

AAHOMECARE

American Association for Homecare
OIG REPORT SUMMARY

MEMORANDUM

Date: November 2021

Subject: Medicare Improperly Paid Suppliers an Estimated \$117 Million Over 4 Years for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provided to Hospice Beneficiaries

OVERVIEW

On November 16, Department of Health and Human Services Office of Inspector General (OIG) published the report titled, "[Medicare Improperly Paid Suppliers an Estimated \\$117 Million Over 4 Years for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provided to Hospice Beneficiaries.](#)" The OIG found that Between January 2015 - April 2019, Medicare overpaid DMEPOS suppliers \$116.9 million for DMEPOS items provided to hospice beneficiaries. The OIG identified that the improper payments oversight process and DME supplier's unawareness were some of the causes for the overpayments. OIG provided four recommendations to Centers for Medicare & Medicaid Services (CMS) to improve the payment and oversight process. CMS concurred with two of the four recommendations.

BACKGROUND

This is a follow-up report from the 2018 OIG report that found that Medicare improperly paid DMEPOS suppliers \$34M for providing items to beneficiaries during Inpatient stays.¹ The 2018 report did not specifically identify DMEPOS overpayments for beneficiaries in hospice care.

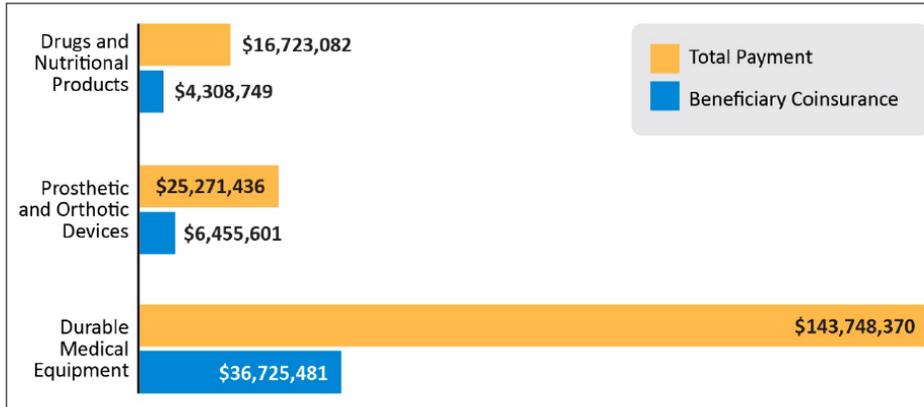
As part of Medicare conditions of participation, hospices are required to provide DME items related to the beneficiary's terminal illness. However, DME suppliers are eligible to receive Medicare Part B payment when providing to hospice patients if the provided DME item is not related to the management of the terminal illness. For claims processing purposes, DME suppliers would need to include the GW modifier to the claim for items not used for the management of a terminal illness. For claims with the GW modifier, the supplier will receive the Medicare Part B payment rate.

Prior to a supplier receiving a payment, all DMEPOS claims are verified and authorized by CMS' Common Working File (CWF). This prepayment edit process is intended to prevent CMS from sending out improper payments. After the CWF process, the DME MACs are notified of any possible errors with a claim for additional review. Although there is a prepayment review process, there is no post-payment process in the CWF to flag improper payments.

During January 2015- April 2019, Medicare Part B paid DME suppliers \$185.7 million for items serviced to beneficiaries in hospice care.

¹ Medicare Improperly Paid Suppliers for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provided to Beneficiaries During Inpatient Stays (A-09-17-03035), issued Nov. 29, 2018.

Figure 1: Medicare Part B Payments and Beneficiary Coinsurance for DMEPOS Items Provided to Hospice Beneficiaries During Our Audit Period



**chart directly from OIG report*

METHODOLOGY

For this report, the OIG reviewed 200 claim lines provided to beneficiaries in hospice care between January 2015- April 2019, which covers 1.6 million DMEPOS claims that accounted for \$185.7 million in Medicare Part B payments. Claims with payments less than \$10 were excluded from the sample. The OIG then created two samples, one with GW modifier (85 items) and the other without (115 items). For both samples, the OIG contacted the hospice and DMEPOS supplier to learn whether the item was to manage terminal illness and if the supplier was aware the beneficiary was in hospice care.

FINDINGS

Of the 200 claims reviewed for the audit, the OIG found that 121 were improperly paid to DMEPOS suppliers. 67 of 115 items without GW modifier and 54 of 85 items with GW modifier were provided to beneficiaries for the management of their terminal illnesses. These items should have been provided directly by the hospices or under an arrangement between hospices and suppliers.

Majority of suppliers were not aware that the beneficiary was in hospice. For the 46 of the 67 items without the GW modifier were due to suppliers not being aware the items were for the management of the beneficiary’s terminal illness.

The OIG found that the CWF prepayment edit process was ineffective in blocking improper payments. Specifically, if the claim for an item had the GW modifier, the DME MACs automatically processed the claim for payment, and the contractors did not manually review the claim. In addition, suppliers that regularly incorrectly used the GW modifiers were not pulled in for targeted probe-and-educate (TPE).

Table 1: Medicare Improperly Paid Suppliers \$83.6 Million for DMEPOS Items Billed Without the GW Modifier⁴⁰

Type of DMEPOS Item	Sample Items	Errors	Payments for Sample Items With Errors	Estimated Improper Payments	Estimated Beneficiary Payments
Durable Medical Equipment	75	50	\$12,339	\$61,423,412	\$15,669,858
Prosthetics and Orthotics	25	8	3,182	18,302,575	4,669,008
Drugs and Nutritional Products	15	9	464	3,833,137	977,842
TOTAL	115	67	\$15,985	\$83,559,124	\$21,316,708

**chart directly from OIG report*

Table 2: Medicare Improperly Paid Suppliers \$33.3 Million for DMEPOS Items Billed With the GW Modifier⁴²

Type of DMEPOS Item	Sample Items	Errors	Payments for Sample Items With Errors	Estimated Improper Payments	Estimated Beneficiary Payments
Durable Medical Equipment	65	42	\$17,404	\$30,460,853	\$7,770,614
Drugs and Nutritional Products	10	9	1,631	2,622,999	669,129
Prosthetics and Orthotics	10	3	61	261,046	66,560
TOTAL	85	54	\$19,096	\$33,344,898	\$8,506,303

**chart directly from OIG report*

RECOMMENDATIONS AND CMS RESPONSE

Below are OIG’s recommendations to CMS followed by CMS’ response:

1. Direct the DME MACs to deny DMEPOS claims that are submitted without the GW modifier for items provided to beneficiaries in hospice care.

CMS Response: CMS addressed this issue with specific instructions to the DME MACs in December 2020.

2. Add a post-payment edit process to identify claims submitted by suppliers before a beneficiary’s notice of election of hospice care is processed in the CWF. Direct DME MACs to deny claims without a GW modifier.

CMS Response: CMS did not concur.

3. Direct the DME and hospice contractors (and other contractors as appropriate) to review supplier claims for DMEPOS items provided to hospice beneficiaries and billed with the GW modifier, and review claims data to use TPE to educate suppliers that use the GW modifier inappropriately.

CMS Response: CMS modified requirements for hospice starting in October 2020 to hold hospices accountable and reducing the need for beneficiaries to get care outside of the hospice benefit. CMS will continue to encourage DME MACs to analyze data.

4. Due to CMS' review of the initial fourth recommendation, the OIG revised the original fourth recommendation to the following: CMS to study the practicality of adding DME items and services that are not used in the management of the beneficiary's terminal illness as part of the hospice benefit.

The report did not note CMS' response to the revised version of the fourth recommendation.