

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICARE PAID \$30 MILLION FOR
ACCUMULATED REPAIR COSTS THAT
EXCEEDED THE FEDERALLY
RECOMMENDED COST LIMIT FOR
WHEELCHAIRS DURING THEIR 5-YEAR
REASONABLE USEFUL LIFETIME**

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Office of Inspector General

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

Report in Brief

Date: July 2023

Report No. A-09-22-03003

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Audit

From January 2016 through December 2021 (audit period), Medicare paid \$91.1 million to durable medical equipment (DME) suppliers nationwide for repairs made to capped-rental wheelchairs (wheelchairs) that were within their 5-year reasonable useful lifetime (RUL) and owned by Medicare enrollees. Two prior OIG reviews found that Medicare paid DME suppliers for repairs made to capped-rental DME items after the accumulated costs of repairs had exceeded 60 percent of the cost to replace the items (federally recommended cost limit), which may have resulted in unallowable payments. Therefore, we conducted this nationwide audit to determine the extent to which the issue identified in the prior OIG reviews occurred for wheelchairs during our audit period.

Our objective was to determine whether the accumulated costs of repairs paid by Medicare for enrollee-owned wheelchairs that were within their 5-year RUL exceeded the federally recommended cost limit.

How OIG Did This Audit

Our audit covered Medicare Part B claim lines, totaling \$91.1 million, for repairs made to 77,774 enrollee-owned wheelchairs during our audit period that were within their 5-year RUL and were purchased during the same period. We analyzed claims data to determine the amount paid for repairing each enrollee's wheelchair and the portion of the accumulated costs of repairs that exceeded the federally recommended cost limit.

Medicare Paid \$30 Million for Accumulated Repair Costs That Exceeded the Federally Recommended Cost Limit for Wheelchairs During Their 5-Year Reasonable Useful Lifetime

What OIG Found

The accumulated costs of repairs paid by Medicare for some enrollee-owned wheelchairs that were within their 5-year RUL exceeded the federally recommended cost limit. For 504,794 of the 688,948 repairs (73 percent) that we reviewed, Medicare paid suppliers before the accumulated costs of repairing 77,200 wheelchairs had exceeded the federally recommended cost limit. However, the remaining 184,154 repairs (27 percent) were paid after the accumulated costs of repairing 16,962 wheelchairs had exceeded the federally recommended cost limit, resulting in \$30.1 million in potentially unallowable Medicare payments. Enrollee coinsurance associated with the potentially unallowable payments totaled \$7.6 million. Suppliers' billing of these wheelchair repairs may reflect noncompliance with Medicare requirements. Specifically, the excessive costs for repairing these wheelchairs may indicate that the repairs were not reasonable or that enrollees were furnished substandard wheelchairs that would not remain serviceable for their entire 5-year RUL.

What OIG Recommends and CMS Comments

We recommend that CMS work with the DME Medicare administrative contractors (DME MACs) to: (1) strengthen Medicare requirements to ensure that DME MACs review accumulated costs of repairs made to wheelchairs during their 5-year RUL that exceed a certain cost limit and use this cost limit as a basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire RUL, (2) implement system edits to identify for review claims for repairs made to wheelchairs during their 5-year RUL when the accumulated costs of repairs have exceeded a certain cost limit, and (3) take appropriate action for suppliers that consistently bill for repairs made to wheelchairs during their 5-year RUL that exceed the federally recommended cost limit or the cost limit used as the basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire RUL (e.g., by educating suppliers on proper billing and recovering improper payments). The report contains one other recommendation.

CMS concurred with all of our recommendations and described its corrective actions for addressing our recommendations, including exploring opportunities to strengthen Medicare requirements and notifying DME MACs of our audit so that they may evaluate the risk associated with claims for wheelchair repairs.

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INTRODUCTION

WHY WE DID THIS AUDIT

From January 1, 2016, through December 31, 2021 (audit period), Medicare paid \$91.1 million to durable medical equipment (DME) suppliers nationwide for repairs made to capped-rental wheelchairs (wheelchairs) that were within their 5-year reasonable useful lifetime (RUL) and owned by people enrolled in Medicare (enrollees).¹ Two prior Office of Inspector General (OIG) reviews found that Medicare paid DME suppliers (suppliers) for repairs made to capped-rental DME items after the accumulated costs of repairs had exceeded 60 percent of the cost to replace the items (federally recommended cost limit), which may have resulted in unallowable payments.² One review found that for 2007 Medicare paid suppliers approximately \$6.7 million for repairs made to enrollee-owned capped-rental DME that exceeded the federally recommended cost limit.³ The other review found that Medicare made potentially improper payments to suppliers for repairs of enrollee-owned wheelchairs that were within their 5-year RUL after the accumulated costs of repairs had exceeded 100 percent of the cost to replace the wheelchairs.⁴ (See Appendix B for a list of related OIG reports.) Therefore, we conducted this nationwide audit of Medicare payments for repairs made to enrollee-owned wheelchairs to determine the extent to which the issue identified in the prior OIG reviews occurred for wheelchairs during our audit period.

OBJECTIVE

Our objective was to determine whether the accumulated costs of repairs paid by Medicare for enrollee-owned wheelchairs that were within their 5-year RUL exceeded the federally recommended cost limit.

¹ Capped-rental DME is a specific category of DME that generally includes expensive items that were not routinely purchased. Capped-rental DME includes wheelchairs (except for certain specialized, pediatric, and ultra-lightweight manual wheelchairs). Medicare pays monthly fees to suppliers for the rental of capped-rental DME to enrollees, with the ownership of the equipment transferring to the enrollees after 13 months of continuous use.

² To determine that a capped-rental DME item that was purchased on a rental basis will not remain serviceable for its entire RUL, the DME Medicare administrative contractors may consider whether the accumulated costs of repairs exceed 60 percent of the cost to replace the capped-rental DME item (42 CFR §§ 414.210(e)(4)). We refer to this 60 percent cost limit as the “federally recommended cost limit” throughout this report. Repair costs that exceed the federally recommended cost limit may not be allowable for Medicare reimbursement or may represent costs that Medicare could have potentially avoided.

