

### MEMORANDUM

Date: June 10, 2017

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Subject: ROUND 2 COMPETITIVE BIDDING FOR CPAP/RAD: DISRUPTED ACCESS UNLIKELY FOR DEVICES, INCONCLUSIVE FOR SUPPLIES

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#### OVERVIEW

On June 10, 2017, the Department of Health and Human Services Office of Inspector General (OIG) published the report titled, "[ROUND 2 COMPETITIVE BIDDING FOR CPAP/RAD: DISRUPTED ACCESS UNLIKELY FOR DEVICES, INCONCLUSIVE FOR SUPPLIES](#)." OIG reviewed the impact on beneficiary access to CPAP and RAD devices and supplies by reviewing claims filed within the 6-month timeframe of before and after the implementation of Round 2 of Competitive Bidding Program (CBP). The purpose of the report was to see what kind of impact Competitive Bidding has made on beneficiary access. OIG found that overall there were no disruption in services for CPAP and RAD devices but was not able to conclude the impact on supplies. Although the OIG found a greater decline in supplies in CBAs than in non-CBAs, they are unable to determine if it illustrates an access issue.

This report is the first in a series of reviews of the CBP on the impact of access and health outcomes.

#### BACKGROUND

In 2012, Comprehensive Error Rate Testing (CERT) program reported a 66% error rate for DME and a 56% error rate for CPAP/RAD supplies. After the implementation of Round 1, CMS found a noticeable drop in CPAP/RAD claims. When CMS reached out to beneficiaries they found that beneficiaries had sufficient supplies and often they held months' worth of supplies.

In 2013, OIG report on diabetic strips found that CMS incorrectly paid suppliers \$6 million. Since 2003, OIG has investigated 2,000 suppliers and more recently, the investigations have caused many Department of Justice cases against CPAP/RAD suppliers.

#### REVIEW

OIG used Medicare claims to identify beneficiaries of CPAP/RAD devices and supplies. The beneficiaries included in the study are from both CBAs and non-CBAs and had to be using the devices or supplies within the 6-month period before and after the implementation of Round 2.

To be included in this study, in the CPAP/RAD devices group, beneficiaries would have at least 5 paid claims prior to Round 2. For CPAP/RAD supplies group, beneficiaries needed to have at least one paid claim prior to Round 2. Any absence of a paid claim post Round 2 was considered a potential disruption in service.

For beneficiaries without a paid claim post Round 2, OIG surveyed the prescribing physicians to verify whether the beneficiary still needed the devices/supplies post Round 2. Any beneficiary that was still alive during the 6-month period post Round 2 and had a continued need for the equipment were qualified to be included in the beneficiary survey.

LIMITATIONS

1. Lower rates/discontinuation of supplies may not be due to access issues due to a variety of factors.
2. Response rate for the survey was low. Due to the low response rate, the responses are considered testimonial evidence. OIG did not conduct a further review besides the survey responses. They did not verify their responses and they did not have access to medical records.

**Table 2: Surveys Regarding CPAP/RAD Devices**

	Round 2 CBAs	Non-CBAs	Total
<b>Total Physicians in Sample</b>	150	150	300
<b>Physicians Surveyed<sup>1</sup></b>	144	145	289
<b>Physicians Responding With Usable Data<sup>2</sup></b>	106	116	222
<b>Physician Response Rate</b>	<b>71%</b>	<b>77%</b>	<b>74%</b>
<b>Beneficiaries Eligible for Survey</b>	70	78	148
<b>Beneficiaries Responding With Usable Data</b>	27	31	58
<b>Beneficiary Response Rate</b>	<b>39%</b>	<b>40%</b>	<b>39%</b>

Source: [OIG report](#)

**Table 3: Surveys Regarding CPAP/RAD Supplies**

	Round 2 CBAs	Non-CBAs	Total
<b>Total Physicians in Sample</b>	150	150	300
<b>Physicians Surveyed<sup>1</sup></b>	147	143	290
<b>Physicians Responding With Usable Data<sup>2</sup></b>	96	97	193
<b>Physician Response Rate</b>	<b>64%</b>	<b>65%</b>	<b>64%</b>
<b>Beneficiaries Eligible for Survey</b>	69	72	141
<b>Beneficiaries Responding With Usable Data</b>	38	24	62
<b>Beneficiary Response Rate</b>	<b>55%</b>	<b>33%</b>	<b>44%</b>

