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August 31, 2016

Congressional Committees

Medicare: 2016 Payment Rates for Complex Wheelchair Accessories

The Medicare fee-for-service program spent \$311 million during 2014 to furnish wheelchair accessories to Medicare beneficiaries, of which about half was for accessories furnished in connection with complex rehabilitative technology (CRT) power group 3 wheelchairs.¹ Beginning January 1, 2016, the Centers for Medicare & Medicaid Services (CMS) was required to begin adjusting its Medicare fee schedule rates based on competitively set rates for items and geographic areas included in the durable medical equipment competitive bidding program (CBP).² CMS began adjusting fee schedule rates for CBP items on January 1, 2016, starting with a 50-50 blend of CBP-adjusted and unadjusted rates for the first 6 months. However, the Patient Access and Medicare Protection Act (PAMPA) enacted on December 28, 2015, delayed for 1 year the application of CBP-adjusted payment rates for wheelchair accessories when furnished in connection with CRT power group 3 wheelchairs. The law also included a provision that we report on utilization, expenditures, and payment rates for complex wheelchair accessories.³ We issued a report on June 1, 2016, that included a comparison of the 50-50 blended adjusted payment rates that were available at the time of our review to the unadjusted payment rates.⁴ Subsequent to the publication of our report, CMS published the fully CBP-adjusted rates for 2016. You asked us to update our analysis of payment rates for complex wheelchair accessories based on the fully CBP-adjusted rates.

In this report, we provide information about how the 2016 fully CBP-adjusted fee schedule rates for complex wheelchair accessories—rates that would have applied when furnished in connection with CRT power group 3 wheelchairs if PAMPA had not delayed the transition to adjusted rates—compare to the unadjusted rates for the same items. We also estimate the annual savings to the Medicare program and beneficiaries once these fully-adjusted rates for complex wheelchair accessories go into effect.

To conduct this work, we used July 1, 2016, fee schedule data. For each of the 50 accessories with the highest estimated expenditures when furnished in connection with CRT power group 3 wheelchairs, we calculated the average unadjusted payment rate across urban areas and

¹The Centers for Medicare & Medicaid Services—the agency that oversees the Medicare program—classifies power wheelchairs into five groups ranging from wheelchairs with no special features to those, such as group 3 wheelchairs, that can accommodate complex rehabilitative technology accessories.

²Congress required CMS to phase in the CBP program over time to achieve savings on durable medical equipment items. In the CBP, suppliers compete in order to provide certain durable medical equipment items within designated bidding areas.

³Pub. L. No. 114-115, § 2(b), 129 Stat. 3131 (2015).

⁴*Medicare: Utilization and Expenditures for Complex Wheelchair Accessories*, [GAO-16-640R](#) (Washington, D.C.: June 1, 2016).

compared that to the average fully CBP-adjusted rate by determining the percentage difference.⁵ For context, we also include the 2014 utilization and expenditures on these items, both overall and when furnished in connection with CRT power group 3 wheelchairs. We used these expenditures and the percentage difference between the fully CBP-adjusted and unadjusted payment rates to estimate the savings to the Medicare program and beneficiaries once these fully CBP-adjusted rates go into effect.⁶ We assessed the reliability of the Medicare fee schedule data by reviewing relevant documentation, performing electronic data checks, and interviewing CMS officials. We determined that these data were sufficiently reliable for the purposes of our reporting objectives.

We conducted this performance audit from July 2016 to August 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, we found that the 2016 fully CBP-adjusted payment rates ranged from 3 to 50 percent lower than the unadjusted fee schedule payment rates for the 50 accessories with the highest estimated expenditures when furnished in connection with CRT power group 3 wheelchairs. The enclosure presents a table with more detailed information. Once these fully-adjusted rates go into effect for complex wheelchair accessories, we estimate that the Medicare program and beneficiaries would save approximately \$19 million per year.

