

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**A COMPARISON OF MEDICARE
PROGRAM AND CONSUMER
INTERNET PRICES FOR POWER
WHEELCHAIRS**



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E X E C U T I V E S U M M A R Y

OBJECTIVE

To compare the Medicare fee schedule amounts for power wheelchairs to Internet prices available to consumers.

BACKGROUND

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment. Medicare will pay 80 percent of the cost of a power wheelchair, up to the fee schedule amount, and the beneficiary is responsible for paying the remaining amount. In 2006, Medicare and its beneficiaries spent over \$900 million on power wheelchairs.

In 2004, we found that Medicare and its beneficiaries paid higher prices for power wheelchairs than consumers or suppliers. In November 2006, the Centers for Medicare & Medicaid Services (CMS) implemented a revised fee schedule for power wheelchairs as part of its strategy to reform Medicare payments for these devices. The revised fee schedule was designed to improve the accuracy of Medicare pricing for power wheelchairs. However, the new fee schedule amounts have been criticized by some suppliers as too low to cover the costs of the power wheelchairs and the additional costs of providing them to Medicare beneficiaries.

We collected and analyzed prices of power wheelchairs from the Internet sites of power wheelchair suppliers during the first quarter of 2007. We then compared the median Internet prices of power wheelchairs to the Medicare fee schedule amounts during the same time period. In addition, we calculated the potential savings to Medicare and its beneficiaries during the first quarter of 2007 had power wheelchair claims submitted to Medicare been reimbursed at the median Internet prices we collected.

FINDINGS

Medicare fee schedule amounts for power wheelchairs were 45 percent higher than median Internet prices available to consumers in the first quarter of 2007. We found that the median prices available to consumers over the Internet were less than the Medicare fee schedule amounts for 24 of the 28 procedure codes for which we collected Internet prices. On average, Medicare fee schedule amounts for the 28 procedure codes were 45 percent higher than median

Internet prices available to consumers in the first quarter of 2007. Medicare's fee schedule amount for the most frequently reimbursed procedure code (K0823) exceeded the median Internet price by 36 percent.

Medicare and its beneficiaries could have achieved savings during the first quarter of 2007 had Medicare reimbursements more closely resembled prices available to consumers over the Internet. Had suppliers been reimbursed for the same power wheelchairs at median Internet prices, Medicare and its beneficiaries would have spent approximately 28 percent (\$39 million out of \$138 million) less than actual payments. On average, each beneficiary could have saved \$233 of his or her power wheelchair copayment. The most frequently reimbursed procedure code (K0823) accounted for 68 percent of total potential savings to Medicare and its beneficiaries.

RECOMMENDATION

We found that consumers could have purchased most power wheelchairs over the Internet at prices lower than the Medicare fee schedule amounts. We recommend that CMS:

Consider performing additional reviews to determine whether the current Medicare power wheelchair fee schedule amounts for certain groups and procedure codes are appropriate.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with our recommendation. In addition, CMS noted that, in mid-2008, Medicare payment amounts for power wheelchairs in 10 large metropolitan statistical areas will be based on power wheelchair suppliers' competitive bids. CMS further noted that it has the authority in future years to use payment information from the competitive bidding program to adjust payments in areas not included in the program.

OIG work is continuing in this area. We plan to conduct further evaluations to compare Medicare fee schedule amounts to actual prices paid by suppliers.

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OBJECTIVE

To compare the Medicare fee schedule amounts for power wheelchairs to Internet prices available to consumers.

BACKGROUND

In 2003, combined spending for power wheelchairs by Medicare and its beneficiaries peaked at \$1.2 billion. In 2004, these expenditures decreased to \$850 million. However, Medicare and its beneficiaries spent more than \$900 million per year on power wheelchairs in 2005 and 2006.¹

Medicare Coverage of and Reimbursement for Power Wheelchairs

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment (DME). Medicare will reimburse suppliers when power wheelchairs are medically necessary, the beneficiaries' mobility problems can be ameliorated or compensated for by the power wheelchairs, and the beneficiaries' environment supports the use of power wheelchairs, among other criteria.²

A physician or a treating practitioner must conduct a face-to-face examination of the Medicare beneficiary to assess the need for and prescribe a power wheelchair.³ The beneficiary receives the power wheelchair from a DME supplier which, in turn, bills the Medicare program for reimbursement. Medicare Part B claims for power wheelchairs are processed and paid by four DME Medicare administrative contractors according to the Medicare fee schedule for power wheelchairs. The Centers for Medicare & Medicaid Services (CMS) sets fee schedule amounts for DME. Although fee schedule

¹ Office of Inspector General analysis of CMS claims data, January and June 2007.

