



OIG Report Summary

MEMORANDUM

Date: May 26, 2016

Subject: Incomplete and Inaccurate Licensure Data Allowed Some Suppliers in Round 2 of the Durable Medical Equipment Competitive Bidding Program That Did Not Have Required Licenses

OVERVIEW

On May 26, 2016, the Department of Health & Human Services Office of Inspector General (OIG) published a report titled, "[Incomplete and Inaccurate Licensure Data Allowed Some Suppliers in Round 2 of the Durable Medical Equipment Competitive Bidding Program That Did Not Have Required Licenses](#)." This report was conducted due to multiple requests by Congress to look into the Round 2 contracts and their licensure qualifications. Through the research OIG found that out of the 146 contract winners they reviewed, 63 suppliers did not meet licensure requirements. In addition, CMS needs to further investigate 14 suppliers to determine whether they met licensure requirements. OIG also found that CMS, National Supplier Clearinghouse (NSC), and Competitive Bidding Implementation Contractor (CBIC) does not have a complete and accurate licensure database. OIG recommends CMS to review the 14 identified contract winners on their qualifications, identify all state licensure requirements, and coordinate with State licensing boards to update the licensure database.

SCOPE

Of the 233 unlicensed suppliers that were identified by complaints submitted by the supplier community (i.e., trade association and individual suppliers) and congressional inquiries, 146 suppliers reviewed for this report. OIG looked at contract winners from 50 CBAs in 11 states and reviewed their documentation and interviewed CMS and contractors regarding the process used to ensure contract winners are compliant with the licensure requirements. OIG conducted their fieldwork between September 2013 to November 2014.

FINDINGS

OIG discovered that of the 146 contract winners that were reviewed, only 69 had met State licensure requirements, 63 did not meet State licensure requirements, and 14 needed to be further investigated. The 63 unqualified suppliers affected 90 of the 800 competitions in Round 2 and in the first six months, they were paid \$1 million for the products categories they were not licensed to provide. However, this only represents 0.58% of the \$184 million paid by CMS in the 16 affected CBAs for the applicable product categories.

In addition, it was found that CMS and the contractors lacked sufficient licensure data to ensure that contract winners are compliant with all applicable state requirements. OIG determined that the shortage in the licensure database is due to the challenge of compiling the varying State requirements due to the lack of coordination with States and the complexity of some State requirements. In CMS' experience, States do not generally report changes in a timely manner, and CMS does not have the authority to mandate States to report requirement changes. Some State requirements vary depending on whether the supplier is in-State or out-of-State and for States with multiple licensure boards, having a license through one board may exempt a supplier from needing a license from the other boards. The



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complexity of the State requirements makes it challenging for CMS and contractors to verify that contract winners meet all the applicable requirements. CMS stated that they took immediate action when they were made aware that there were licensure issues.

The following shows the number of unlicensed contract winners by State:

State	Alleged Suppliers That Did Not Meet Licensure	Suppliers That Did Not Meet Licensure
Tennessee	48	27
Ohio	35	15
Maryland	44	14
Louisiana	20	12
Virginia	16	11
New York	55	0
California	7	0
Florida	0 ^a	0
Georgia	0 ^a	0
Michigan	8	0
Mississippi	0 ^a	0
TOTAL	233^b	79^c

^a Complaints were general and did not identify any specific contract suppliers.

^b Total numbers contain suppliers that have been counted more than once because some suppliers received a contract in multiple competitions in different States.

^c While 63 unique contract suppliers did not meet all licensure requirements, some of these suppliers also did not meet licensure requirements in more than one State. The 79 suppliers contain 16 duplicate suppliers for purposes of identifying unlicensed suppliers by State.



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OIG RECOMMENDATION

The OIG submitted the following recommendations to CMS:

1. Complete the research required to determine whether 14 suppliers had a proper license and make a licensure determination regarding those suppliers.
2. Identify all applicable State licensure requirements to prevent suppliers that do not have all currently required licenses from receiving contracts in future rounds of the competitive bidding program.
3. Work with State licensing boards to better coordinate, identify, and maintain an accurate and complete licensure database of currently required State licenses.

CMS RESPONSE

CMS concurred with the first two recommendations but disagreed with the last recommendation stating that it will take multiple steps to maintain a complete database. CMS will encourage States to report requirement changes, improve the database, and be better at enforcing their licensing requirements.

OIG RESPONSE

Based on CMS' response, OIG revised the third recommendation to provide CMS more flexibility to better coordinate with States. However, OIG believes it will be effective if CMS makes a written agreement with licensure boards to encourage reporting of timely and accurate State licensure changes.