Why OIG Did This Audit
The Medicare Improvements for Patients and Providers Act of 2008 contains a broad mandate requiring OIG to assess, through a post-award audit, survey, or otherwise, the process used by the Centers for Medicare & Medicaid Services (CMS) to conduct the competitive bidding and subsequent pricing determinations that are the basis for the pivotal bid amounts and single-payment amounts (SPAs) under Rounds 1 and 2 of the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program (the Program).

Our objective was to determine whether CMS selected DMEPOS suppliers, calculated the SPAs, and monitored the suppliers for the Round 1 Recompete in accordance with its established Program procedures and applicable Federal requirements.

How OIG Did This Audit
We verified the calculation for a sample of 30 SPAs and audited CMS’s supplier selection process for 225 suppliers.

To determine the effect of errors on Medicare payments, we reviewed covered paid claims data for DMEPOS items from January 1 through June 30, 2014. Specifically, we reviewed 11,443 lines of service, totaling $1.1 million, paid during the first 6-month period of the Program.

CMS Generally Met Requirements for the DMEPOS Competitive Bidding Program Round 1 Recompete

What OIG Found
CMS consistently followed its established Program procedures and applicable Federal requirements for 219 of the 225 winning suppliers associated with the sampled SPAs reviewed.

Although the overall effect on Medicare payments to suppliers was relatively small, CMS did not consistently follow its established procedures and applicable Federal requirements for selecting suppliers during the bid process for 6 of the 225 winning suppliers. This inconsistency affected 3 of the 30 sampled SPAs. Specifically, CMS awarded contracts to five suppliers that did not meet financial statement requirements and one supplier that did not have the applicable State license in one competition. Additionally, CMS did not monitor suppliers in accordance with established procedures and Federal requirements for another seven suppliers that did not maintain the applicable license, as required by their contracts, for the first 6 months of 2014.

On the basis of our sample, we estimated that CMS paid suppliers $24,054 more than they would have received without any errors, or less than 0.03 percent of the $73 million paid under the Round 1 Recompete during the first 6 months of 2014.

What OIG Recommends and CMS Comments
We recommend that CMS take specific actions, as described in this report, to ensure that suppliers meet financial documentation requirements and obtain and maintain the required licenses.

CMS concurred with our recommendations. CMS stated that it works to consistently apply all Program procedures and applicable Federal requirements in all phases of bid evaluation and that it will continue to take steps to ensure that suppliers have applicable licenses for furnishing DMEPOS. CMS said that it is working to establish a system that would help continuously monitor DMEPOS suppliers to ensure that they maintain an active license throughout the duration of their Medicare enrollment.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51600051.asp.