² "Medicare National Coverage Determinations Manual," section 280.3. Last modified August 2005. Effective May 5, 2005, power wheelchairs may be medically necessary for beneficiaries who cannot effectively perform mobility-related activities of daily living using other mobility assistive equipment.

³ December 8, 2003, Section 302(a)(2) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Public Law 108-173, added Section 1834(a)(1)(E)(iv) of the Social Security Act.

amounts for many DME items vary by State to account for geographic differences in price, power wheelchair fees are the same for all States.⁴

Medicare will pay 80 percent of the cost of a power wheelchair, up to the fee schedule amount, and the beneficiary is responsible for paying the remaining amount. To be reimbursed by Medicare, power wheelchairs must include certain basic items, such as tires, leg rests, and battery chargers. Delivery costs are also included in the power wheelchair fee schedule amounts, except for rare and unusual circumstances (e.g., the beneficiary lives in a remote area that is not served by a local supplier).⁵ However, certain items, such as batteries, are not included in the power wheelchair fee schedule amounts and are reimbursed under separate procedure codes.

Previous Office of Inspector General Work

In 2004, we found that Medicare and its beneficiaries paid higher prices for power wheelchairs than consumers or suppliers.⁶ At that time, 97 percent of Medicare expenditures for power wheelchairs were covered by one of the four procedure codes (K0011) on the Medicare fee schedule. We reported that if K0011 power wheelchair prices had been adjusted to the median price available to consumers over the Internet (hereafter referred to as “Internet prices”), Medicare and its beneficiaries could have saved over \$224 million of the \$829 million spent during 2002.

Further, we found that a wide variety of power wheelchair models were reimbursable under procedure code K0011. Internet prices for these models ranged from \$1,600 to almost \$17,000. Consequently, we recommended that CMS implement a new coding system for power wheelchairs to account for the variety in models and prices and determine whether it was paying reasonable prices for these items.

Changes in the Medicare Fee Schedule for Power Wheelchairs

In November 2006, CMS implemented a revised fee schedule for power wheelchairs as part of its strategy to reform Medicare payments for

⁴ Durable Medical Equipment, Prosthetics, Orthotics, and Supplies 2007 Fee Schedule. Available online at <http://www.cms.hhs.gov/DMEPOSFeeSched/LSDMEPOSFEE/itemdetail.asp?filterType=none&filterByDID=99&sortByDID=3&sortOrder=ascending&itemID=CMS1192263&intNumPerPage=10>. Accessed January 23, 2007.

⁵ Cigna Government Services. Available online at <http://www.cignagovernmentservices.com/jc/pubs/pdf/Chpt3.pdf>. Accessed August 2, 2007.

⁶ OEI-03-03-00460, “A Comparison of Prices for Power Wheelchairs.” April 2004.

these devices. The revised fee schedule replaced the original four procedure codes with 43 new procedure codes. According to CMS, the new procedure codes are intended to describe the range of models and options available in the power wheelchair market.⁷

The 43 procedure codes are tied to industry standards of performance and durability. They are designed to support accurate payment and coverage decisions and replace out-of-date codes that did not adequately describe current technology.⁸ As of January 2007, 573 power wheelchair models were reimbursable under these 43 procedure codes, with as many as 75 models per code.⁹

The revised fee schedule is divided into three groups based on the power wheelchair's performance. Each group is further divided based on patient weight capacity, seat type, portability, and power seating system capability.¹⁰ Appendix A compares the performance requirements of the three groups.

The revised fee schedule was designed to improve the accuracy of Medicare pricing for power wheelchairs.¹¹ However, the new fee schedule amounts have been criticized by some suppliers of power wheelchairs.¹² These suppliers have claimed that Medicare's revised fee schedule amounts do not cover the cost of the power wheelchairs and the additional costs of providing them to Medicare beneficiaries.

⁷ CMS Publication Number 11272-P, "2006 Fee Schedule Amounts for Power Mobility Devices Have Been Refined," November 2006.

