

Report in Brief

Date: November 2018

Report No. A-09-17-03035

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why OIG Did This Review

Prior OIG reviews found that Medicare improperly paid for outpatient services provided to Medicare beneficiaries who were inpatients of acute-care hospitals (ACHs) and other types of inpatient facilities (e.g., long-term-care hospitals). However, these reviews did not cover payments for durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) that DMEPOS suppliers (suppliers) provided to beneficiaries during inpatient stays.

Our objective was to determine whether Medicare properly paid suppliers for DMEPOS items provided to beneficiaries during inpatient stays.

How OIG Did This Review

Our review covered \$34 million in Medicare Part B payments to suppliers for 120,614 claims for DMEPOS items provided to beneficiaries during inpatient stays. To identify these items, we identified Part A inpatient claims from ACHs and other inpatient facilities (excluding skilled nursing facilities) with service dates from January 1, 2015, through December 31, 2017 (audit period). We used those claims' beneficiary information and service dates to identify suppliers' DMEPOS claims that had service dates from 1 day after the admission dates up to and including the discharge dates. We excluded claims for DMEPOS items that met certain conditions for pre-discharge delivery (details are shown in the body of the report).

Medicare Improperly Paid Suppliers for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provided to Beneficiaries During Inpatient Stays

What OIG Found

Medicare should not have paid suppliers any of the \$34 million for DMEPOS items that were provided during inpatient stays. In addition, beneficiaries were held responsible for unnecessary deductibles and coinsurance of \$8.7 million paid to the suppliers for the DMEPOS items. Generally, Medicare should not pay a supplier for these items provided to a beneficiary during an inpatient stay. Instead, all items must be provided directly by the inpatient facility or under arrangements between the facility and the supplier. Medicare should pay the inpatient facility, through its inpatient claim, for all items provided to a beneficiary.

Medicare overpaid the suppliers because the system edits that should have prevented or detected the overpayments were not adequate. If the system edits had been designed properly since 2008, Medicare could have saved \$223.1 million, and beneficiaries could have saved \$56.3 million in deductibles and coinsurance that may have been incorrectly collected from them or from someone on their behalf.

What OIG Recommends and CMS Comments

We recommend that the Centers for Medicare & Medicaid Services (CMS) direct the Medicare contractors to (1) recover the \$34 million in identified improper payments in accordance with CMS's policies and procedures, (2) recommend that suppliers refund to beneficiaries up to \$8.7 million in deductible and coinsurance amounts that may have been incorrectly collected from them or from someone on their behalf, and (3) identify and recover any improper payments to suppliers after our audit period. We also recommend that CMS (1) take all necessary actions, including seeking legislative authority, to require suppliers to refund to beneficiaries incorrectly collected Medicare Part B deductible and coinsurance amounts and (2) correct the system edits to fully prevent or detect overpayments to suppliers for DMEPOS items provided during inpatient stays.

CMS concurred with all but one of our recommendations. Regarding our recommendation that CMS seek legislative authority to require suppliers to refund to beneficiaries incorrectly collected deductibles and coinsurance, CMS stated that it will consider whether to recommend this proposal for inclusion in the President's next budget.