

AA HOME CARE American Association for Homecare OIG DATA BRIEF SUMMARY

MEMORANDUM

Date: February 20, 2022

Subject: Medicare Payments of \$6.6 Billion to Nonhospice Providers Over 10 Years for Items and Services Provided to Hospice Beneficiaries Suggest the Need for Increased Oversight

OVERVIEW

On February 14, the Department of Health and Human Services Office of Inspector General (OIG) published the report titled, "[Medicare Payments of \\$6.6 Billion to Nonhospice Providers Over 10 Years for Items and Services Provided to Hospice Beneficiaries Suggest the Need for Increased Oversight](#)." For this report, the OIG analyzed data on hospice payments and payments for items and services not covered under the Medicare hospice benefit for hospice patients. The OIG found that between calendar years (CY) 2019 – 2020, the majority of nonhospice payments for hospice patients were for Part B items and services, and payments for nonhospice care for Part B items and services increased by 38%. In three previous reports, OIG recommended Centers for Medicare & Medicaid Services (CMS) to improve the payment and oversight process. The purpose of this report is to provide insight for CMS on improper payments and help CMS evaluate potential restructuring for hospice payment system. This summary is limited to durable medical equipment (DME) related findings.

DATA ANALYSIS

The OIG predominantly used Medicare Part A hospice, Part A, and Part B claims data for CY 2010-2019 (audit period). The OIG reviewed payments for nonhospice services for CY 2010-2019 to identify patterns and trends. The OIG did not review the accuracy of the data and did not review if the billed services were to treat conditions not related to the beneficiary's terminal illness.

BACKGROUND

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.

RESULTS

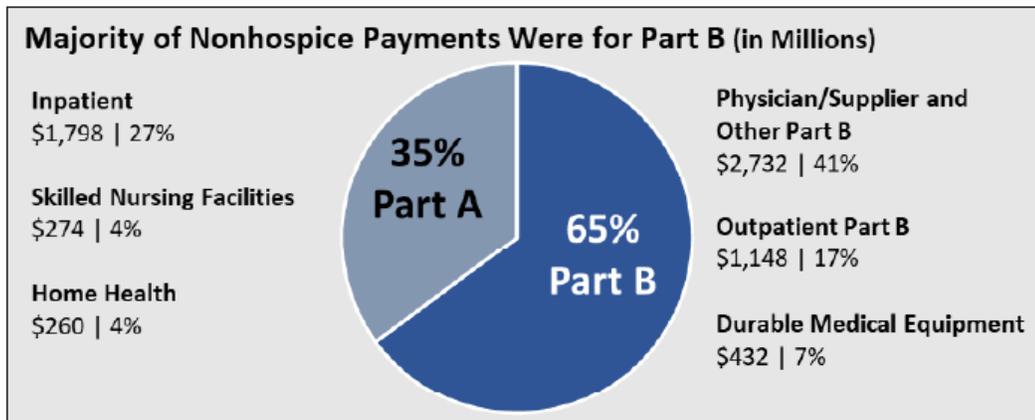
1. The growth rate of Medicare payments for hospice care was greater than the rate of increase for Medicare spending overall.

Between CY 2010 - 2019, Medicare Part A hospice payment increased by 59%. In total, Medicare paid \$163B to hospice care during the audit period. While in the same period overall Medicare payments increased by 52%. The payment increase to hospices was driven by the growth in the number of beneficiaries using hospice care. Number of beneficiaries using hospice services increased by 39% between CY 2010 - 2019.

2. Most of nonhospice payments were for Part B items and services. In the 10-year period, Part B payments increased while Part A payments decreased.

During the audit period, \$6.6B in payments went to nonhospice care. 35% of the nonhospice payments (\$2.3B) were for Medicare Part A services while 65% (\$4.3B) were for Part B items and services.