⁸ Ibid.

⁹ Statistical Analysis Durable Medical Equipment Regional Carrier correspondence, January 2, 2007.

¹⁰ "Power Mobility Device Coding Guidelines," August 3, 2006. Available online from the Statistical Analysis Durable Medical Equipment Regional Carrier at [http://www.palmettogba.com/palmetto/other.nsf/Attachments/85256D430058D01D852571CA004EC839/\\$FILE/Power+Mobility+Device+Coding+Guidelines+Final.doc](http://www.palmettogba.com/palmetto/other.nsf/Attachments/85256D430058D01D852571CA004EC839/$FILE/Power+Mobility+Device+Coding+Guidelines+Final.doc). Accessed August 1, 2007.

¹¹ CMS Publication Number 11272-P, "2006 Fee Schedule Amounts for Power Mobility Devices Have Been Refined," November 2006.

¹² "Power Wheelchair Industry Lines Up 44 House Members Opposing Medicare Fee Cut," November 3, 2006. Available online at <http://www.seniorjournal.com/NEWS/Medicare/6-11-03-PowerWheelchair.htm>. Accessed April 16, 2007.

METHODOLOGY

We collected and analyzed consumer prices for power wheelchairs from the supplier Internet sites from January 1 to March 31, 2007 (the first quarter of 2007). We then compared the median prices of power wheelchairs in each procedure code to the Medicare fee schedule amounts during the same time period. In addition, we calculated the potential savings to Medicare and its beneficiaries had power wheelchair claims submitted to Medicare been reimbursed at the median Internet prices we collected.

We used the product classification list generated by the Statistical Analysis Durable Medical Equipment Regional Carrier as of January 2007. We identified 573 power wheelchair models under the 43 procedure codes (K0813–K0864).

Consumer Internet Prices

To identify Internet prices available to consumers, we reviewed the supplier Internet sites we found using two widely used search engines (Google and Yahoo). We used the Internet business directories of these search engines to identify the suppliers. When particular power wheelchair models were not sold by any of the suppliers listed in the directories, we performed supplemental Internet searches for these models using the same search engines. We reviewed all power wheelchairs sold on the Internet sites found through these searches. We collected prices from a total of 52 Internet sites of power wheelchair suppliers located in the United States.

We obtained 635 prices for 126 power wheelchair models found on the 52 Internet sites. Each price we collected represents the amount a consumer could pay to purchase a particular power wheelchair from the supplier at the time we visited the suppliers' Internet site.

For each Internet price we collected, we determined the procedure code the power wheelchair would have been reimbursed under had it been provided to a Medicare beneficiary. We found Internet prices for 28 of the 43 procedure codes on the Medicare fee schedule. Over 99 percent of power wheelchair claims submitted to Medicare during the first quarter of 2007 were reimbursed under these 28 procedure codes.¹³ We

¹³ Suppliers submitted 33,834 claims for new, nonrental power wheelchairs during the first quarter of 2007, current as of June 2007. The 28 procedure codes for which we collected prices accounted for 33,542 of these claims.

calculated the median Internet price for power wheelchairs in each of the 28 procedure codes.

We determined whether the suppliers included batteries and delivery in the power wheelchair prices when this information was available on the Internet sites. The cost of batteries, which is reimbursed by Medicare under separate procedure codes, is not included in the Medicare fee schedule amounts for power wheelchairs.¹⁴ Medicare fee schedule amounts for the batteries range from \$30 to \$186.¹⁵ Because a power wheelchair uses two batteries, Medicare and its beneficiaries pay between \$60 and \$372 per chair for batteries in addition to the cost of the power wheelchair.¹⁶ Batteries were included in 440 of the 635 Internet prices (69 percent). We did not subtract the cost of the batteries from these prices.

Delivery, which is included in the Medicare fee schedule amounts for power wheelchairs, was included in 582 of the 635 Internet prices (92 percent). For the remaining 8 percent of Internet prices, delivery was not included or we were unable to determine whether delivery was included. The highest delivery fee, when not included in the price of the power wheelchair, was \$55. We did not add the cost of delivery to these Internet prices.

