HHS Office of Inspector General
HIGHLIGHTS

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Medicare Advantage Organizations and CMS Can Do More To Prevent Durable Medical Equipment Fraud in Medicare Advantage

Why OIG Did This Review

- Fraud related to durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) has been a long-standing issue in Medicare, putting millions of taxpayer dollars at risk each year. In one recent case alone, bad actors are accused of fraudulently billing Medicare for over $10 billion in DMEPOS.[1] So far, CMS's efforts to prevent DMEPOS fraud have mainly focused on Original Medicare, not Medicare Advantage.
- Yet, Medicare Advantage is also at risk. With the recent growth in the number of enrollees, Medicare Advantage now accounts for more spending than Original Medicare. In addition, OIG has seen fraud schemes—similar to those affecting Original Medicare—also impacting Medicare Advantage.[2]

What OIG Found

This issue brief focuses on fraud risks related to DMEPOS suppliers in Medicare Advantage. Medicare Advantage organizations (MAOs) and CMS take steps to screen fraudulent suppliers and prevent them from billing Medicare Advantage. However, gaps exist in this screening that can be exploited by bad actors. Specifically, we found:

Gaps in MAO screening:

- MAOs conduct some screening checks of in-network suppliers but **fewer checks of out-of-network suppliers**.

Gaps in CMS screening:

- CMS **does not screen all DMEPOS suppliers before they bill Medicare Advantage** because they are not all enrolled in Medicare.
- CMS uses a fraud prevention tool (known as **the Preclusion List**) to prevent certain DMEPOS suppliers from billing Medicare Advantage; however, **the List has limitations** in preventing fraud.

Suppliers with the least screening—those that bill out of network and are not enrolled in Medicare—pose an increased fraud risk to the program.

What OIG Recommends

1. Ensure that MAOs strengthen checks of out-of-network DMEPOS suppliers.
2. Strengthen the use of the Preclusion List to prevent fraudulent DMEPOS suppliers from billing Medicare Advantage.
3. Require that all DMEPOS suppliers that bill Medicare Advantage be enrolled in Medicare, or seek statutory authority to do so if necessary.

CMS concurred with or stated that it would take into consideration all of our recommendations.