

Date: June 1, 2022

Subject: Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated \$8 Million of the \$40 Million Paid for Power Mobility Device Repairs

On May 31, 2022, the Department of Health and Human Services Office of Inspector General (OIG) published a report titled, "[Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated \\$8 Million of the \\$40 Million Paid for Power Mobility Device Repairs](#)." The OIG sampled 922 PMD repairs from October 1, 2018- September 30, 2019 and found that 637 met Medicare requirements. The OIG reports that 217 of the 922 PMD repairs did not meet Medicare requirements. Based on the findings, the OIG estimates \$8 million of the \$40 million Medicare paid during the audit period were improperly paid. The OIG provided several recommendations to CMS and Medicare contractors including improving supplier education on PMD repair claim submission and recovering overpayments associated with the 217 PMD repairs.

BACKGROUND & METHODOLOGY

Previous OIG report from 2010 on capped rental DME found that DME suppliers were overpaid \$26.8 million in repair claims and \$29 million in questionable payments.¹ The OIG conducted this report to determine if the same issues still exist today.

The audit period for this report is from October 1, 2018 – September 30, 2019. The total for the one-year time period includes: 244,667 claim lines, 37,013 beneficiaries, \$40.1 million in Medicare payments, and \$10.4 million in beneficiary co-insurance. The OIG sample for this report included: 922 PMD repairs, 100 beneficiaries, 52 suppliers, and \$170,776 in Medicare payments. Suppliers sampled for this report provided supporting documentation and many were able to provide medical records associated with the PMD repair claim. The OIG requested medical records from the treating practitioners when suppliers were not able to provide the medical records.

FINDINGS

The OIG found that of the 922 PMD repairs reviewed for this report, 637 met Medicare requirements (69%).

217 PMD repairs associated with 76 beneficiaries did not meet Medicare requirements.

- 155 PMD repairs (36 beneficiaries): documentation did not support payment
- 103 PMD repairs (65 beneficiaries): Labor time not documented
- 45 PMD repairs (13 beneficiaries): not reasonable and necessary

The 217 PMD repairs that did not meet Medicare requirements are linked to \$41,137 Medicare overpayments to suppliers and \$10,494 in beneficiary co-insurance payments. The overpayments are due to lack of DME MAC oversight.

The OIG also reports questionable charges for 189 PMD repairs associated with 19 beneficiaries totaling in \$20,692 Medicare payments and \$5,278 in beneficiary coinsurance. The PMD repairs either did not meet documentation standards, or they were not reasonable and necessary.

¹ A Review of Claims for Capped Rental Durable Medical Equipment (OEI-07-08-00550), issued August 2010.

Based on the sample reviewed, the OIG estimates \$7.9 million of the \$40.1 million paid during the audit period was paid improperly. The OIG also estimates \$3.7 million of the \$40.1 million were questionably paid.

RECOMMENDATIONS

The OIG recommended CMS to:

1. Recover overpayments totaling \$41,137
2. Inform suppliers to refund \$10,494 in coinsurance
3. Inform appropriate suppliers from this audit to identify, report, and return overpayments
4. Improve education to suppliers on PMD repairs
5. Add a system edit to verify if repair costs will exceed replacement cost
6. Add a system edit for PMD repairs
7. Establish three new Medicare requirements:
 - Create documentation standards for PMD repairs that is established by guidance.
 - Accumulated cost of repairs made during the 5-year RUL cannot go beyond a certain threshold.
 - Suppliers must offer warranties for repairs made on PMDs.

CMS concurred with the above first five recommendations.