Price Comparison

We used the January 2007 national Durable Medical Equipment, Prosthetics, Orthotics, and Supplies fee schedule to determine Medicare's allowable amounts for the 28 procedure codes. The fee schedule amounts we used were for the purchase of new, nonrental power wheelchairs. We removed all claims for used or rental power wheelchairs as indicated by Modifiers 1–4 in the National Claims History database. In the first quarter of 2007, less than 2 percent of all Medicare power wheelchair expenditures were for used or rental power wheelchairs.

¹⁴ Power wheelchair batteries are reimbursed by Medicare under procedure codes K0733 and E2360–E2365.

¹⁵ Durable Medical Equipment, Prosthetics, Orthotics, and Supplies 2007 Fee Schedule. Available online at <http://www.cms.hhs.gov/DMEPOSFeeSched/LSDMEPOSFEE/itemdetail.asp?filterType=none&filterByDID=99&sortByDID=3&sortOrder=ascending&itemID=CMS1192263&intNumPerPage=10>. Accessed January 23, 2007.

¹⁶ Statistical Analysis Durable Medical Equipment Regional Carrier correspondence, August 2, 2007.

For each procedure code, we calculated the percentage by which the median Internet price differed from the Medicare fee schedule amount. We also determined the average percentage differences between the Medicare fee schedule amounts and median Internet prices for the three power wheelchair groups and for all 28 procedure codes. To do this, we weighted the percentage difference for each procedure code by the Medicare expenditures for the procedure code during the first quarter of 2007. We then found the average of the weighted percentages for each group and for all 28 procedure codes.

Potential Medicare Savings

We calculated the potential savings to Medicare and its beneficiaries in the first quarter of 2007 had power wheelchairs been reimbursed at median Internet prices for the 28 procedure codes. We obtained Medicare claims and expenditure information by procedure code from the National Claims History database for the first quarter of 2007.¹⁷

Because Medicare and its beneficiaries pay the actual charge for the power wheelchair up to the fee schedule amount, we subtracted the median Internet price from the Medicare allowed amount for all claims submitted under the 28 procedure codes. We summed the differences to obtain the total potential savings for the first quarter of 2007. We also determined the potential savings for power wheelchairs in each of the three groups.

Limitations

This study was not designed to meet CMS's "inherent reasonableness" standards for revising Medicare payment rates.¹⁸ Further, we did not assess the administration costs of participating in the Medicare program when calculating potential Medicare and beneficiary savings. Instead, this study shows the extent to which Internet prices available to consumers differ from Medicare fee schedule amounts.

We assumed that the power wheelchairs we reviewed included the basic equipment items and services required by Medicare and did not include items Medicare will reimburse separately. We also assumed that the Internet prices established by suppliers were adequate to cover all

¹⁷ We analyzed data processed by CMS through June 2007 for claims with dates of service between January 1 and March 31, 2007.

¹⁸ 42 CFR § 405.502 (g). Available online at http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/octqtr/42cfr405.502.htm. Accessed October 25, 2007.

administrative costs associated with selling the power wheelchairs and provide a reasonable profit margin.

We also did not adjust prices based on battery and delivery charges. To the extent possible, we determined whether the Internet prices included batteries and delivery charges. Batteries are not included in the Medicare fee schedule amount for power wheelchairs. However, at least 69 percent of all Internet prices we found included batteries. Delivery is included in the Medicare fee schedule amounts for power wheelchairs, and at least 92 percent of Internet prices that we found included delivery. Medicare and its beneficiaries pay between \$60 and \$372 per chair for power wheelchair batteries. The highest Internet delivery charge was \$55.

The first quarter of 2007 claims data we analyzed were current as of June 2007. However, suppliers are permitted to submit claims up to 1 year after the date of service. Therefore, we assume our potential savings calculations are conservative.

Standards

This study was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

Medicare fee schedule amounts for power wheelchairs were 45 percent higher than median Internet prices available to consumers in the first quarter of 2007

Medicare fee schedule amounts for power wheelchairs exceeded median Internet prices by an average of 45 percent during the first quarter of 2007. Specifically,

the median prices available to consumers over the Internet were less than the Medicare fee schedule amounts for 24 of the 28 procedure codes for which we collected prices. The Medicare fee schedule amounts were between 0.3 percent and 35 percent less than the median Internet prices for the other four procedure codes.¹⁹ However, Medicare fee schedule amounts for nine procedure codes exceeded median Internet prices by more than 100 percent.

