

Report in Brief

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Why OIG Did This Audit

A prior OIG audit found that Medicare improperly paid suppliers of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) for DMEPOS items provided to beneficiaries during inpatient stays. However, that audit did not cover payments for DMEPOS items that suppliers provided to hospice beneficiaries.

Our objective was to determine whether Medicare properly paid suppliers for DMEPOS items they provided to hospice beneficiaries.

How OIG Did This Audit

Our audit covered \$185.7 million in Medicare Part B payments to suppliers for 1.6 million DMEPOS items provided to hospice beneficiaries from January 2015 through April 2019 (audit period). We identified hospice claims with service dates during our audit period and used these claims' beneficiary information and service dates to identify DMEPOS items that had service dates within the hospice service dates. We selected 2 stratified samples, with 200 items billed by suppliers. One sample was for 115 items billed without the GW modifier. (This modifier indicates that an item is not related to the beneficiary's terminal illness and related conditions.) Another sample was for 85 items billed with the GW modifier. For each sample, we contacted the hospices that provided care to the beneficiaries to have them assess whether the items palliated or managed the beneficiaries' terminal illnesses and related conditions.

Medicare Improperly Paid Suppliers an Estimated \$117 Million Over 4 Years for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Provided to Hospice Beneficiaries

What OIG Found

For 121 of 200 sampled DMEPOS items, Medicare improperly paid suppliers for DMEPOS items they provided to hospice beneficiaries. Specifically, for 58 percent of the sampled DMEPOS items billed without the GW modifier (67 of 115 items) and 63 percent of the sampled DMEPOS items billed by suppliers with the GW modifier (54 of 85 items), the items were provided to palliate or manage the beneficiaries' terminal illnesses and related conditions. Medicare pays the hospices for the DMEPOS items provided to the beneficiaries as part of the hospices' per diem payments. These items should have been provided directly by the hospices or under arrangements between the hospices and the suppliers.

The improper payments occurred because: (1) the majority of the suppliers were unaware that they had provided DMEPOS items to hospice beneficiaries, (2) the system edit processes that should have prevented the improper payments were not effective or did not exist, and (3) the suppliers inappropriately used the GW modifier. On the basis of our sample results, we estimated that Medicare could have saved \$116.9 million in payments during our audit period, and beneficiaries could have saved \$29.8 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): (1) improve the prepayment edit process by instructing the durable medical equipment (DME) Medicare contractors to deny DMEPOS claims submitted by suppliers without the GW modifier for DMEPOS items provided to hospice beneficiaries; (2) implement a postpayment edit process; (3) direct the DME and hospice Medicare contractors, or other contractors as appropriate, to conduct prepayment or postpayment reviews of supplier claims billed with the GW modifier; and (4) study the feasibility of including palliative items and services not related to a beneficiary's terminal illness and related conditions within the hospice per diem.

CMS concurred with our first and third recommendations but did not concur with our second and fourth recommendations. We maintain that our second recommendation is valid, but we revised our fourth recommendation.