³ *A Review of Claims for Capped Rental Durable Medical Equipment* ([OEI-07-08-00550](#)), issued August 6, 2010.

⁴ *Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated \$8 Million of the \$40 Million Paid for Power Mobility Device Repairs* ([A-09-20-03016](#)), issued May 31, 2022.

BACKGROUND

The Medicare Program

The Medicare program provides health insurance coverage to people aged 65 and over, people with disabilities, and people with end-stage renal disease. The Centers for Medicare & Medicaid Services (CMS) administers the program.

Medicare Part B provides supplementary medical insurance for medical and other health services, including DME. CMS contracted with two DME Medicare administrative contractors (DME MACs) to process and pay Medicare Part B claims for the four DME jurisdictions (A, B, C, and D), which include specific States and territories.⁵ Suppliers must submit claims to the DME MAC that serves the State or territory in which a Medicare enrollee permanently resides.

The DME MACs help CMS in its effort to prevent and detect improper payments and promote Medicare compliance. DME MAC responsibilities include educating suppliers on Medicare requirements and billing procedures and applying system edits to claims to determine whether the claims are complete and should be paid.⁶

Medicare Coverage of Wheelchairs

Medicare Part B covers capped-rental DME, including the rental or purchase of wheelchairs, which consist of most manually operated wheelchairs (manual wheelchairs) and power-driven wheelchairs (power wheelchairs).⁷ Generally, Medicare pays monthly fees to suppliers for the rental of wheelchairs to enrollees, with the ownership of the equipment transferring to the enrollees after 13 months of continuous use. Complex rehabilitative power wheelchairs are the only type of wheelchair that may be purchased on a lump-sum basis in the first month of use if the enrollee chooses this option.⁸ We refer to complex rehabilitative power wheelchairs purchased on a lump-sum basis as “wheelchairs purchased on a lump-sum basis” in this report.

⁵ Each DME MAC processes claims for two of the four jurisdictions. Each Medicare Part B claim contains details regarding each provided service or item that is billed to Medicare.

⁶ An edit is programming within the standard claims processing system that selects certain claims; evaluates or compares information on the selected claims or other accessible sources; and, depending on the evaluation, takes action on the claims, such as paying them in full, paying them in part, or suspending them for manual review.

⁷ Manual and power wheelchairs are designed primarily for use by individuals with mobility disabilities. Certain specialized, pediatric, and ultra-lightweight manual wheelchairs are not considered capped-rental DME.

⁸ The Social Security Act (the Act) § 1861(n); 42 CFR §§ 414.210(a) and (b)(1); 42 CFR § 414.229(f) and (h). A complex rehabilitative power wheelchair has power options that can accommodate rehabilitative features, such as a tilting function (42 CFR § 414.202). These wheelchairs are used by individuals with certain mobility disabilities (e.g., cerebral palsy) and are individually configured to meet an individual’s unique physical and functional needs.

For a wheelchair to be covered by Medicare, an enrollee must have a medical need for the wheelchair in the home.⁹

Suppliers are required to maintain and repair rented wheelchairs at no charge to the enrollee or to Medicare. Medicare Part B covers repairs of enrollee-owned wheelchairs when the repairs are necessary to make the wheelchairs serviceable.¹⁰ Medicare pays for the labor associated with the repairs and for necessary replacement parts (e.g., tires, batteries, and joysticks). To bill for labor for a wheelchair repair, a supplier includes on the claim Healthcare Common Procedure Coding System (HCPCS) code K0739 using the appropriate number of units.¹¹ Each unit represents a 15-minute increment of time spent repairing the wheelchair. A supplier may also bill Medicare for a loaner wheelchair provided to an enrollee while a repair is being made.¹²

Medicare Requirements for Repairs of Enrollee-Owned Wheelchairs

Suppliers that bill Medicare for enrollee-owned wheelchair repairs must follow Medicare requirements and ensure that charges (i.e., costs for services paid by Medicare) for wheelchair repairs are reasonable and necessary.¹³

For enrollee-owned wheelchairs, Medicare covers reasonable and necessary charges for repairs that are necessary to make enrollee-owned wheelchairs serviceable. Reasonable and necessary charges are those made for parts and labor not otherwise covered under manufacturers' or suppliers' warranties. Wheelchair repairs must be appropriately and sufficiently documented to support the claim for these services.¹⁴

If a DME MAC determines that a wheelchair that was purchased on a rental basis (i.e., a wheelchair for which the title was transferred to an enrollee after 13 continuous months of rental) will not last (i.e., remain serviceable) for the entire 5-year RUL, the supplier that transferred ownership of the wheelchair to the enrollee is responsible for furnishing a

⁹ The Act § 1861(n).

¹⁰ Enrollee-owned wheelchairs are those purchased on a lump-sum basis and those for which the title was transferred to an enrollee after 13 continuous months of rental.

¹¹ The Act § 1834(a)(11)(A); 42 CFR §§ 414.210(e)(1) and 424.57(c)(14). HCPCS codes are standardized codes that represent medical procedures, supplies, products, and repairs. These codes are used to facilitate Medicare's processing of health insurance claims.

¹² One month's rental of a manual or power wheelchair is covered if an enrollee-owned wheelchair is being repaired (Local Coverage Determination (LCD): Power Mobility Devices (LCD L33789), and LCD: Manual Wheelchair Bases (L33788)). These LCDs are used by both DME MACs and cover all four DME jurisdictions.

¹³ A supplier that performs wheelchair repairs is not necessarily the same supplier that transferred ownership of the wheelchair to the enrollee.

¹⁴ The Act §§ 1833(e) and 1834(a)(7)(A)(iv); 42 CFR § 414.210(e)(1).

replacement wheelchair at no cost to the enrollee or to Medicare. To make this determination, the DME MAC may consider whether the accumulated costs of repairs exceed 60 percent of the cost to replace the wheelchair.¹⁵ (We refer to this as the “federally recommended cost limit.”)

Calculating the Cost of Repairs That Exceed the Federally Recommended Cost Limit

CMS stated that it expects that equipment furnished by suppliers will function for their entire RUL. CMS said: “If this is not the case, then the supplier has not furnished a quality item of durable medical equipment for which they have been paid.”