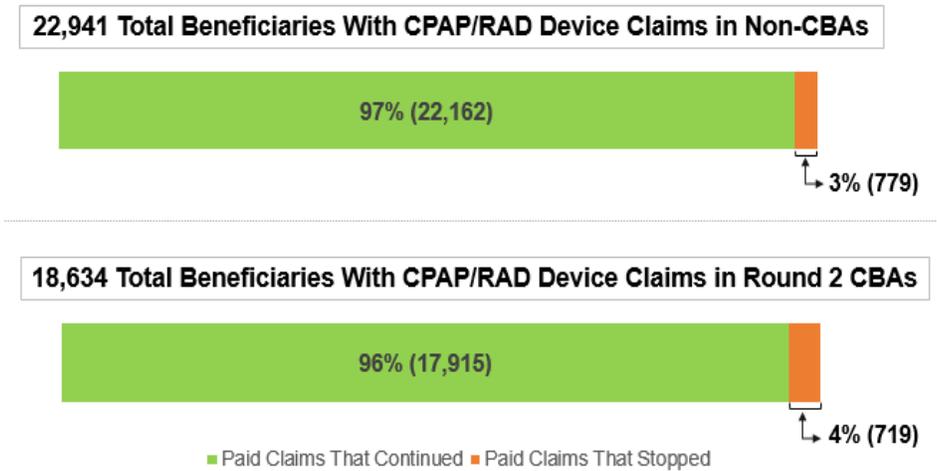
Source: [OIG report](#)

CPAP/RAD DEVICES FINDINGS

1. **OIG’s report indicates that Round 2 has not caused interruptions to access of CPAP/RAD devices.** Roughly, 96% of beneficiaries continued to have access to their device post Round 2 implementations-- 97% in non-CBAs and 96% in CBAs. OIG found that Medicare paid for the

device for at least 3 more months post Round 2 implementation.

**Figure 1: Numbers and Percentages of Beneficiaries for Whom Paid Claims for CPAP/RAD Devices Continued or Stopped After Round 2 Began**

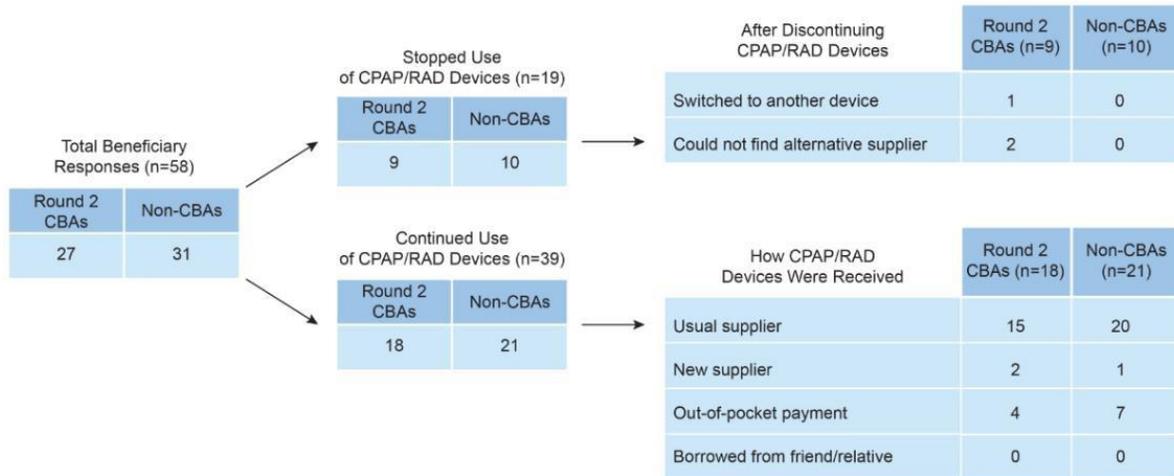


Source: [OIG report](#)

- Majority of the prescribing physicians stated the beneficiaries that did not have covered claims post Round 2 implementation still had a need for the devices.** However, beneficiaries reported they have continued to use their CPAP/RAD devices even without Medicare payments. Seven of the 31 non-CBA beneficiaries and four of the 27 CBA beneficiaries stated they paid for their devices out of pocket. 10 non-CBA beneficiaries stated they stopped using their device but did not have anything to do with access problems.

