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OIG Audit: Medicare Overpaid DMEPOS Suppliers for Items Provided to Hospice Patients

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According to a new report from the HHS Office of Inspector General (OIG), Medicare improperly paid suppliers about \$117 million for durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) provided to hospice beneficiaries over four years.^[1] When durable medical equipment is related to the palliation and management of a beneficiary’s terminal illness and related conditions as identified in the hospice plan of care, the hospice must include the cost of the items or services on claims. When they’re unrelated to the terminal illness and related conditions, the DMEPOS supplier may bill Medicare with modifier GW. For its audit, OIG selected two stratified samples of 200 DMEPOS line items. One had 115 DMEPOS items billed by suppliers without the GW modifier, and the other had 85 line items with the GW modifier. The findings: Medicare improperly paid DMEPOS suppliers for 121 items. Among other things, OIG recommended CMS improve prepayment edits, and CMS agreed.

Table 1: Medicare Improperly Paid Suppliers \$83.6 Million for DMEPOS Items Billed Without the GW Modifier

Type of DMEPOS Item	Sample Items	Errors	Payments for Sample Items With Errors	Estimated Improper Payments	Estimated Beneficiary Payments
Durable Medical Equipment	75	50	\$12,339	\$61,423,412	\$15,669,858
Prosthetics and Orthotics	25	8	3,182	18,302,575	4,669,008
Drugs and Nutritional Products	15	9	464	3,833,137	977,842
TOTAL	115	67	\$15,985	\$83,559,124	\$21,316,708

Examples 1 and 2 illustrate improper payments made to suppliers for DMEPOS items provided to hospice

beneficiaries to palliate or manage: (1) a beneficiary's terminal illness, and (2) a condition related to the beneficiary's terminal illness (i.e., related condition).

Example 1: Improper Payment to a Supplier for a DMEPOS Item Provided to a Hospice Beneficiary to Palliate or Manage the Terminal Illness

A Medicare beneficiary elected hospice care in July 2017. The beneficiary resided at home but was receiving services from a hospice. The beneficiary's terminal illness was chronic obstructive pulmonary disease (COPD). A supplier had provided to the beneficiary a home ventilator (which is categorized as durable medical equipment) to treat COPD before the beneficiary entered hospice care. The item was provided on a rental basis, for which Medicare paid the supplier every month.

After the beneficiary elected hospice services on July 6, 2017, Medicare continued to pay the supplier on a monthly basis. While the beneficiary was receiving hospice services in October 2017, the supplier billed Medicare Part B without the GW modifier, and Medicare paid the supplier \$708. The hospice reviewed the medical records and provided a clinical assessment that the home ventilator was therapeutic to manage the beneficiary's COPD and encouraged the beneficiary to use it 4 hours every night. Therefore, the home ventilator palliated or managed the beneficiary's terminal illness.

The supplier stated that when it billed for the home ventilator, it did not know that the beneficiary was receiving hospice services. The supplier also stated that the hospice notified the supplier in February 2018 that the beneficiary was receiving hospice care and agreed to provide payment to the supplier beginning in December 2017. Medicare should not have paid the supplier for the durable medical equipment provided to the beneficiary during the hospice stay because the item was given to palliate or manage the terminal illness and related conditions. Instead, the item should have been provided under arrangements between the hospice and the supplier.

Example 2: Improper Payment to a Supplier for DMEPOS Items Provided to a Hospice Beneficiary to Palliate or Manage a Condition Related to the Terminal Illness

A Medicare beneficiary elected hospice care in August 2015. The beneficiary resided at a nursing facility but was receiving services from a hospice. The beneficiary's terminal diagnosis was cerebral infarction (i.e., stroke).

The supplier provided collagen dressings (which are categorized as durable medical equipment) on December 23, 2015, while the beneficiary was receiving hospice services at a nursing facility. The supplier billed Medicare Part B without the GW modifier, and Medicare paid the supplier \$329 for the items. The hospice reviewed the medical records and provided a clinical assessment that the beneficiary's wounds developed because: (1) the beneficiary was bed-bound and not capable of ambulating (moving or walking around), and (2) there was constant pressure from the beneficiary's bed, which contributed to development of the wounds. Therefore, the collagen dressings palliated or managed a condition related to the terminal illness.

The supplier knew that the beneficiary was under hospice care but improperly determined that the items were not related to the beneficiary's terminal diagnosis and related conditions. Medicare should not have paid the supplier for the DMEPOS items provided to the beneficiary during the hospice stay because they were given to palliate or manage a related condition of the terminal illness. Instead, the items should have been provided under arrangements between the hospice and the supplier.

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