Power wheelchairs reimbursed under the 28 procedure codes for which we collected Internet prices accounted for over 99 percent of power wheelchair claims submitted to Medicare during the first quarter of 2007. Appendix B lists the median Internet prices and percentage differences for all 28 procedure codes.

Medicare fee schedule amounts exceeded median Internet prices for power wheelchairs in all three groups

On average, Medicare fee schedule amounts were 45 percent higher than median Internet prices available to consumers. Within the three groups of power wheelchairs, the average percentage by which the Medicare fee schedule amounts exceeded median Internet prices was greatest for Group 1 power wheelchairs. However, as illustrated in Table 1 on the next page, Medicare fee schedule amounts for power wheelchairs in all three groups exceeded median prices available to consumers over the Internet during the first quarter of 2007. See Appendix B for more details.

¹⁹ Claims for power wheelchairs in the four procedure codes accounted for less than 2 percent of power wheelchair claims submitted to Medicare during the first quarter of 2007.

Table 1: Difference Between Internet Prices and the Medicare Fee Schedule by Group		
Group	Range of Procedure Codes*	Average Percentage Medicare Fee Schedule Amounts Exceed Median Internet Prices
Group 1	K0813–K0816	72%
Group 2	K0820–K0843	43%
Group 3	K0848–K0864	65%
All Power Wheelchairs	K0813–K0864	45%

* We analyzed Internet prices for power wheelchairs in 28 of the procedure codes referred to in this column.

Note: All figures in the table have been rounded.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

Group 1 power wheelchairs. Power wheelchairs classified under Group 1 are covered by Medicare under four procedure codes. We collected 44 prices for power wheelchairs in three of these procedure codes. The fee schedule amounts for these three codes exceeded the median consumer prices by an average of 72 percent.

Group 2 power wheelchairs. Power wheelchairs classified under Group 2 are covered by Medicare under 21 procedure codes. We collected 508 prices for power wheelchairs in 15 of these procedure codes. The fee schedule amounts for these 15 codes exceeded the median consumer prices by an average of 43 percent.

Group 3 power wheelchairs. Power wheelchairs classified under Group 3 are covered by Medicare under 18 procedure codes. We collected 83 prices for power wheelchairs in 10 of these procedure codes. The fee schedule amounts for these 10 codes exceeded the median consumer prices by an average of 65 percent.

Medicare’s fee schedule amount for the most frequently reimbursed procedure code exceeded the median Internet price by 36 percent

Claims reimbursed under one procedure code (K0823) accounted for 75 percent of power wheelchair claims during the first quarter of 2007. Power wheelchairs in procedure code K0823 are classified under Group 2. They are designed for basic daily mobility for persons weighing less than 300 pounds and feature an automotive-style seat. Seventy-five power wheelchair models were reimbursable under procedure code K0823 as of January 2007.

Internet prices for K0823 power wheelchairs ranged from \$1,452 to \$6,149. Consumers could have purchased K0823 power wheelchairs over the Internet for a median price of \$2,959. The Medicare fee schedule amount was \$4,024, which exceeded the median Internet price by 36 percent. Eighty-six percent of Internet prices we reviewed for K0823 power wheelchairs (190 of 222) were less than the Medicare fee schedule amount. Table 2 illustrates the differences between Internet prices and the Medicare fee schedule for K0823 power wheelchairs.

Table 2: Comparison of K0823 Power Wheelchair Prices	
Range of Internet Prices	\$1,452–\$6,149
Median Internet Price	\$2,959
Medicare Fee Schedule Amount	\$4,024
Percentage Medicare Fee Schedule Amount Exceeds Median Internet Price	36%

Note: All figures in the table have been rounded.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

Medicare and its beneficiaries could have achieved savings during the first quarter of 2007 had Medicare reimbursements more closely resembled prices available to consumers over the Internet

Medicare and its beneficiaries could have spent less on power wheelchairs during the first quarter of 2007 had they paid median Internet prices. Medicare and beneficiary power wheelchairs payments totaled

approximately \$138 million in the first quarter of 2007.^{20 21} Medicare and its beneficiaries could have spent \$99 million—28 percent less than actual payments—had suppliers been reimbursed for the same power wheelchairs at median Internet prices available to consumers. Of the potential savings,²² Medicare beneficiaries who received power wheelchairs during the first quarter of 2007 could have saved a total of \$8 million in copayments. On average, each beneficiary could have saved \$233 of his or her power wheelchair copayment.