**Figure 2: Survey Responses From a Subset of Beneficiaries for Whom Paid Claims for CPAP/RAD Devices Stopped**

## OIG Report Summary



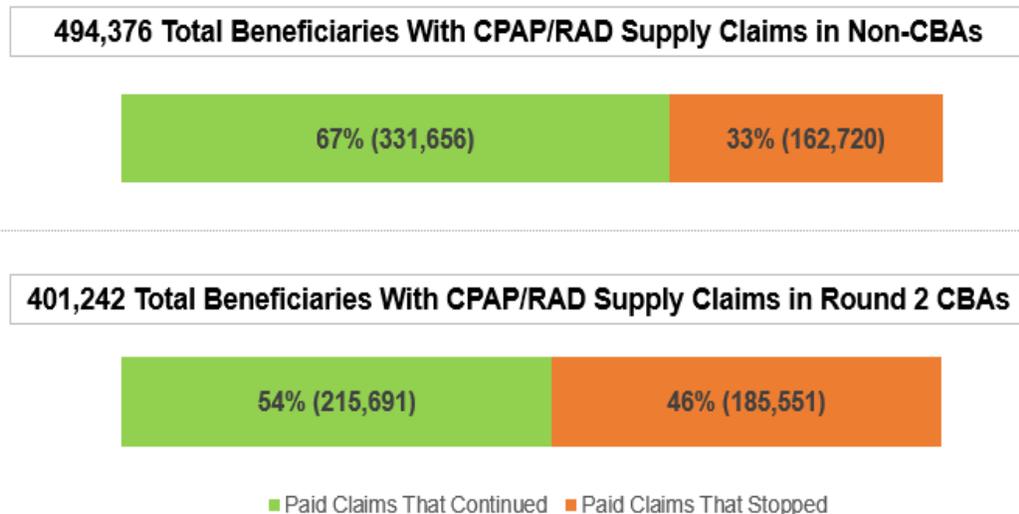
Note: Each category is not mutually exclusive. Respondents can answer "Yes" to more than one category, "No," or not respond to the survey question.

Source: [OIG report](#)

### CPAP/RAD SUPPLIES FINDINGS

1. **It is unclear if Round 2 has caused interruptions on access to CPAP/RAD supplies.** 46% of CBA beneficiaries and 33% of non-CBA beneficiaries did not have a paid claim post Round 2 implementation. The findings may indicate disruptions in service, but the OIG states it may also be due to CBP lowering unnecessary replacement of supplies.

**Figure 3: Numbers and Percentages of Beneficiaries for Whom Paid Claims for CPAP/RAD Supplies Continued or Stopped After Round 2 Began**

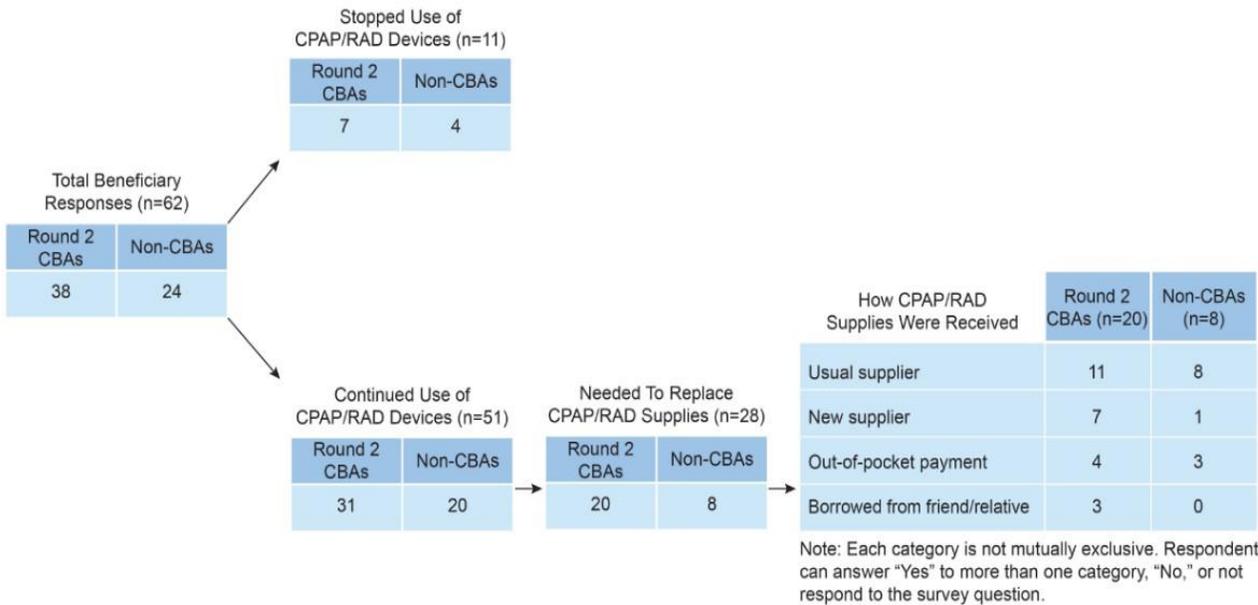


Source: [OIG report](#)

2. **Surveyed prescribing physicians stated the beneficiaries without any paid claims post Round 2 implementation still had a medical need for the supplies, but surveyed beneficiaries explained**

that they have the supplies they need. 3 of the 8 non-CBA beneficiaries and 4 of the 20 CBA beneficiaries said they paid out of pocket for the needed supplies post Round 2 implementation.

**Figure 4: Survey Responses From a Subset of Beneficiaries for Whom Paid Claims for CPAP/RAD Supplies Stopped**



Source: [OIG report](#)

**CONCLUSION**

OIG’s findings show that Round 2 of Competitive Bidding does not seem to show any interruptions to CPAP/RAD device access. However, interruptions to supplies is inconclusive. There was a decline in supplies, but the decline may potentially be due to a reduction in unneeded supplies.