CMS provided an example of how to determine whether the cost of repairs has exceeded the federally recommended cost limit for a capped-rental item (e.g., a wheelchair) that has a replacement cost of \$1,000. In this example, if Medicare has paid a supplier for three repairs, totaling \$500, and a fourth repair, totaling \$200, is needed to make the item functional, the total accumulated costs of repairs would equal \$700, which exceeds \$600 (60 percent of the replacement cost). CMS stated that in this case the supplier that transferred ownership of the item would be required to furnish a replacement item (Final Rule, 71 Fed. Reg. 65884, 65900 (Nov. 9, 2006)).

Prior Office of Inspector General Work

A prior OIG review of claims for capped-rental DME, which included wheelchairs, found that for 2007 Medicare paid suppliers approximately \$6.7 million for repairs that exceeded 60 percent of the cost to replace the DME being repaired.¹⁶ The total estimated Medicare payments of \$6.7 million were calculated based on comparing 60 percent of the new purchase price of the capped-rental DME with the payments for repairs provided on a single date of service. Therefore, Medicare payments for repairs that exceeded 60 percent of the cost to replace the capped-rental DME would likely have been greater if 60 percent of the new purchase price of the DME item had been compared with the total payments for all repairs that were made throughout the entire RUL of the capped-rental DME.

A prior OIG review of power mobility device repairs, which included wheelchair repairs, found that for 8 of the 100 sampled enrollees, Medicare paid suppliers a total of \$54,912 for repairs to enrollee-owned wheelchairs that were within their 5-year RUL.¹⁷ The cost to replace these wheelchairs was \$36,306; therefore, the accumulated costs of repairs paid by Medicare exceeded the cost to replace these wheelchairs by \$18,606.

¹⁵ 42 CFR §§ 414.210(e)(4) and (f)(1). This requirement is not applicable to wheelchairs purchased on a lump-sum basis.

¹⁶ *A Review of Claims for Capped Rental Durable Medical Equipment* ([OEI-07-08-00550](#)), issued August 6, 2010.

¹⁷ Power mobility devices consist of power wheelchairs (four-wheeled motorized vehicles whose steering is operated by an electronic device or a joystick) and power operated vehicles (three- or four-wheeled motorized scooters that are operated by handlebars for steering). *Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated \$8 Million of the \$40 Million Paid for Power Mobility Device Repairs* ([A-09-20-03016](#)), issued May 31, 2022.

Both OIG reports included recommendations that CMS work on implementing adequate oversight (e.g., system edits) to identify and track repairs to determine whether the repairs exceeded the cost to replace the capped-rental DME. One report (OEI-07-08-00550) stated that, if implemented, system edits would allow the DME MACs to identify payments for accumulated repairs that exceed 60 percent of the cost to replace the capped-rental DME. The other report (A-09-20-03016) recommended that, to prevent additional potentially unallowable payments from occurring, CMS establish Medicare requirements that specify that accumulated costs of repairs made to power wheelchairs during their 5-year RUL not exceed a certain cost limit. In its comments on the report, CMS stated that it would consider the feasibility of implementing oversight mechanisms to determine whether repairs exceeded a certain cost limit of the estimated cost to replace the DME. However, CMS did not explicitly state its concurrence or nonconcurrence with our recommendation that CMS establish Medicare requirements that specify that accumulated costs of repairs made to power wheelchairs during their 5-year RUL must not exceed a certain cost limit.

Medicare Requirements for Suppliers To Identify and Return Overpayments

OIG believes that this audit report constitutes credible information of potential overpayments. Upon receiving credible information of potential overpayments, suppliers must exercise reasonable diligence to identify overpayments (i.e., determine receipt of and quantify any overpayments) during a 6-year lookback period. Suppliers must report and return any identified overpayments by the later of: (1) 60 days after identifying those overpayments or (2) the date that any corresponding cost report is due (if applicable). This is known as the 60-day rule.¹⁸

The 6-year lookback period is not limited by OIG's audit period or restrictions on the Government's ability to reopen claims or cost reports. To report and return overpayments under the 60-day rule, suppliers can request the reopening of initial claims determinations, submit amended cost reports, or use any other appropriate reporting process.¹⁹

HOW WE CONDUCTED THIS AUDIT

Our audit covered 688,948 Medicare Part B paid claim lines, totaling \$91.1 million, for repairs made to enrollee-owned wheelchairs during our audit period that were within their 5-year RUL and were purchased during the same 5-year period for 77,774 enrollees.²⁰ A claim line

¹⁸ The Act § 1128J(d); 42 CFR §§ 401.301–401.305; 81 Fed. Reg. 7654 (Feb. 12, 2016).

¹⁹ 42 CFR §§ 401.305(d), 405.980(c)(4), and 413.24(f); CMS, *Provider Reimbursement Manual*—Part 1, Pub. No. 15-1, § 2931.2; 81 Fed. Reg. at 7670.

²⁰ Certain specialized, pediatric, and ultra-lightweight manual wheelchairs are not considered capped-rental DME, and repairs for these wheelchairs were not included in this audit. Enrollee-owned wheelchairs are those purchased on a lump-sum basis and those for which the title was transferred to an enrollee after 13 continuous months of rental.

represented one repair for an enrollee’s wheelchair on a single date of service. (We refer to these claim lines as “repairs” throughout this report.²¹) The enrollee coinsurance associated with these wheelchair repairs totaled \$23.3 million.²² Medicare paid 1,315 suppliers for the repairs to 77,774 wheelchairs.

We analyzed the claims data for the repairs to determine the amount paid for repairing each enrollee’s wheelchair and the cost to replace the wheelchair using the October 2021 Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Fee Schedule Update.²³ We then determined the portion of the accumulated costs of repairs that exceeded the federally recommended cost limit (i.e., 60 percent of the cost to replace the wheelchair). We separated the results of our analysis into two categories: repairs for enrollee-owned wheelchairs purchased on a rental basis and on a lump-sum basis. We considered Medicare payments made for repair costs in excess of the federally recommended cost limit potentially unallowable payments, which Medicare could have avoided. We also determined the associated coinsurance for the potentially unallowable payments, for which enrollees were held responsible. We did not review supplier documentation or determine whether repairs were reasonable and necessary.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A describes our audit scope and methodology.