²⁰ Office of Inspector General analysis of CMS claims data, May 2007. We analyzed first-quarter claims processed by CMS as of June 2007.

²¹ This amount excludes claims for rental and used power wheelchairs.

²² Total potential savings of \$39 million could have been achieved by Medicare and its beneficiaries in the first quarter of 2007.

Medicare and its beneficiaries could have achieved savings on power wheelchairs in all three groups

Medicare and its beneficiaries would have spent less on power wheelchairs in all three groups had they paid median Internet prices. However, potential savings for power wheelchairs in Group 2 would have been significantly greater than potential savings for power wheelchairs in the other two groups combined. Group 1 and Group 3 power wheelchairs accounted for 3 percent and 5 percent, respectively, of power wheelchair claims (33,834) submitted to Medicare in the first quarter of 2007. Group 2 power wheelchairs accounted for 93 percent of claims. Table 5 of Appendix C illustrates the differences between the groups in percentages of claims and potential savings.

The most frequently reimbursed procedure code accounted for 68 percent of potential savings to Medicare and its beneficiaries

Power wheelchairs reimbursed under the most frequently reimbursed procedure code (K0823) accounted for 68 percent of total potential savings. Medicare and its beneficiaries spent \$102 million in the first quarter of 2007 on K0823 power wheelchairs. Had suppliers been reimbursed for these power wheelchairs at the median Internet price (\$2,959), Medicare and its beneficiaries would have spent approximately \$75 million on K0823 power wheelchairs during the first quarter of 2007, a potential savings of \$27 million.

Medicare beneficiaries who received K0823 power wheelchairs could have saved a total of approximately \$5 million in copayments. On average, each beneficiary could have saved \$211 of his or her K0823 power wheelchair copayment. Table 6 of Appendix C illustrates the potential savings to Medicare and its beneficiaries for K0823 power wheelchairs.

► R E C O M M E N D A T I O N

Consumers could have purchased most power wheelchairs over the Internet at prices lower than the Medicare fee schedule amounts.

On average, Medicare fee schedule amounts for power wheelchair claims during the first quarter of 2007 exceeded median Internet prices by 45 percent. Further, Medicare and its beneficiaries could have achieved savings during the first quarter of 2007 had Medicare reimbursements more closely resembled prices available to consumers over the Internet.

Internet prices for power wheelchairs in the most frequently reimbursed procedure code (K0823), which included 75 models, ranged from \$1,452 to \$6,149. Consumers could purchase K0823 power wheelchairs over the Internet for a median price of \$2,959, which the Medicare fee schedule amount exceeded by 36 percent. Furthermore, K0823 power wheelchairs accounted for 68 percent of total potential savings. We recommend that CMS:

Consider Performing Additional Reviews To Determine Whether the Current Medicare Power Wheelchair Fee Schedule Amounts for Certain Groups and Procedure Codes Are Appropriate.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

CMS concurred with our recommendation. In addition, CMS noted that, in mid-2008, Medicare payment amounts for power wheelchairs in 10 large metropolitan statistical areas will be based on power wheelchair suppliers' competitive bids. CMS further noted that it has the authority in future years to use payment information from the competitive bidding program to adjust payments in areas not included in the program.

OIG work is continuing in this area. We plan to conduct further evaluations to compare Medicare fee schedule amounts to actual prices paid by suppliers.

For the full text of CMS's comments, see Appendix D.

▶ A P P E N D I X ~ A

Table 3: Performance Requirements for Power Wheelchair Groups				
Performance Category	Description of Performance Category	Group 1 Requirement	Group 2 Requirement	Group 3 Requirement
Length		40 inches	48 inches	48 inches
Width		24 inches	34 inches	34 inches
Obstacle height	Vertical height of a solid obstruction that can be climbed	0.79 inches	1.57 inches	2.36 inches
Minimum top-end speed	The minimum speed acceptable on a flat, hard surface	3 miles per hour	3 miles per hour	4.5 miles per hour
Range	The minimum distance acceptable on a single charge of the batteries	5 miles	7 miles	12 miles
Dynamic stability incline	The minimum degree of slope at which the power wheelchair in the most common seating and positioning configuration(s) remains stable at the required patient weight capacity	6 degrees (1:12)	6 degrees (1:12)	7.5 degrees (1:10)

Source: "Power Mobility Device Coding Guidelines," August 3, 2006. From the Statistical Analysis Durable Medical Equipment Regional Carrier.