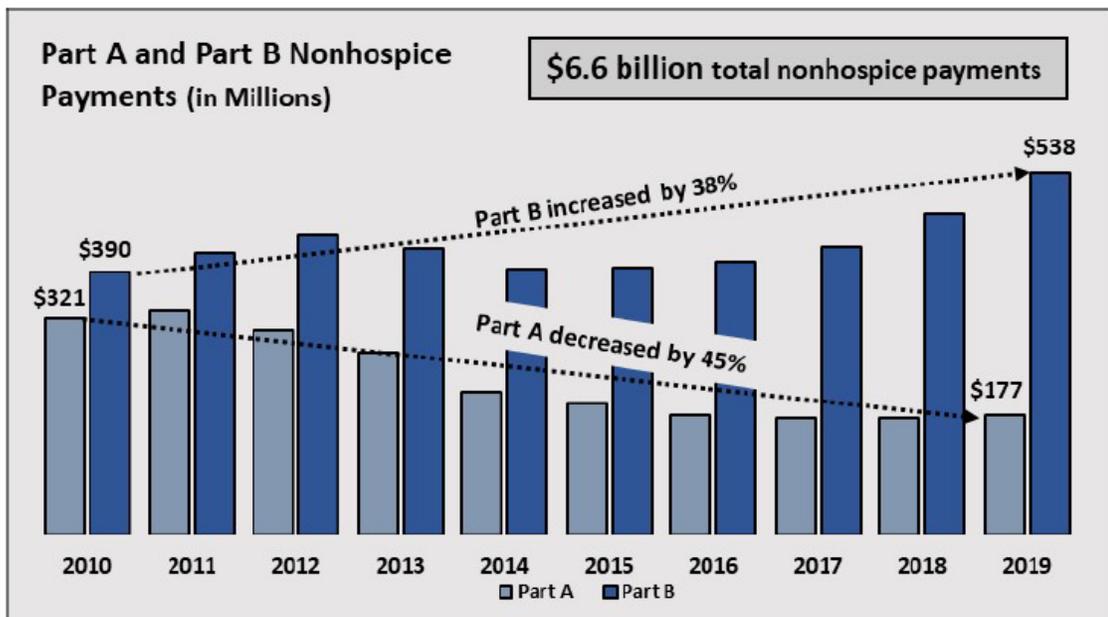
Figure 3: Of Total Nonhospice Payments, 65 Percent Were for Medicare Part B Items and Services



**Directly from the OIG report*

Nonhospice Part A payments went down by 45% but Part B services increased by 38% between CY 2010 – 2019.

Figure 4: Nonhospice Payments for Medicare Part A Services Decreased by 45 Percent and for Part B Items and Services Increased by 38 Percent



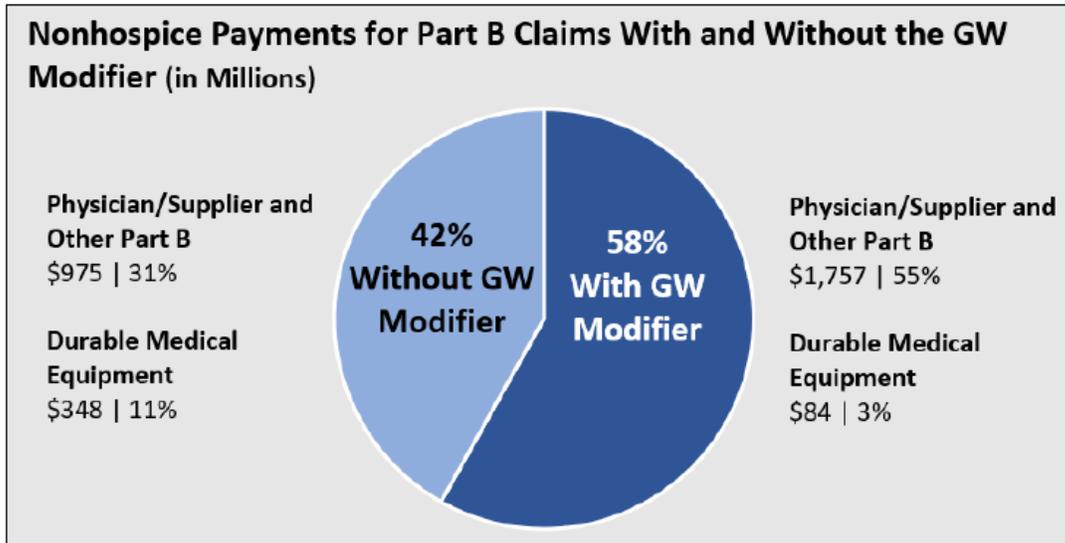
**Directly from the OIG report*

Payments for DME increased by 28%, totaling \$57M in CY 2019.

3. Improper payments for Part B items and services possible even if GW modifier is used on DME claims.

Approximately 48% of nonhospice payments (\$3.2B) were for DME. Of the \$3.2B, 58% of the DME claims had the GW modifier while the remaining 42% did not. GW modifier indicates the DME item was not used for the treatment of beneficiary's terminal illness.

Figure 8: The Majority of Nonhospice Payments for Medicare Part B Claims Had the GW Modifier