FINDINGS

The accumulated costs of repairs paid by Medicare for some enrollee-owned wheelchairs that were within their 5-year RUL exceeded the federally recommended cost limit.

For 504,794 of the 688,948 repairs (73 percent) that we reviewed, Medicare paid 1,309 suppliers before the accumulated costs of repairing 77,200 wheelchairs had exceeded the federally recommended cost limit. However, for the remaining 184,154 repairs (27 percent),

²¹ Wheelchair repairs include claim lines for labor, parts that were replaced, and loaner wheelchairs provided to enrollees while wheelchair repairs were being made.

²² Medicare requires enrollees to pay a coinsurance amount equal to 20 percent of the amount allowed by Medicare for wheelchair repairs and pays the supplier the remaining 80 percent. However, not all enrollees pay out-of-pocket for coinsurance. Some enrollees have secondary insurance coverage (e.g., Medicaid) that will pay the coinsurance.

²³ The October 2021 DMEPOS Fee Schedule Update was the most recent fee schedule for our audit period and provided the most conservative values (i.e., the costs of the wheelchairs were higher).

660 suppliers were paid after the accumulated costs of repairing 16,962 wheelchairs had exceeded the federally recommended cost limit, resulting in \$30.1 million in potentially unallowable Medicare payments.²⁴ The enrollee coinsurance associated with the potentially unallowable payments totaled \$7.6 million. Table 1 details the potentially unallowable payments for wheelchairs purchased on a rental basis and on a lump-sum basis.

Table 1: Potentially Unallowable Medicare Payments for Accumulated Costs of Wheelchair Repairs That Exceeded the Federally Recommended Cost Limit

Type of Purchase	No. of Potentially Unallowable Repairs	Potentially Unallowable Medicare Payments	Coinsurance Associated With Potentially Unallowable Medicare Payments
Rental basis	94,384	\$13,330,959	\$3,380,290
Lump-sum basis	89,770	16,720,148	4,237,850
Total	184,154	\$30,051,107	\$7,618,140

Suppliers' billing of these wheelchair repairs may reflect noncompliance with Medicare requirements. Specifically, the excessive costs for repairing these wheelchairs may indicate that the repairs were not reasonable or that enrollees were furnished substandard wheelchairs that would not remain serviceable for their entire 5-year RUL.

The potentially unallowable payments occurred because CMS did not have adequate controls (i.e., did not establish adequate Medicare requirements or implement system edits) to ensure that DME MACs identified and reviewed the accumulated costs of repairs made to wheelchairs during their 5-year RUL that exceeded the federally recommended cost limit.

Medicare could have saved as much as \$30.1 million of the \$91.1 million paid for wheelchair repairs (33 percent of the total amount) if CMS had established adequate controls. In addition, enrollees were held responsible for coinsurance of as much as \$7.6 million associated with the potentially unallowable payments.

MEDICARE REQUIREMENTS

Medicare pays the reasonable and necessary charges for maintenance and servicing of enrollee-owned DME, including wheelchairs (42 CFR § 414.210(e)(1)).

Federal regulations state that if a DME MAC determines that a wheelchair that was purchased on a rental basis will not last (i.e., remain serviceable) for its entire RUL, the supplier that

²⁴ The total number of wheelchairs exceeded 77,774 because for 16,388 wheelchairs suppliers billed for repair costs before and after the accumulated repair costs exceeded the federally recommended cost limit. In addition, the total number of suppliers exceeded 1,315 because 654 suppliers billed for repair costs before and after the accumulated repair costs exceeded the federally recommended cost limit.

transferred ownership of the wheelchair to the enrollee is responsible for furnishing a replacement wheelchair at no cost to the enrollee or to Medicare (42 CFR § 414.210(e)(4)). To make this determination, the DME MAC may consider whether the accumulated costs of repairs exceed 60 percent of the cost to replace the wheelchair.

The RUL of a wheelchair in no case may be less than 5 years. Computation is based on when the wheelchair is delivered to the enrollee, not the age of the wheelchair (42 CFR § 414.210(f)(1)).

THE ACCUMULATED COSTS OF REPAIRS PAID BY MEDICARE FOR ENROLLEE-OWNED WHEELCHAIRS WITHIN THEIR 5-YEAR REASONABLE USEFUL LIFETIME EXCEEDED THE FEDERALLY RECOMMENDED COST LIMIT

The accumulated costs of repairs made to wheelchairs purchased on a rental basis and purchased on a lump-sum basis exceeded the federally recommended cost limit.

The Accumulated Costs of Repairs Made to Wheelchairs Purchased on a Rental Basis Exceeded the Federally Recommended Cost Limit

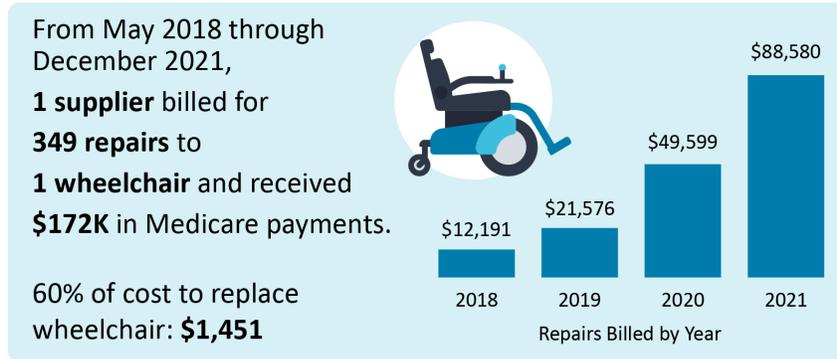
For 94,384 repairs made to wheelchairs purchased on a rental basis that were within their 5-year RUL, the accumulated costs of repairs paid by Medicare exceeded the federally recommended cost limit and were potentially unallowable. These repairs were billed by 598 suppliers for 9,887 enrollee-owned wheelchairs. For these wheelchairs, Medicare paid suppliers \$22,467,000 for a total of 158,146 repairs made during our audit period. However, 60 percent of the total cost to replace these wheelchairs was \$9,136,041. Therefore, Medicare paid \$13,330,959 after the accumulated costs of repairing the wheelchairs had exceeded the federally recommended cost limit.