▶ A P P E N D I X ~ B

Table 4: Findings by Procedure Code—A Comparison of Medicare Fee Schedule Amounts and Prices Available Over the Internet for Power Wheelchairs, January–March 2007

Medicare Procedure Code	Group	Percentage of Power Wheelchair Claims	Number of Internet Prices Collected	Range of Internet Prices	Median Internet Price	Medicare Fee Schedule Amount	Percentage Medicare Fee Schedule Amount Exceeds Median Internet Price**
K0813	1	0.27%	14	\$1,349–\$3,295	\$1,462	\$2,412	65.0%
K0814	1	1.27%	19	\$1,165–\$5,500	\$1,199	\$3,088	157.5%
K0816	1	0.87%	11	\$1,763–\$5,295	\$3,525	\$3,367	(4.5%)
K0821	2	0.86%	28	\$1,299–\$3,436	\$1,697	\$3,308	94.9%
K0822	2	9.14%	94	\$1,165–\$7,027	\$1,899	\$4,008	111.1%
K0823	2	74.92%	222	\$1,452–\$6,149	\$2,959	\$4,024	36.0%
K0824	2	0.87%	10	\$1,391–\$2,349	\$1,935	\$4,843	150.3%
K0825	2	3.92%	48	\$1,599–\$5,895	\$3,895	\$4,230	8.6%
K0826	2	0.10%	2	*	\$2,400	\$6,269	161.2%
K0827	2	0.29%	6	\$2,978–\$7,554	\$3,742	\$5,331	42.5%
K0828	2	0.04%	3	\$2,890–\$3,184	\$2,890	\$6,908	139.0%
K0829	2	0.01%	4	*	\$9,746	\$6,344	(34.9%)
K0830	2	0.33%	4	\$2,405–\$5,195	\$2,900	\$3,914	35.0%
K0831	2	0.73%	52	\$2,405–\$5,325	\$3,999	\$3,914	(2.1%)
K0835	2	0.74%	13	\$3,695–\$5,490	\$3,955	\$4,132	4.5%
K0836	2	0.20%	17	\$3,125–\$6,200	\$3,900	\$4,208	7.9%
K0838	2	0.09%	4	\$1,599–\$5,795	\$3,923	\$4,372	11.5%
K0842	2	0.03%	1	*	\$3,950	\$4,319	9.3%
K0848	3	0.65%	1	*	\$5,300	\$5,434	2.5%
K0849	3	0.75%	41	\$1,745–\$5,995	\$2,495	\$5,081	103.6%

* No variation in Internet prices.

** Parentheses indicate a negative value.

Note: All figures in the table have been rounded. These results are for new, nonrental power wheelchairs.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

Table 4 (Continued): Findings by Procedure Code—A Comparison of Medicare Fee Schedule Amounts and Prices Available Over the Internet for Power Wheelchairs, January–March 2007

Medicare Procedure Code	Group	Percentage of Power Wheelchair Claims	Number of Internet Prices Collected	Range of Internet Prices	Median Internet Price	Medicare Fee Schedule Amount	Percentage Medicare Fee Schedule Amount Exceeds Median Internet Price**
K0850	3	0.08%	1	*	\$5,595	\$6,140	9.7%
K0851	3	0.30%	25	\$2,498–\$7,900	\$4,799	\$5,741	19.6%
K0852	3	0.04%	2	\$5,583–\$5,955	\$5,769	\$7,083	22.8%
K0853	3	0.16%	8	\$4,535–\$9,495	\$7,296	\$7,276	(0.3%)
K0855	3	0.00%	1	*	\$2,950	\$9,105	208.6%
K0856	3	1.21%	2	*	\$4,100	\$5,672	38.3%
K0859	3	0.01%	1	*	\$2,719	\$6,538	140.5%
K0861	3	1.24%	1	*	\$2,331	\$5,681	143.7%

* No variation in Internet prices.

