



Highlights of [GAO-04-716T](#), a testimony before the Committee on Finance, U.S. Senate

Why GAO Did This Study

Medicare spending for power wheelchairs, one of the program's most expensive items of durable medical equipment (DME), rose 450 percent from 1999 through 2003, while overall Medicare spending rose by about 11 percent for the same period, according to the Centers for Medicare & Medicaid Services (CMS).

This spending growth has raised concerns that Medicare made improper payments and has payment rates that are out of line with market prices. In May 2003, the Department of Justice indicted power wheelchair suppliers in Texas alleged to have fraudulently billed Medicare. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) contains provisions regarding DME, such as changing payment setting methods. GAO was asked to examine (1) steps taken by CMS and its contractors to identify and respond to improper payments for power wheelchairs and (2) how MMA will affect CMS's ability to set payment rates for DME.

To examine these issues, GAO analyzed claims data reports for CMS's four DME regions, reviewed applicable legislation, regulations, and CMS and contractor documents, and interviewed CMS and contractor officials, DME suppliers and manufacturers, DME industry representatives, and beneficiary advocacy groups. GAO focused attention on region C, which includes Texas.

www.gao.gov/cgi-bin/getrpt?GAO-04-716T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600.

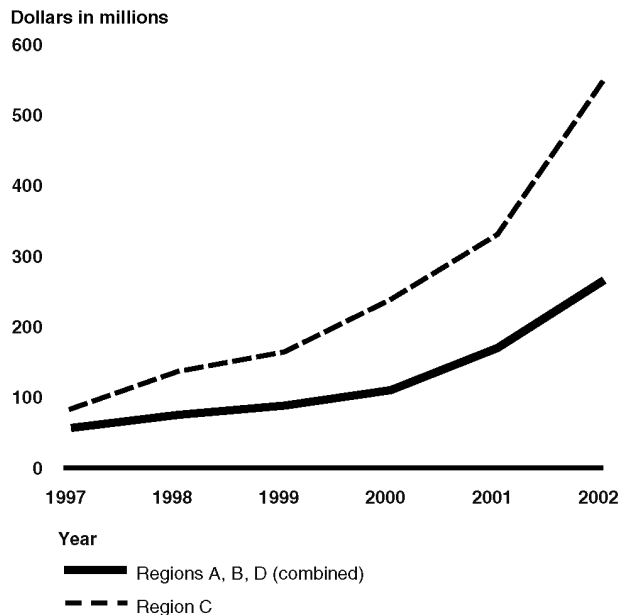
MEDICARE

CMS Did Not Control Rising Power Wheelchair Spending

What GAO Found

Although the four contractors that process DME claims identified escalating power wheelchair spending as early as 1997, CMS did not lead a coordinated response until September 2003. Inadequate information to review claims; limited resources, which caused contractors to scale back their claims review efforts; and flaws in the process to screen suppliers before they could bill Medicare left the program vulnerable to millions of dollars in claims paid improperly. Medicare spending for power wheelchairs grew fastest in region C, but resources to review claims were particularly constrained for that region's contractor. CMS has introduced a 10-point plan that appears to be a reasonable approach to reduce improper payments.

Medicare Power Wheelchair Spending, Region C Compared to All Other Regions



Source: CMS.

Note: Medicare spending includes federal payments and beneficiary cost sharing.

The MMA requires CMS to use competitive bidding to set payment rates for DME. Competitive bidding shows potential for CMS to set market-driven payment rates to help keep pace with changes in prices for medical equipment.

GAO discussed these findings with program officials, who provided technical comments.