These excessive costs suggest that the repairs may not have been reasonable and necessary or that the wheelchairs provided to these enrollees were not in adequate condition to have remained serviceable for their entire 5-year RUL. In the latter case, the suppliers that transferred ownership of the wheelchairs to these enrollees should have furnished replacement wheelchairs at no cost to the enrollees or to Medicare. If suppliers had furnished replacement wheelchairs at no cost, Medicare could have avoided paying for repairs that exceeded the federally recommended cost limit.

For example, one supplier billed for repairs made to an enrollee's wheelchair that was purchased in March 2017. From May 2018 through December 2021, the supplier billed Medicare on 79 separate dates of service for 349 repairs made to this wheelchair and received \$171,946 in Medicare payments over this period. We determined that the cost to replace this wheelchair would have been \$2,418 and that 60 percent of that cost would have been \$1,451. Therefore, Medicare made \$170,495 in potentially unallowable Medicare payments to this supplier. In addition, the enrollee coinsurance associated with the potentially unallowable

payments was \$42,809. See Figure 1 for a summary of Medicare payments made to this supplier for each year of our audit period.

Figure 1: A Summary of Medicare Payments for Repairs Made to One Enrollee’s Wheelchair During Its First 5 Years of Use



For this wheelchair, the supplier also repeatedly billed high-cost repairs (e.g., a drive-wheel motor and gearbox, and expandable controllers) during the wheelchair’s 5-year RUL.²⁵ See Table 2 for a summary of repairs this supplier billed for this wheelchair during our audit period.

Table 2: Example of Medicare Payments for Repairs Made to One Enrollee’s Wheelchair During Our Audit Period

Type of Repair	No. of Repairs Billed	Total Paid by Medicare
Drive-wheel motor and gearbox	56	\$57,117
Expandable controller	49	50,482
Combination tilt-and-recline system	3	20,085
Battery	39	9,542
Nonexpandable controller	14	8,438
Drive-wheel motor	10	7,568
Other*	117	6,333
Power leg elevation system	6	5,420
Shock absorber	21	4,119
Tire	34	2,842
Total	349	\$171,946

* Other repairs included the repairs of footplates, arm pads, armrests, and battery chargers, as well as labor time for repairs.

²⁵ Power wheelchairs have two motors, with each motor operating a drive wheel (i.e., a drive-wheel motor) on each side of the power wheelchair. The wheelchair gear box houses the gears that force the wheelchair axle to rotate, helping the wheelchair to navigate efficiently over obstacles. Wheelchair controllers (expandable and nonexpandable) are the power units located in the base of the chair that allow the joystick to communicate with the drive-wheel motors and gearbox.

In another example, a supplier received Medicare payments of \$1,005,937 for 7,514 repairs made during our audit period to 240 enrollees' wheelchairs that were purchased on a rental basis and were within their 5-year RUL. Of these repairs, 5,363 exceeded the federally recommended cost limit for 217 wheelchairs. This supplier received \$764,554 (76 percent of the total amount) in potentially unallowable Medicare payments for the 217 wheelchairs, which was an average of \$3,523 for each wheelchair. The enrollee coinsurance associated with these potentially unallowable payments was \$192,902.

The Accumulated Costs of Repairs Made to Wheelchairs Purchased on a Lump-Sum Basis Exceeded the Federally Recommended Cost Limit

For 89,770 repairs made to wheelchairs purchased on a lump-sum basis that were within their 5-year RUL, the accumulated costs of repairs paid by Medicare exceeded the federally recommended cost limit and were potentially unallowable. These repairs were billed by 395 suppliers for 7,075 enrollee-owned wheelchairs.²⁶ For these wheelchairs, Medicare paid suppliers \$35,033,391 for a total of 197,836 repairs made during our audit period. However, 60 percent of the total cost to replace these wheelchairs was \$18,313,243. Therefore, Medicare paid \$16,720,148 after the accumulated costs of repairing the wheelchairs had exceeded the federally recommended cost limit. Although the federally recommended cost limit does not apply to wheelchairs purchased on a lump-sum basis, these excessive costs for wheelchairs that were still within their RUL may indicate that the repairs were not reasonable and necessary or that enrollees were furnished substandard wheelchairs.

For example, one supplier billed for repairs made to an enrollee's wheelchair that was purchased in October 2017. From August 2018 through November 2021, the supplier billed Medicare on 12 separate dates of service for 90 repairs made to this wheelchair and received \$25,753 in Medicare payments over this period. We determined that the cost to replace this wheelchair would have been \$4,560 and that 60 percent of that cost would have been \$2,736. Therefore, Medicare made \$23,017 in potentially unallowable Medicare payments to this supplier. In addition, the enrollee coinsurance associated with the potentially unallowable payments was \$5,837.

²⁶ The total number of suppliers exceeded 660 because 333 suppliers billed for repair costs after the accumulated repair costs had exceeded the federally recommended cost limit for wheelchairs purchased on a rental basis and on a lump-sum basis.

In another example, a supplier received Medicare payments of \$16,718,387 for 106,214 repairs made during our audit period to 9,585 enrollees' wheelchairs that were purchased on a lump-sum basis and were within their 5-year RUL. Of these repairs, 27,411 exceeded the federally recommended cost limit for 2,213 wheelchairs. This supplier received \$5,350,481 (32 percent of the total amount) in potentially unallowable Medicare payments for the 2,213 wheelchairs, which was an average of \$2,418 for each wheelchair. The enrollee coinsurance associated with the potentially unallowable payments was \$1,354,200. Figure 2 shows the percentage of potentially unallowable payments for this supplier.

Figure 2: Of \$16.7 Million in Medicare Payments to One Supplier, 32 Percent Was for Potentially Unallowable Payments for Repairs Made to Enrollee Wheelchairs During Their 5-Year RUL



CMS DID NOT HAVE ADEQUATE CONTROLS TO PREVENT PAYMENTS FOR ACCUMULATED REPAIR COSTS THAT EXCEEDED THE FEDERALLY RECOMMENDED COST LIMIT

Medicare made potentially unallowable payments to suppliers for repairs made to wheelchairs during their 5-year RUL because CMS did not have adequate controls (i.e., did not establish adequate Medicare requirements or implement system edits) to ensure that DME MACs identified and reviewed the accumulated costs of repairs made to wheelchairs during their 5-year RUL that exceeded the federally recommended cost limit.

