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Press Release

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GAO Confirms Payment Delays to Medical Equipment Providers; Questions Arise as to Whether CMS Can Implement Reforms

Legitimate Medical Equipment Providers Are Victimized by Administrative Backlogs

WASHINGTON, May 18, 2010 --- A recent study by the Government Accountability Office (GAO) confirms that the processing of Medicare reimbursement claims for medical equipment providers continues to be a problem despite the government's efforts to implement reforms. The administrative shortcomings within the Medicare program have caused painful payment delays and other problems affecting medical equipment providers.

Durable Medical Equipment providers, such as those supplying power wheelchairs and oxygen, have been victims of the Medicare system's questionable management. They are burdened by excessive audits, claim denials that are routinely overturned after time-consuming appeals, and documentation guidelines that often contradict previous policies. While the Centers for Medicare and Medicaid Services (CMS) cite cracking down on fraud as a rationale for some of these procedures, the way they have been implemented has harmed legitimate equipment providers.

"The homecare community applauds efforts to root out Medicare fraud," said Tyler Wilson, president of the American Association for Homecare (AAHomecare). "But Medicare beneficiaries and those who provide them with vital medical equipment deserve a more efficient administrative process, one that does not create major obstacles for legitimate businesses that are serving some of the most vulnerable people in our society. This is wrong, and Congress and the administration should put an end to it."

Wilson noted that the GAO report, "Medicare Contracting Reform" (GAO-10-71, March 2010, <http://www.gao.gov/new.items/d1071.pdf>) found an abundance of claim denials under appeal that resulted in long delays in the government paying legitimate providers. For example, the report said that one new claims contractor "originally planned on receiving 15,000 appeals cases but actually inherited 46,500 cases, which led to processing backlogs and delayed payments to providers." Further confirming the problem, the GAO wrote that "CMS underestimated the number of appeals" being reviewed in its system.

The purpose of the GAO report was to gauge how well CMS is implementing a reform of its claims-processing contractors that Congress ordered back in 2003. But the GAO exposed unrealistic expectations on the part of CMS, flaws in the reform process, and an inability of CMS to even confirm whether it can achieve the major goal set out for the reforms – a net savings to the Medicare program.

“Although CMS expected contracting reform to generate substantial savings from reduced spending on administrative functions and savings to the Medicare trust funds due to improved claims review to detect payments that should not be made, as of April 2009, CMS was unable to provide information on total savings,” the report states. “CMS provided some information on savings due to reductions in operational spending, but the extent to which these savings were attributable to contracting reform is uncertain. CMS did not track or provide information on savings to the Medicare trust funds due to reduced improper payments related to contracting reform activities.”

To be sure, the report raises questions as to whether CMS, as currently configured, can effectively implement major program changes without disrupting the services provided to Medicare beneficiaries. Clearly, CMS needs a better understanding of how policy shifts impair stakeholders in the homecare community.

Wilson noted that home medical equipment providers face numerous obstacles when working with the Medicare program, including deep and disproportionate cuts to reimbursement rates in recent years, shifting regulatory policies and many arbitrary decisions related to patient eligibility. These burdens are driving providers out of Medicare, threatening access to care for seniors and people with disabilities who require homecare.

Wilson called on Don Berwick, M.D., the Harvard professor who has been nominated to be the new CMS administrator, to focus on making the Medicare bureaucracy more efficient and to stop making victims out of legitimate homecare providers.

“The shortcomings at CMS are having an impact on the delivery of quality service and products to Medicare beneficiaries,” Wilson said. “It becomes harder for patients, especially in rural areas, to obtain medical equipment if the only provider for miles goes out of business or can no longer offer a product because the government has created an adverse business climate. Today, CMS is off course. If Dr. Berwick is confirmed, we hope he can right the ship.”

The American Association for Homecare represents durable medical equipment providers, manufacturers, and others in the homecare community who serve the medical needs of millions of Americans who require oxygen equipment and therapy, wheelchairs and assistive technologies, medical supplies, inhalation drug therapy, and other medical equipment and services in their homes. Members operate more than 3,000 homecare locations in all 50 states. Visit www.aahomecare.org/athome.