessment * **	55%	24%
	Test wheelchair	24%	18%
Follow-up services	Perform repair/maintenance*	11%	31%
	Adjust wheelchair	5%	27%
Other services	Respond to beneficiary question*	4%	7%
	Perform home assessment * **	7%	6%
	Services not referenced in request	8%	20%

* Service is required by Medicare coverage policy.

** We determined whether home assessments were performed prior to or during delivery. We included as an "other service" those with insufficient documentation to categorize as a pre- or during-delivery service.

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AGENCY COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES



Centers for Medicare & Medicaid Services

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GENERAL

Administrator
Washington, DC 20201

DATE: AUG 07 2009

TO: Daniel R. Levinson
Inspector General

FROM: Charlene Frizzera /S/
Acting Administrator

SUBJECT: Office of Inspector General's Draft Report: "Power Wheelchairs in the Medicare Program: Supplier Acquisition Costs and Services" (OEI-04-07-00400)

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft report entitled, "Power Wheelchairs in the Medicare Program: Supplier Acquisition Costs and Services." The report compares suppliers' average acquisition costs for standard and complex rehabilitation power wheelchairs with Medicare's average fee schedule amounts for 2007 and 2009 and the average payment amount for the standard power wheelchair derived under the 2008 Round One Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Acquisition Program. Also detailed within the report is the nature and frequency of the services performed by the supplier before, during, and after the delivery of a power wheelchair.

In recent years, the Centers for Medicare & Medicaid Services (CMS) has been working on a number of important regulatory and administrative initiatives related to the coding, payment, and coverage of power wheelchairs in response to the significant growth in expenditures for these items under the Medicare program. The goals of these initiatives are to ensure that beneficiaries have access to the appropriate technology to meet their needs and to improve the appropriateness of Medicare's payment rates for this equipment. Revised Healthcare Common Procedure Coding System (HCPCS) codes and product testing requirements for power wheelchairs were implemented in 2006 to ensure that HCPCS codes reflect current technology and to group wheelchair products based on industry standards for performance and durability. The fee schedule amounts for these codes were established in accordance with the rules set forth in Section 1834(a) of the Social Security Act (the Act) and were based on manufacturer-suggested retail prices.

Another important CMS initiative related to the payment for power wheelchairs was the implementation of the Round One DMEPOS Competitive Bidding Acquisition Program in July 2008. Suppliers submitted bids to establish payment amounts for standard and complex rehabilitation wheelchairs, along with other DMEPOS items, in 10 competitive bidding areas across the Nation. The bidding competition resulted in payment rates for standard and complex rehabilitation wheelchairs that were, on average, 21 percent and 15 percent lower, respectively,

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from the Medicare average fee schedule amounts. The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) delayed Round One of the DMEPOS Competitive Bidding Acquisition Program and required that re-bidding occur in 2009. MIPPA mandated that the Round One re-bid program include the same items that were bid in Round One, including both standard and group 2 complex rehabilitation power wheelchairs. However, the law exempts group 3 complex rehabilitation power wheelchairs from the Round One re-bid and subsequent rounds of the DMEPOS Competitive Bidding Program.

This draft report provides valuable insight for CMS on suppliers' average acquisition costs for standard and complex rehabilitation power wheelchairs. Notably, the report reveals that Medicare and beneficiaries paid suppliers an average of \$2,970 beyond the supplier's acquisition cost for a standard power wheelchair to perform an average of five services and cover general business costs. For complex rehabilitation wheelchairs, the report found that Medicare and its beneficiaries paid suppliers an average of \$5,627 beyond the supplier's acquisition cost to perform an average of seven services and cover general business costs. By defining a supplier's actual acquisition costs, the report indicates that the Medicare program may pay excessively for power wheelchairs using fee schedule amounts based on manufacturer-suggested retail prices. The report is careful to identify the types of beneficiary-specific evaluation and support services, as well as firm administrative functions, that are not accounted for in relying exclusively on wheelchair acquisition (manufacturer invoice) costs. In future data collection, the OIG should consider gathering information about the cost and time it takes suppliers to perform the services that OIG and supplier respondents systematically reported in this study.

OIG Recommendation

CMS should determine whether Medicare's fee schedule amounts for standard and complex rehabilitation power wheelchairs should be adjusted.

CMS Response

In general, CMS concurs with this recommendation. However, we provide specific comments on the OIG's suggested methods.