CMS Did Not Establish Adequate Medicare Requirements

CMS did not establish adequate Medicare requirements—that is, that required a DME MAC to determine whether accumulated repairs made to wheelchairs that exceeded a certain cost limit were allowable. Federal regulations suggest, but do not require, that a DME MAC consider whether the accumulated costs of repairs made to a wheelchair exceed 60 percent of the cost to replace the wheelchair when determining whether a wheelchair purchased on a rental basis will remain serviceable for its entire 5-year RUL. The results of our audit showed that Medicare made \$13.3 million in potentially unallowable payments for repairs made to wheelchairs purchased on a rental basis that were within their 5-year RUL.

In addition, the results of our audit showed that Medicare made \$16.7 million in potentially unallowable payments for repairs made to wheelchairs purchased on a lump-sum basis that were within their 5-year RUL. However, despite the high cost associated with repairs for wheelchairs purchased on a lump-sum basis, Federal regulations do not require a supplier that transferred ownership of a wheelchair purchased on a lump-sum basis to an enrollee to furnish a replacement wheelchair at no cost if the DME MAC determines that the wheelchair will not remain serviceable for its entire 5-year RUL. Because Federal regulations were not adequate,

the DME MACs did not review the accumulated costs of wheelchair repairs that exceeded the federally recommended cost limit (or any cost limit) to ensure that Medicare paid only for repairs made to wheelchairs that were in adequate condition to have remained serviceable for their entire 5-year RUL.

CMS Did Not Implement System Edits

CMS did not implement system edits or require the DME MACs to implement system edits to identify for review wheelchair repairs made after the accumulated costs of repairing the wheelchairs had exceeded the federally recommended cost limit (or any cost limit). Therefore, the DME MACs could not ensure that: (1) repair costs that exceeded a certain cost limit were reasonable and necessary, (2) enrollees were receiving quality wheelchairs that would remain serviceable for their entire 5-year RUL, or (3) suppliers were replacing wheelchairs that would not remain serviceable for their entire 5-year RUL. As a result, the DME MACs did not enforce the regulation related to replacing wheelchairs that will not remain serviceable for their entire 5-year RUL.

MEDICARE MADE POTENTIALLY UNALLOWABLE PAYMENTS OF \$30.1 MILLION FOR ACCUMULATED COSTS OF WHEELCHAIR REPAIRS THAT EXCEEDED THE FEDERALLY RECOMMENDED COST LIMIT

Medicare made potentially unallowable payments of \$30.1 million to suppliers for repairs made to wheelchairs during their 5-year RUL after the accumulated costs of repairing the wheelchairs had exceeded the federally recommended cost limit. These repairs were billed by 660 suppliers for wheelchairs owned by 16,962 enrollees. CMS could have saved as much as \$30.1 million of the \$91.1 million paid to suppliers for wheelchair repairs if it had implemented controls to help prevent these payments. If CMS does not strengthen its controls over payments to suppliers for accumulated repair costs, Medicare and its enrollees will continue to pay suppliers for wheelchair repairs that may not be reasonable and necessary.

The results of our audit indicate that the wheelchairs provided to these enrollees were not in adequate condition to have remained serviceable for their entire 5-year RUL and that Medicare may have paid for substandard wheelchairs, which may have impacted the enrollees' quality of life. In addition, enrollees were held responsible for as much as \$7.6 million in coinsurance for these potentially unallowable payments.

CONCLUSION

The Medicare enrollees covered by our audit need their wheelchairs to conduct their daily activities. However, our finding that the accumulated costs of repairs for these wheelchairs exceeded the federally recommended cost limit suggests that these wheelchairs were not in adequate condition to have remained serviceable for their entire 5-year RUL, which may have impacted enrollees' quality of life. For some enrollees, the coinsurance for the accumulated repair costs exceeded the amount of coinsurance paid when

How the Quality of Medicare-Covered Wheelchairs May Affect Enrollee Quality of Life

Medicare enrollees that require wheelchairs for daily activities may have a poorer quality of life when suppliers provide inadequate equipment. Specifically, enrollees that have wheelchairs that require multiple repairs may experience long periods without their wheelchairs, which may affect enrollees' mobility.

the enrollees originally purchased these wheelchairs. Implementing adequate controls, such as establishing specific Federal requirements for reviewing accumulated repair costs and implementing system edits, could help deter suppliers from providing wheelchairs that do not remain serviceable for their entire 5-year RUL and from billing for unnecessary repairs.

CMS stated that wheelchairs furnished by suppliers must function for their entire 5-year RUL and that the federally recommended cost limit is useful when determining whether an enrollee has been furnished with, and Medicare has paid for, a substandard item.²⁷ However, during our audit period, suppliers consistently billed accumulated repair costs for wheelchairs during their 5-year RUL that exceeded the federally recommended cost limit. These excessive costs occurred because the DME MACs were not required to review the accumulated costs of repairs. The results of our audit also show that these excessive repair costs were for wheelchairs purchased on a lump-sum basis in addition to wheelchairs purchased on a rental basis.

For our reports issued in 2010 and 2022, CMS concurred with our recommendations—to work on implementing adequate controls to track and identify accumulated costs for repairs that exceeded a certain cost limit. However, CMS has not taken action to implement additional system edits to identify for review claims for repairs made to wheelchairs during their 5-year RUL when the accumulated costs of repairs have exceeded a certain cost limit. If CMS or the DME MACs do not establish proper edits to identify for review repairs made to wheelchairs, Medicare will continue to pay suppliers for accumulated repair costs provided during the wheelchairs' 5-year RUL that may not be reasonable and necessary, and enrollees may continue to receive substandard wheelchairs.