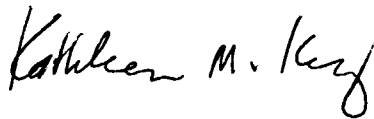
We provided a draft of this report to the Department of Health and Human Services for comment. The department provided technical comments that were incorporated, as appropriate.

⁵For more information on how we identified the 50 accessories and calculated average payment rates, see GAO-16-640R, enclosure 3. These top 50 accessories accounted for 99 percent of all estimated expenditures on accessories used with CRT power group 3 chairs during 2014 (\$157 of \$159 million).

⁶This estimate is based on several assumptions. In particular, it is based on our estimates of the frequency with which each accessory was used with a CRT power group 3 chair (because the claims data do not provide a way to definitively match each provided accessory to the type of wheelchair with which it was used) and is based on 2014 utilization levels, which may change in response to a change in payment rates. However, we believe the estimate is a reasonable approximation of the order of magnitude of annual savings. Approximately 80 percent of these savings would accrue to the Medicare program and the other 20 percent to beneficiaries, in the form of lower cost-sharing requirements.

We are sending copies of this report to the Administrator of CMS. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staffs have any questions regarding this report, please contact me at (202) 512-7114 or kingk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are Martin T. Gahart, Assistant Director; Todd Anderson; Alison Binkowski; George Bogart; Cathy Hamann; Anne Hopewell; and Michelle Paluga.

A handwritten signature in black ink that reads "Kathleen M. King". The signature is written in a cursive, flowing style.

Kathleen M. King
Director, Health Care

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Enclosure: Medicare Utilization, Expenditures, and Payment Rates for Wheelchair Accessories

Table 1: Medicare Utilization, Expenditures, and Payment Rates for Wheelchair Accessories, by How Frequently Used with Complex Rehabilitative Technology (CRT) Power Group 3 Wheelchairs

Code		Accessory description		2014 utilization and expenditures				2016 payment rates		
				Utilization (thousands)	Total Expenditures (millions)	Estimated when used with CRT power group 3		Average new purchase, urban		
						Percent of items	Expenditures (millions)	Unadjusted	Fully CBP- adjusted	Percentage difference
Accessories used with group 3 >=75%		68	118	88	109	--	--	--		
E1007	Power seating system, tilt and recline, mechanical shear reduction	7	58	97	56	8,329	7,382	-11		
E2311	Electronic connection, between controller and two or more power seating system motors	9	20	93	19	2,258	2,025	-10		
E1002	Power seating system, tilt only	5	18	77	14	3,862	3,427	-11		
E1008	Power seating system, tilt and recline, power shear reduction	0.6	5	97	4	8,330	7,572	-9		
E2377	Controller, expandable	8	4	96	4	463	426	-8		
E2313	Harness, for upgrade to expandable controller	9	3	95	3	348	N/A	N/A		
E1010	Power leg elevation system	2	3	91	2	1,090	1,029	-6		
E2310	Electronic connection, between controller and one power seating system motor	3	3	79	2	1,115	1,004	-10		
E0956	Support, lateral trunk or hip	20	2	78	1	94	73	-22		
E2330	Control interface, head, proximity switch	0.2	0.6	99	0.6	3,261	3,152	-3		
E2378	Actuator, replacement only	1	0.6	90	0.5	N/A ^a	543 ^a	N/A		
E2312	Control interface, hand or chin, mini-proportional remote joystick	0.2	0.5	80	0.4	2,192	N/A	N/A		
E1004	Power seating system, recline only, mechanical shear reduction	0.1	0.3	87	0.3	4,639	4,409	-5		
E2328	Control interface, head or extremity	0.1	0.3	100	0.3	4,722	4,546	-4		
E2373	Control interface, hand or chin, compact remote joystick	0.4	0.3	89	0.3	1,179 ^b	731 ^b	-38 ^b		
E1005	Power seating system, recline only, power shear reduction	0	0.1	94	0.1	5,022	4,824	-4		
E2331	Control, attendant	0.1	0.1	99	0.1	N/A	N/A	N/A		

Table 1: Medicare Utilization, Expenditures, and Payment Rates for Wheelchair Accessories, by How Frequently Used with Complex Rehabilitative Technology (CRT) Power Group 3 Wheelchairs (cont.)

