

Report in Brief

Date: July 2020

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



Why OIG Did This Audit

From July 1, 2016, through December 31, 2018 (audit period), Medicare paid approximately \$4 billion for orthotic braces provided to Medicare beneficiaries. Prior OIG audits found that some suppliers of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) billed for orthotic braces that did not comply with Medicare requirements. During our audit period, the Centers for Medicare & Medicaid Services found that orthotic braces were among the top 20 DMEPOS items with the highest improper payment rates. After analyzing Medicare claim data, we selected for audit Freedom Orthotics, Inc. (Freedom), an orthotic braces supplier in Dunedin, Florida.

Our objective was to determine whether Freedom complied with Medicare requirements when billing for orthotic braces.

How OIG Did This Audit

For our audit period, Freedom received approximately \$7.7 million in Medicare Part B payments for orthotic braces provided to 5,254 Medicare beneficiaries. After excluding certain claims, we grouped the remaining claims by beneficiary, selected a stratified random sample of 100 beneficiaries, and reviewed 247 claims associated with the sampled beneficiaries. We provided copies of Freedom's supporting documentation to an independent medical review contractor to determine whether the claims met Medicare requirements.

Freedom Orthotics, Inc.: Audit of Medicare Payments for Orthotic Braces

What OIG Found

Freedom did not comply with Medicare requirements when billing for orthotic braces. For all 100 sampled beneficiaries, with payments totaling \$165,306, Freedom billed for orthotic braces that were not medically necessary.

These deficiencies occurred because Freedom did not obtain sufficient information from the beneficiaries' medical records to assure itself that the claims for orthotic braces met Medicare requirements for medical necessity. On the basis of our sample results, we estimated that Freedom received at least \$6.9 million in unallowable Medicare payments for orthotic braces.

What OIG Recommends and Freedom Comments

We recommend that Freedom (1) refund to the durable medical equipment Medicare administrative contractors \$6.9 million in estimated overpayments for orthotic braces; (2) based upon the results of this audit, exercise reasonable diligence to identify, report, and return any overpayments in accordance with the 60-day rule and identify any of those returned overpayments as having been made in accordance with this recommendation; and (3) obtain as much information from beneficiary medical records as it determines necessary to assure itself that claims for orthotic braces meet Medicare requirements for medical necessity.

Freedom stated that it disagreed with our entire review and our finding. Freedom also stated that it disagreed with each of our recommendations and will assert its rights for an appeal. Freedom stated that it disagreed with "the alleged overpayment amount" and further stated that it believes it has obtained sufficient information from the beneficiary medical records to determine medical necessity.

We maintain that our finding and recommendations remain valid. If the information in a beneficiary's medical record does not adequately support medical necessity, the supplier is liable for the payment amount of the orthotic brace. In addition, our report clarifies that OIG recommendations do not represent final determinations by Medicare but are recommendations to HHS action officials.