If CMS had taken the necessary steps to strengthen controls over payments made for the accumulated costs of repairs made to wheelchairs, Medicare could have saved as much as \$30.1 million of the \$91.1 million paid to suppliers for wheelchair repairs. In addition, enrollees

²⁷ Final Rule, 71 Fed. Reg. 65884, 65921 (Nov. 9, 2006). CMS stated that if an enrollee is abusing or neglecting the equipment, CMS or the DME MAC may determine that the supplier is not responsible for furnishing replacement equipment (Final Rule, 71 Fed. Reg. 65884, 65901 (Nov. 9, 2006)).

were held responsible for coinsurance of as much as \$7.6 million associated with the potentially unallowable payments.

RECOMMENDATIONS

We recommend that the Centers for Medicare & Medicaid Services work with the DME MACs to do the following, which if in effect during our audit period could have saved Medicare as much as \$30,051,107 for wheelchair repairs:

- Strengthen Medicare requirements to ensure that DME MACs review accumulated costs of repairs made to wheelchairs (including wheelchairs purchased on a lump-sum basis) during their 5-year RUL that exceed a certain cost limit and use this cost limit as a basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire 5-year RUL.
- Review accumulated costs for wheelchair repairs that exceed the federally recommended cost limit, and for those wheelchairs that the DME MACs determine will not remain serviceable for their entire 5-year RUL, enforce Federal requirements by requiring the suppliers that transferred ownership of the wheelchairs purchased on a rental basis to enrollees to furnish replacement wheelchairs to those enrollees at no cost to the enrollees or to Medicare.
- Implement system edits to identify for review claims for repairs made to wheelchairs during their 5-year RUL when the accumulated costs of repairs have exceeded a certain cost limit.
- Take appropriate action for suppliers that consistently bill for repairs made to wheelchairs during their 5-year RUL that exceed the federally recommended cost limit or the cost limit used as the basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire 5-year RUL (e.g., by educating suppliers on proper billing and recovering improper payments).

CMS COMMENTS

In written comments on our draft report, CMS concurred with all of our recommendations and described actions that it planned to take to address our recommendations. Regarding our first recommendation, CMS stated that it will explore opportunities to strengthen Medicare requirements regarding accumulated costs of repairs made to wheelchairs during the 5-year RUL and will consider the recommendation for including wheelchairs purchased on a lump-sum basis when it determines appropriate next steps. Regarding our second and third recommendations, CMS stated that it concurred to consider these recommendations when evaluating opportunities to strengthen Medicare requirements. Regarding our fourth recommendation, CMS stated that it will notify the DME MACs of our audit so that the DME MACs may evaluate the risk associated with claims for wheelchair repairs as part of their annual

Improper Payment Reduction Strategy, their capacity for claims processing protections, or other operationalization considerations.

CMS's comments appear in their entirety as Appendix C.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 688,948 Medicare Part B paid claim lines, totaling \$91,132,726, for repairs made to enrollee-owned wheelchairs from January 1, 2016, through December 31, 2021, that were within their 5-year RUL and were purchased during the same 5-year period for 77,774 enrollees.²⁸ A claim line represented one repair for an enrollee's wheelchair on a single date of service.²⁹ The enrollee coinsurance associated with these wheelchair repairs totaled \$23,347,107. Medicare paid 1,315 suppliers for the repairs to 77,774 wheelchairs.

We analyzed the claims data for the repairs to determine the amount paid for repairing each enrollee's wheelchair and the cost to replace the wheelchair using the October 2021 DMEPOS Fee Schedule Update.³⁰ We then determined the portion of the accumulated costs of repairs that exceeded the federally recommended cost limit (i.e., 60 percent of the cost to replace the wheelchair). We separated the results of our analysis into two categories: repairs for enrollee-owned wheelchairs purchased on a rental basis and on a lump-sum basis. We considered Medicare payments made for repair costs in excess of the federally recommended cost limit potentially unallowable payments, which Medicare could have avoided. We did not review supplier documentation or determine whether repairs were reasonable and necessary.

We did not perform an overall assessment of the internal control structures of CMS or the DME MACs. Rather, we limited our review to those controls that were significant to our objective. Specifically, we assessed relevant Medicare requirements and guidance. We also interviewed CMS and the DME MACs to obtain an understanding of the system edits for processing claims for wheelchair repairs and the DME MACs' procedures for reviewing claims for wheelchair repairs.

Our audit enabled us to establish reasonable assurance of the authenticity and accuracy of the data obtained from CMS's National Claims History (NCH) file, but we did not assess the completeness of the file.

We conducted our audit from December 2021 to May 2023.

²⁸ Certain specialized, pediatric, and ultra-lightweight manual wheelchairs are not considered capped-rental DME, and repairs for these wheelchairs were not included in this audit. Enrollee-owned wheelchairs are those purchased on a lump-sum basis and those for which the title was transferred to an enrollee after 13 continuous months of rental.

²⁹ Wheelchair repairs include claim lines for labor, parts that were replaced, and loaner wheelchairs provided to enrollees while wheelchair repairs were being made.

³⁰ For enrollees with more than one wheelchair purchase within our audit period, we reviewed repairs related to the most recently purchased wheelchair.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- interviewed CMS and DME MAC officials to obtain an understanding of Medicare requirements and guidance for wheelchair repairs as well as the controls in place for wheelchair repairs;
- obtained from CMS's NCH file the Certificate of Medical Necessity data for enrollee-owned wheelchairs purchased during our audit period and the Medicare Part B paid claim lines for wheelchair repairs made to enrollee-owned wheelchairs during our audit period;
- analyzed data to determine whether the enrollee-owned wheelchairs were within their 5-year RUL and whether the repairs associated with the enrollee-owned wheelchairs were within the wheelchairs' 5-year RUL;
- grouped by enrollee 688,948 claim lines for repairs made to enrollee-owned wheelchairs during their 5-year RUL;
- reviewed the October 2021 DMEPOS Fee Schedule Update to determine the cost of replacing the wheelchairs;³¹
- compared 60 percent of the cost to replace each wheelchair with the cost of the repairs billed during our audit period to determine whether suppliers billed for repairs that exceeded the federally recommended cost limit;
- determined the payments for potentially unallowable wheelchair repairs billed by suppliers and the enrollee coinsurance associated with those repairs;
- separated the results of our analysis into two categories: repairs for wheelchairs purchased on a rental basis and purchased on a lump-sum basis; and
- discussed the results of our audit with CMS officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

³¹ The October 2021 DMEPOS Fee Schedule Update was the most recent fee schedule for our audit period and provided the most conservative values (i.e., the costs of the wheelchairs were higher).