Code Accessory description		2014 utilization and expenditures				2016 payment rates		
		Utilization (thousands)	Expenditures (millions)	Estimated when used with CRT power group 3		Average new purchase, urban		
				Percent of items	Expenditures (millions)	Unadjusted	Fully CBP- adjusted	Percentage difference
Accessories used with group 3 50-74%		172	32	64	20	--	--	--
E1028	Mounting hardware	50	9	70	7	197	129	-35
E2361	Battery, group 22NF	51	6	61	4	132	108	-18
E2620	Back cushion, positioning, planar back with lateral supports, width <22 in.	9	5	70	3	522	360	-31
E0955	Headrest	21	4	54	2	193	139	-28
E2363	Battery, group 24	19	3	63	2	177	137	-22
E2359	Battery, group 34	11	2	71	1	189	158	-16
E2624	Seat cushion, skin protection and positioning, adjustable	4	1	59	0.8	318	292	-8
E2621	Back cushion, positioning, planar back with lateral supports, width >=22 in.	0.4	0.2	73	0.1	548	424	-23

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		2014 utilization and expenditures				2016 payment rates		
				Estimated when used with CRT power group3		Average new purchase, urban		
Code	Accessory description	Utilization (thousands)	Expenditures (millions)	Percent of items	Expenditures (millions)	Unadjusted	Fully CBP-adjusted	Percentage difference
Accessories used with group 3 25-49%		228	42	42	23	--	--	--
K0108	Not otherwise specified	133	21	49	16	N/A	N/A	N/A
E2617	Back cushion, custom fabricated	3	4	31	1	N/A	N/A	N/A
E2622	Seat cushion, skin protection, adjustable	12	4	34	1	316	288	-9
E2321	Control interface, hand, remote joystick	2	2	33	0.8	2,467 ^c	1,364 ^c	-45 ^c
E2607	Seat cushion, skin protection and positioning	8	2	38	0.8	276	194	-30
E2609	Seat cushion, custom fabricated	2	3	28	0.8	N/A	N/A	N/A
E2392	Tire, caster, solid, replacement only	44	2	25	0.5	51	40	-22
E2376	Controller, expandable, replacement only	0.9	0.9	34	0.4	1,279	1,149	-10
E2613	Back cushion, positioning, posterior	3	1	32	0.3	375	293	-22
E2615	Back cushion, positioning, posterior-lateral	3	1	26	0.3	431	335	-22
E2209	Arm trough	4	0.4	41	0.2	102	79	-22
E2605	Seat cushion, positioning	2	0.5	48	0.2	256	199	-22
E0960	Straps, shoulder or chest	4	0.3	41	0.1	87	69	-20

Table 1: Medicare Utilization, Expenditures, and Payment Rates for Wheelchair Accessories, by How Frequently Used with Complex Rehabilitative Technology (CRT) Power Group 3 Wheelchairs (cont.)

