



Supporting Quality Health Care Services at Home

Special Alert

June 12, 2002

“Comparing the VA to Medicare is like Comparing Apples to Oranges,” says AAHomecare about the OIG Report on Medicare Payments for Durable Medical Equipment

In response to a report issued by the Department of Health and Human Services (HHS) Office of Inspector General (OIG) comparing payments made for durable medical equipment (DME) by Medicare compared to the Department of Veteran Affairs (VA), the AAHomecare stated that, “Comparing the VA to Medicare is like comparing apples to oranges. The fundamental differences between the methods used by the VA, Medicaid, the Federal Employee Health Plans (FEHP) or retail suppliers and Medicare suppliers to purchase, deliver, and get paid for items of durable medical equipment (DME) and supplies render it inappropriate to compare payment rates between them.”

AAHomecare responded with written testimony submitted to the Senate Appropriations Committee Subcommittee on Labor, Health and Human Services, and Education for its June 12 hearing on the report. At the request of Senator Tom Harkin the OIG issued the report which compared Medicare prices for 16 items of DME and supplies with prices from the VA, state Medicaid agencies, the Federal Employee Health Plans (FEHP), and retail suppliers.

AAHomecare noted previous inaccurate reports released by the OIG stating that, “the review is a rehash of its previous studies, essentially reaching the same conclusions without addressing any of the systemic differences between the programs it compares. The OIG contends that its conclusions support its previous findings that CMS could achieve significant savings by adopting any of the alternative payment systems of the four programs listed above. However, in this recent comparison – as in the OIG’s previous studies – it fails to account for the structural differences in the programs and the additional administrative costs of providing DMEPOS to Medicare beneficiaries.”

In the report, the OIG advocates the use of competitive bidding or inherent reasonableness as a method for reducing the prices that Medicare pays for certain DMEPOS items. AAHomecare responded by saying, “Neither of these methodologies, however, accurately account for the full range of services associated with delivering the items to Medicare beneficiaries. In addition, both payment methodologies have serious structural and procedural flaws which would need to be addressed prior to CMS implementation.”

AAHomecare’s full testimony can be accessed online at <http://www.aahomecare.org/govrelations/testimony-061202.pdf>