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: RELATED OFFICE OF INSPECTOR OF GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Medicare Improperly Paid Durable Medical Equipment Suppliers an Estimated \$8 Million of the \$40 Million Paid for Power Mobility Device Repairs</i>	<u>A-09-20-03016</u>	5/31/2022
<i>Medicare Could Save Millions by Eliminating the Lump-Sum Purchase Option for All Power Mobility Devices</i>	<u>A-05-15-00020</u>	5/17/2017
<i>Hoveround Corporation Claimed Millions in Federal Reimbursement for Power Mobility Devices That Did Not Meet Medicare Requirements</i>	<u>A-05-12-00057</u>	12/3/2015
<i>Medicare Paid Suppliers for Power Mobility Device Claims That Did Not Meet Federal Requirements for Physicians' Face-to-Face Examinations of Beneficiaries</i>	<u>A-09-12-02068</u>	1/16/2015
<i>Review of Power Mobility Devices Supplied by Marquis Mobility, Inc.</i>	<u>A-05-10-00042</u>	5/3/2012
<i>Most Power Wheelchairs in the Medicare Program Did Not Meet Medical Necessity Guidelines</i>	<u>OEI-04-09-00260</u>	7/7/2011
<i>Review of Medicare Payments to D and M Sales, LLC, for Power Mobility Devices for Calendar Years 2006–2008</i>	<u>A-09-10-02005</u>	9/15/2010
<i>A Review of Claims for Capped Rental Durable Medical Equipment</i>	<u>OEI-07-08-00550</u>	8/6/2010

APPENDIX C: CMS COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: July 05, 2023

TO: Amy J. Frontz
Deputy Inspector General for Audit Services
Office of Inspector General

FROM: 
Chiquita Brooks-LaSure
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: Office of Inspector General (OIG) Draft Report: Medicare Paid \$30 Million for Accumulated Repair Costs That Exceeded the Federally Recommended Cost Limit for Wheelchairs During Their 5-Year Reasonable Useful Lifetime (A-09-22-03003)

The Centers for Medicare & Medicaid Services (CMS) appreciates the opportunity to review and comment on the Office of Inspector General's (OIG) draft report.

CMS recognizes the importance of continuing to provide Medicare beneficiaries with access to medically necessary services and, at the same time, working to protect the Medicare Trust Funds from improper payments. CMS uses a robust program integrity strategy to reduce and prevent Medicare improper payments, including automated system edits within the claims processing system, and conducting prepayment and post-payment reviews. As part of this strategy, CMS recovers identified overpayments in accordance with agency policies and procedures.

Additionally, CMS has taken action to prevent improper Medicare payments by educating health care providers and suppliers on proper billing. CMS educates health care providers and suppliers on Medicare billing through various channels including the Medicare Learning Network (MLN), weekly electronic newsletters, and quarterly compliance newsletters. For example, in October 2022 CMS published a MLN booklet with practitioner and supplier information on power mobility devices, which includes information regarding Medicare coverage for repairs and replacements.¹ The booklet states that if a supplier thinks that the accumulative cost to repair a patient's power mobility device will exceed 60% of the cost to replace the device, they should provide a new device.

The OIG's recommendations and CMS' responses are below.

¹ MLN Booklet: Practitioner & DMEPOS Supplier Information on Power Mobility Devices (October 2022). Available at: https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/pmd_DocCvg_FactSheet_ICN905063.pdf

OIG Recommendation

The OIG recommends that the Centers for Medicare & Medicaid Services work with the DME MACs to strengthen Medicare requirements to ensure that DME MACs review accumulated costs of repairs made to wheelchairs (including wheelchairs purchased on a lump-sum basis) during their 5-year RUL that exceed a certain cost limit and use this cost limit as a basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire 5-year RUL.

CMS Response

CMS concurs with this recommendation. CMS will explore opportunities to strengthen Medicare requirements regarding accumulated costs of repairs made to wheelchairs during the 5-year reasonable useful lifetime. CMS notes that certain actions may require notice and comment rulemaking and will consider the recommendation for including lump-sum purchased wheelchairs when determining appropriate next steps.

OIG Recommendation

The OIG recommends that the Centers for Medicare & Medicaid Services work with the DME MACs to review accumulated costs for wheelchair repairs that exceed federally recommended cost limit, and for those wheelchairs that DME MACs determine will not remain serviceable for their entire 5-year RUL, enforce Federal requirements by requiring the suppliers that transferred ownership of the wheelchair purchased on a rental basis to enrollees to furnish replacement wheelchairs to those enrollees at no cost to the enrollees or to Medicare.

CMS Response

CMS concurs to consider this recommendation when evaluating opportunities to strengthen Medicare requirements consistent with the recommendation above and to promote improved access to high quality durable medical equipment and service.

OIG Recommendation

The OIG recommends that the Centers for Medicare & Medicaid Services work with the DME MACs to implement system edits to identify for review claims for repairs made to wheelchairs during their 5-year RUL when the accumulated costs of repairs have exceeded a certain cost limit.

CMS Response

CMS concurs to consider this recommendation when evaluating opportunities to strengthen Medicare requirements consistent with the recommendation above.

OIG Recommendation

The OIG recommends that the Centers for Medicare & Medicaid Services work with the DME MACs to take appropriate action for suppliers that consistently bill for repairs made to wheelchairs during their 5-year RUL that exceed the federally recommended cost limit or the cost limit used as the basis for determining when wheelchairs furnished by suppliers will not remain serviceable for their entire 5-year RUL (e.g., by educating suppliers on proper billing and recovering improper payments).

CMS Response

CMS concurs with this recommendation. CMS will notify the Durable Medical Equipment Medicare Administrative Contractors of the OIG's audit so that they may evaluate the risk

associated with these claims as part of their annual Improper Payment Reduction Strategy, their capacity for claims processing protections, or other operationalization considerations.