**Directly from the OIG report*

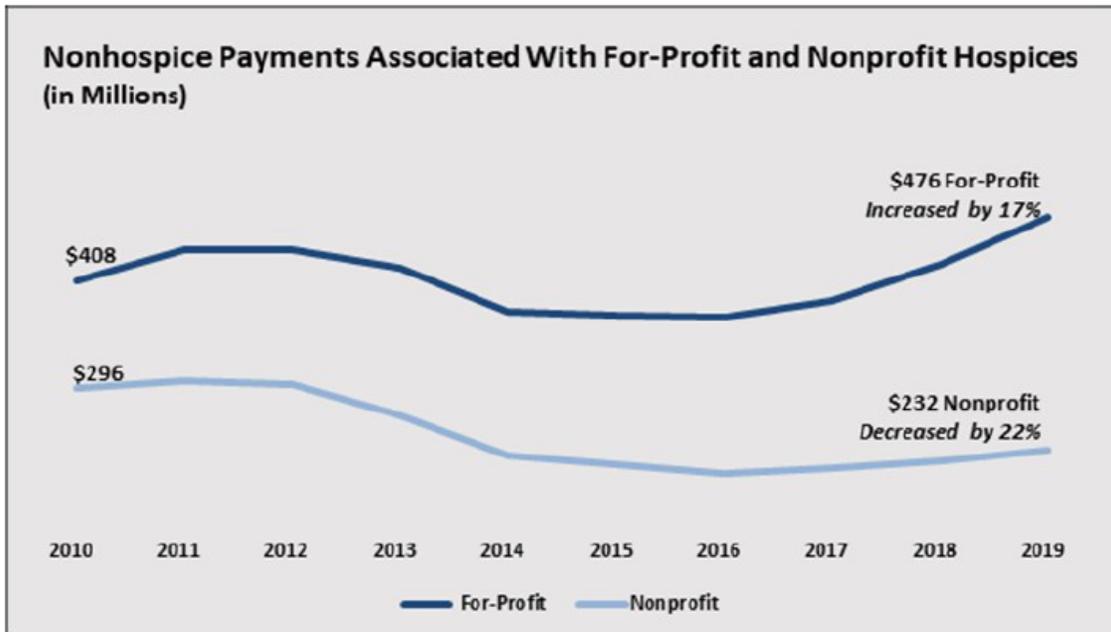
4. Medicare Part A hospice payments to for-profit hospices increased relative to non-profit hospices.

Of the \$163B spent on hospices during the audit period, 57% were paid towards for-profit hospices. In 2019, for-profit hospices were paid \$12.9B while non-profit hospices were paid \$8B. The number of for-profit hospices increased by 78% from 2,000 to 3,562 while non-profit hospices decreased by 12% from 1,520 to 1,342.

5. Nonhospice Part B payment increase associated with for-profit hospices.

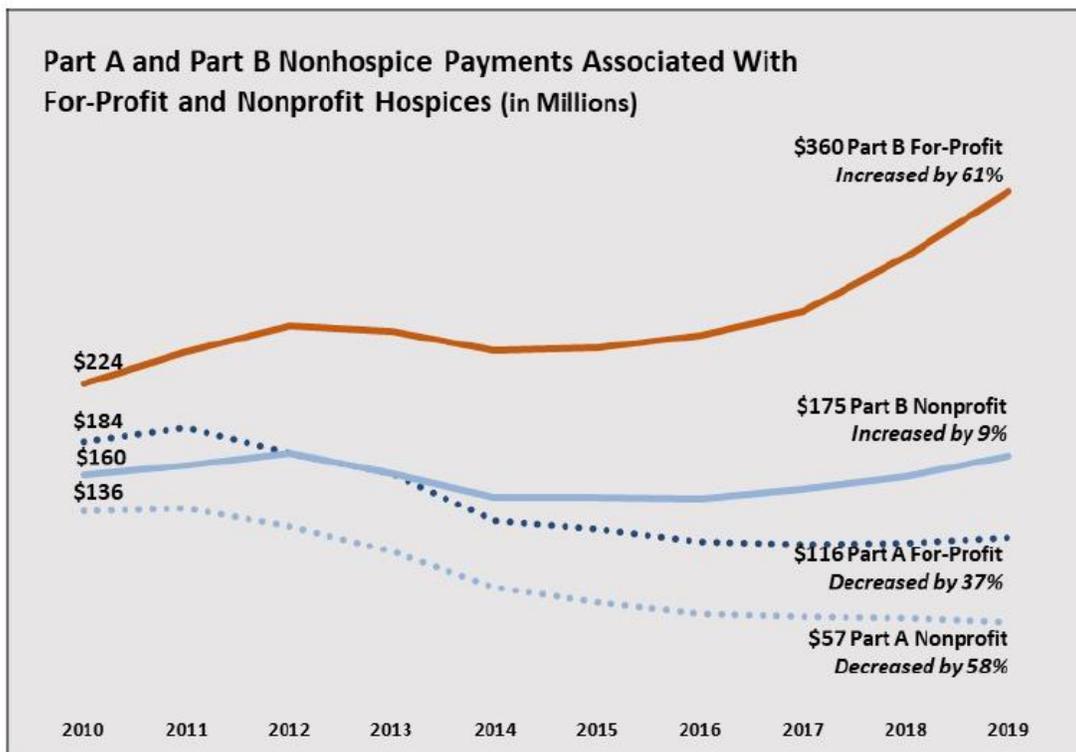
The majority of the nonhospice payments were associated with for-profit hospices. 62% of the \$6.6B paid for nonhospice services were connected to for-profit hospices.

Figure 11: Over 10 Years, Nonhospice Payments Associated With For-Profit Hospices Increased, and Nonhospice Payments Associated With Nonprofit Hospices Decreased



*Directly from the OIG report

Figure 12: Over 10 Years, Medicare Part B Nonhospice Payments Associated With For-Profit Hospices Increased Significantly



*Directly from the OIG report