		2014 utilization and expenditures				2016 payment rates		
				Estimated when used with CRT power group 3		Average new purchase, urban		
Code	Accessory description	Utilization (thousands)	Expenditures (millions)	Percent of items	Expenditures (millions)	Unadjusted	Fully CBP-adjusted	Percentage difference
Accessories used with group 3 <25%		1,266	119	4	6	--	--	--
E2370	Drive wheel motor and gear box, replacement only	32	20	7	1	765	505	-34
E2374	Control interface, hand or chin, standard remote joystick, replacement only	14	5	18	1	509	462	-9
E2386	Tire, drive wheel, foam filled, replacement only	45	5	13	0.7	143	98	-31
E0973	Armrest, adjustable height, detachable	100	8	3	0.3	103	51	-50
E2366	Battery charger, single mode	27	5	6	0.3	236	149	-37
E2375	Controller, non-expandable, replacement only	11	9	4	0.3	816	643	-21
K0040	Footplate, adjustable angle	21	2	19	0.3	71	50	-29
E2394	Drive wheel, replacement only	25	2	14	0.2	73	55	-24
E2603	Seat cushion, skin protection	7	0.8	19	0.2	144	98	-32
E2387	Tire, caster, foam filled, replacement only	17	0.8	12	0.1	63	47	-26
E2395	Caster wheel, replacement only	22	1	10	0.1	52	41	-21
E2611	Back cushion, general use	49	10	1	0.1	298	152	-49
Totals								
	Subtotal 50 with highest estimated expenditures when used with CRT power group 3	820	256	35	157	--	--	--
	Total all accessories	1,733	311	18	159	--	--	--

Source: GAO analysis of Centers for Medicare & Medicaid Services (CMS) data. | GAO-16-840R

Notes: Utilization is the count of all wheelchair accessories beneficiaries received or rented during 2014. Expenditures include spending by the Medicare program and by beneficiaries. The utilization and expenditures do not include accessories for which Medicare does not pay for separately—such as accessories that are part of the basic equipment package provided with a new wheelchair. The utilization and expenditures on each accessory when used with a given type of chair was estimated based on matching the accessory to the most recent chair the beneficiary received at the same time or prior to the accessory (but no earlier than January 2013), and assuming that the distribution of the items and expenditures that were not matched to a chair were the same as those that were matched. While this methodology may incorrectly match some accessories to chairs, we determined the methodology to be sufficiently reliable for our purposes. The average 2016 unadjusted and fully competitive bidding program (CBP) adjusted fee schedule payment rates were calculated as the average of the urban rates for each state in the contiguous United States, when the item was provided new. If the item only had a published rental rate, we calculated the new purchase rate as

the rental rate times 10, per CMS policy. Accessories not paid based on the Medicare fee schedule have their payment rates listed as N/A; while accessories with a fee schedule payment rate but no CBP-adjusted rate (as the accessory had not been bid in round 1 rebid, round 2, round 1 recompetes, or round 2 recompetes) have their CBP-adjusted rate listed as N/A. Numbers in this table were rounded; therefore, zero indicates a value that rounded down to zero and the sums of columns may not equal the relevant total. The headers and total row include all 193 wheelchair accessories, but results for specific accessories are limited to the 50 codes with the highest estimated expenditures when used with CRT power group 3 wheelchairs.

^aCode E2378 was included in the CBP for the first time in the round 2 recompetes, which began July 1, 2016. CMS did not include this code in its list of wheelchair accessories subject to the delay in transition to CBP-adjusted payment rates when furnished in connection with CRT power group 3 wheelchairs. According to officials, CMS expects to issue a correction to add this code to the list as well as provide revised fee schedule payment rates retroactive to July 1, 2016. The unadjusted rate was listed as N/A because the revised fee schedule was not available at the time we published this report.

^bCode E2373 was included in both the CBP round 1 and round 1 rebid, but only when it had a special modifier indicating it was a replacement part. According to CMS officials, in implementing the delay in transition to CBP-adjusted payment rates for accessories when furnished in connection with CRT power group 3 wheelchairs, CMS set the 2016 unadjusted rate based on the 2015 rate that applied when this accessory was provided as a replacement part, which is a higher rate than the 2015 rate when this accessory was furnished new.

^cAccording to CMS officials, in implementing the delay in transition to CBP-adjusted payment rates for accessories when furnished in connection with CRT power group 3 wheelchairs, CMS set the 2016 unadjusted rate for code E2321 based on the 2015 rate that applied when this accessory was provided as a replacement part, which is a higher rate than the 2015 rate when this accessory was furnished new.

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