OIG Method: Use information from the Competitive Bidding Acquisition Program to adjust fee schedule amounts. Medicare's current fee schedule amount for a standard power wheelchair exceeds the average price established through competitive bidding by \$568. Medicare and its beneficiaries would have paid an average of \$3,073 under the original round of the Competitive Bidding Acquisition Program. Under the 2009 fee schedule, which was reduced by 9.5 percent to offset the Competitive Bidding Acquisition Program's delay, Medicare and its beneficiaries pay up to \$3,641. CMS should consider using the bids submitted by suppliers when determining whether fee schedule amounts are appropriate.

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CMS Response: We concur with this method. Section 1834(a)(1)(F)(ii) of the Act provides CMS the authority to use the payment amounts determined under the DMEPOS Competitive Bidding Program to adjust the existing Medicare fee schedule amounts for the same durable medical equipment items in areas not included in a competitive bidding program. As required by MIPPA, CMS will be conducting rulemaking to implement a detailed methodology and process for applying this authority.

OIG method: Seek legislation to ensure that fee schedule amounts are reasonable and responsive to market changes. CMS's current methodology for developing power wheelchair fee schedule amounts is based on manufacturer suggested retail prices (MSRPs). In May 2006, CMS proposed a revised methodology for setting fee schedule amounts that would not rely upon MSRPs. CMS should continue to develop a new methodology that better reflects actual acquisition costs and is responsive to the market, and use notice and comment rulemaking to implement it. Upon doing so, CMS should consider seeking legislation to apply the new methodology to existing power wheelchair fee schedule amounts.

CMS Response: CMS will consider this method carefully. Although CMS is considering taking steps to revise the administrative process for gap-filling fee schedule amounts for new items of durable medical equipment, these revisions can be implemented through rulemaking. New legislation may not be required in order to revise the methodology for establishing fee schedule amounts for new items. With regard to current fee schedule amounts for power mobility devices, implementation of the DMEPOS competitive bidding program will result in the establishment of new payment amounts for these items in competitive bid areas.

OIG Method: Use the results of this evaluation to determine whether an inherent reasonableness review is appropriate. CMS may use its inherent reasonableness authority when payments are “grossly higher or lower” than acquisition costs. CMS should consider using its inherent reasonableness authority to determine whether power wheelchair fee schedule amounts are appropriate.

CMS Response: We do not concur with this method. CMS is not likely to consider undertaking a review of the standard and complex rehabilitation power wheelchair fee schedule amounts until the results of the supplier bids for standard and complex rehabilitation power wheelchairs under the DMEPOS Competitive Bidding Program have been assessed.

OIG Method: When Setting Fee Schedule Amounts, Consider That Supplier Purchase Prices and Services Differ by Power Wheelchair Type. Standard power wheelchairs cost suppliers less, as a percentage of their Medicare payment, than complex rehabilitation power wheelchair packages. In addition, suppliers of standard power wheelchairs reported performing an average of five services per chair, while suppliers of complex rehabilitation power wheelchair packages reported performing an average of seven services. Suppliers of

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complex rehabilitation power wheelchairs also reported performing twice as many services as suppliers of standard power wheelchairs at times other than the day of delivery. CMS should consider these differences when setting fee schedule amounts.

CMS Response: We concur with this method. CMS agrees that there are inherent differences between standard and complex rehabilitation wheelchairs. These differences were accounted for in the establishment of 42 unique HCPCS codes for standard and complex rehabilitation power wheelchairs and their corresponding fee schedule amounts. CMS also expects that the differences in furnishing standard and complex rehabilitation power wheelchairs will be considered in the supplier bids for the Round One re-bid, as they were for the Round One of the DMEPOS Competitive Bidding Program.

The CMS would like to thank the OIG for their efforts and insight on this report. This report provides invaluable information CMS can use in efforts to ensure that Medicare coverage of and payment for power wheelchairs is done appropriately. We look forward to working with you further on these issues.



A C K N O W L E D G M E N T S

This report was prepared under the direction of Dwayne F. Grant, Regional Inspector General in the Atlanta regional office.

Mina Zadeh served as the team leader for this study, and Sarah Ambrose served as the lead analyst. Other principal Office of Evaluation and Inspections staff from the Atlanta regional office who contributed to this report include Peggy Daniel; central office staff who contributed include Berivan Demir, Kevin Farber, and Scott Manley. Robert A. Vito and Carolyn Kenline from the Philadelphia and Boston regional offices also contributed.