



Caring that Feels Right at Home

Issue Paper

Preserve Beneficiaries' Option to Purchase Power Wheelchairs in the First Month: "Clawback" Alternative

The American Association for Homecare urges Congress to preserve Medicare beneficiaries' option to purchase power wheelchairs when initially prescribed. The healthcare reform bills now under consideration in the House and Senate would eliminate the purchase option for most power wheelchairs. This provision will have a significant impact on the ability of providers to continue providing high quality items and services to Medicare beneficiaries.

The Association supports an alternative that would produce significant savings based on the following factors:

The alternative, called the "clawback", ensures that the first-month purchase option would be available for most beneficiaries while ensuring that Medicare only pays a rental fee if the beneficiary does not use the power wheelchair for the full 13-month rental period. This alternative would alleviate many cash flow issues that would be created if the purchase option is eliminated. Specifically, under the "clawback":

- The purchase option will be preserved if a physician certifies that a beneficiary has a lifetime medical need (13 months or longer).
- If the beneficiary passes away during the 13-month rental period, a "clawback" is triggered and the provider would then reimburse Medicare the difference between the purchase price and the amount they would have received as a rental.
- The provider would reclaim ownership of the power wheelchair.
- Medicare savings estimates from the "clawback" are significant.

Background

Medicare beneficiaries, who have been prescribed a power wheelchair, currently have the choice of purchasing the equipment in the month it is first prescribed or renting it for 13 months at which time ownership transfers to the beneficiary. Given the chronic, long-term conditions of power wheelchair consumers, the vast majority of Medicare beneficiaries elect to purchase their power wheelchair in the first month.

The provision of power wheelchairs to Medicare beneficiaries saves the program millions of dollars a year by allowing vulnerable beneficiaries to remain independent and in their homes. Without access to power wheelchairs, thousands of beneficiaries would face increased hospitalizations, home health visits and other clinical services for falls or other injuries that happen to those with compromised mobility. In addition, power wheelchairs often delay or alleviate the need to place a person in an institutional long term care facility.

In qualifying for a power wheelchair, beneficiaries must have a face-to-face examination with a physician to determine eligibility. If the beneficiary meets or exceeds the national coverage criteria and demonstrates at least three months of continual need, the physician will prescribe the appropriate power wheelchair. The beneficiary then contacts a Durable Medical Equipment (DME) provider, who works with the physician to ensure proper documentation. The provider then delivers the chair, conducts an assessment of the home and instructs the beneficiary on how to safely use the power wheelchair. Only after the power wheelchair is delivered to a beneficiary can a claim for reimbursement be submitted to Medicare.

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Impact on Consumers and Providers

With the elimination of the purchase option, power wheelchair providers, especially smaller providers in rural and underserved areas, will not have access to capital or lines of credit. Since providers furnish equipment and related services prior to submission of a claim, it would be difficult for providers to cover the necessary expenses to operate their business, including the additional costs of mandatory accreditation, bonding and other requirements necessary to partner with the Medicare program.

Many providers will be unable to furnish power wheelchairs to Medicare beneficiaries with the elimination of the purchase option. To meet additional up-front expenses, providers would need to secure lines of credit to ensure proper capitalization. Financial institutions are reluctant to lend to businesses whose assets are unsecured Medicare claims. Providers who serve rural and underserved areas are at an even greater disadvantage since their transportation and other operational expenses are higher while serving fewer beneficiaries, thereby foregoing opportunities to lower costs through economies of scale. Lacking access to capital, small businesses will be forced to restrict service areas, purchase lower quality products from overseas and impose other cost-cutting measures that will impact quality of, and access to care. Ultimately, beneficiary access in these communities will have limited options other than institutionalization as providers close their doors and no other businesses enter the marketplace.

Impact on Quality US Manufacturing Jobs

American manufacturers of power wheelchairs and related accessories provide thousands of jobs in areas including Pennsylvania, Ohio, Florida and California. Elimination of the purchase option would encourage manufacturers to move plants overseas. As a result, domestic manufacturers of power wheelchairs would have to cut back their labor force, cut expenses and contract operations to remain competitive and to stay in business. This will further disrupt local economies and the tax base for numerous communities where power wheelchair manufacturers are the largest employers.

Rationale to Support the Maintenance of the First-Month Purchase Option

- Mortality rates of over 77,000 power wheelchair consumers demonstrate that 87.2% live longer than the 13-month rental period. Policymakers who support the elimination of the purchase option incorrectly believe that a significant percentage of beneficiaries pass away within the 13-month rental period.
- The “clawback option” balances the need for preserving cash flow to providers while ensuring that Medicare payments are tied to the needs of beneficiaries. Disability advocacy groups, including the American Association of People with Disabilities, Easter Seals, the National Council on Independent Living, the National Disability Rights Network, the National Multiple Sclerosis Society, the National Spinal Cord Injury Association, Paralyzed Veterans of America, United Cerebral Palsy, United Spinal Association, providers and several key members of Congress support the “clawback” alternative approach.
- Medicare would spend 105 percent of the Medicare fee schedule if the item is rented rather than purchased. Under the current fee schedule, a standard power wheelchair (HCPCS Code K0823) costs Medicare and the beneficiary \$3,641.40, if the purchase option is eliminated the same item would cost Medicare \$3,823.52, a 5 percent increase.

Recommendation

The American Association for Homecare recommends that Congress enact an alternative that will preserve the purchase option while establishing a “clawback” provision where the power wheelchair provider would reimburse Medicare for the remaining number of rental months if the beneficiary does not use the power wheelchair for the full 13-month rental period.

For additional information on the “clawback” alternative, please contact AAHomecare’s Alex Bennewith at (703) 535-1891 or Walter Gorski (703) 535-1894.