** Parentheses indicate a negative value.

Note: All figures in the table have been rounded. These results are for new, nonrental power wheelchairs.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

Table 5: Potential Savings for Power Wheelchairs, January–March 2007					
Group	Percentage of Medicare Claims	Medicare Expenditures	Potential Savings to Beneficiaries	Potential Savings to Medicare	Total Potential Savings
Group 1	3%	\$3,017,390	\$165,064	\$660,257	\$825,321
Group 2	93%	\$126,263,128	\$7,093,648	\$28,374,591	\$35,468,239
Group 3	5%	\$8,982,483	\$560,035	\$2,240,140	\$2,800,175
All Power Wheelchairs	100%	\$138,263,001	\$7,818,747	\$31,274,988	\$39,093,735

Note: All figures in the table have been rounded. Lines may not sum to totals because of rounding. These results are for new, nonrental power wheelchairs. Dollar amounts were calculated based on the 28 procedure codes for which we collected Internet prices.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

Table 6: Potential Savings for K0823 Power Wheelchairs, January–March 2007	
Medicare Expenditures	\$101,789,963
Potential Savings to Medicare	\$21,418,635
Potential Savings to Beneficiaries	\$5,354,659
Total Potential Savings	\$26,773,294

Note: All figures in the table have been rounded. These results are for new, nonrental power wheelchairs.

Source: Office of Inspector General analysis of consumer prices available over the Internet, 2007.

AGENCY COMMENTS



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: SEP 27 2007

TO: Daniel R. Levinson
Inspector General

FROM: Kerry Weems
Acting Administrator *Kerry Weems*

SUBJECT: Office of Inspector General's (OIG) Draft Report: "A Comparison of Medicare Program and Consumer Internet Prices for Power Wheelchairs" (OEI-04-07-00160)

Thank you for the opportunity to review and comment on the OIG report, which compares Medicare Part B payment amounts and consumer internet prices for power wheelchairs. In recent years, the Centers for Medicare & Medicaid Services (CMS) has been working on a number of important regulatory and administrative initiatives related to the prescription, coding, and coverage of power wheelchairs in response to the significant growth in expenditures for these items under the Medicare program. The goal of these initiatives is to ensure that beneficiaries have access to the appropriate technology to meet their needs and that Medicare is making appropriate payments for the technology. Revised Healthcare Common Procedure Coding System (HCPCS) codes and product testing requirements for power wheelchairs were implemented in 2006 to ensure that HCPCS codes reflect current technology and so that products could be grouped together based on industry standards for performance and durability. The fee schedule amounts for these codes were established in accordance with the rules set forth in section 1834(a) of the Social Security Act (the Act).

The OIG report is helpful in providing information which indicates that the new HCPCS codes and corresponding fee schedule amounts did not impact suppliers' ability to furnish these items to Medicare beneficiaries.

OIG Recommendation

The CMS should consider performing additional reviews to determine whether the current Medicare power wheelchair fee schedule amounts for certain groups and procedure codes are appropriate.

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Response

We concur with this recommendation and will consider performing additional reviews to determine if Medicare payment amounts for power wheelchairs are appropriate.

We expect to award contracts to certain suppliers of power wheelchairs who submitted bids in the first round of the competitive bidding program mandated by section 1847 of the Act. Medicare payment amounts in the 10 large metropolitan statistical areas that are subject to the first round of competitive bidding will be based on bids submitted by suppliers for furnishing power wheelchairs to Medicare beneficiaries. The competitive bid payment amounts are scheduled to take effect in mid-2008. We have the authority in future years to use this payment information to adjust payments in areas not included in the competitive bidding program.

We thank the OIG for their efforts and insight on this report. This report provides invaluable information that we can use in efforts to ensure appropriate payment for and access to power wheelchairs. We look forward to working with you further on these issues.



A C K N O W L E D G M E N T S

This report was prepared under the direction of Robert A. Vito, Acting Regional Inspector General for Evaluation and Inspections in the Atlanta regional office, and Dwayne F. Grant, Deputy Regional Inspector General.

Mina Zadeh served as the team leader for this study, and Sarah Ambrose served as the lead analyst. Other principal Office of Evaluation and Inspections staff from the Atlanta regional office who contributed to this report include Marcus Britton, Diane Caves, Peggy Daniel, and Jaime Durley; central office staff who contributed include Eddie Baker, Dave Graf, Kevin Farber, and Scott Manley.