

Report in Brief

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



Why OIG Did This Review

The Medicare Improvements for Patients and Providers Act of 2008 contains a broad mandate requiring OIG to assess, through a post-award audit, survey, or otherwise, the process used by the Centers for Medicare & Medicaid Services (CMS) to conduct the competitive bidding and subsequent pricing determinations that are the basis for the pivotal bid amounts and single-payment amounts (SPAs) under rounds 1 and 2 of the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program (the Program).

Our objective was to determine whether CMS selected DMEPOS suppliers, calculated the SPAs, and monitored the suppliers for Round 2 in accordance with its established Program procedures and applicable Federal requirements.

How OIG Did This Review

We verified the calculation for a sample of 240 SPAs and reviewed CMS's supplier selection process for 215 suppliers.

To determine the effect of errors on Medicare payments, we reviewed covered paid claims data for DMEPOS items from July 1 through December 31, 2013. Specifically, we reviewed 48,298 lines of service, totaling \$3.6 million, paid during the first 6-month period of the Program.

CMS Generally Met Requirements in Round 2 of the DMEPOS Competitive Bidding Program

What OIG Found

We determined that CMS consistently followed its established Program procedures and applicable Federal requirements for 192 of the 215 winning suppliers associated with the sampled SPAs reviewed.

While the overall effect on Medicare payments to suppliers was relatively small, we determined that CMS did not consistently follow its established procedures and applicable Federal requirements for selecting suppliers during the bid process for 23 of the 215 winning suppliers. This affected 99 of the 240 sampled SPAs. Specifically, CMS awarded contracts to 10 suppliers that did not meet financial statement requirements and 13 suppliers that did not have the applicable license in at least one competition. Additionally, CMS did not monitor suppliers in accordance with established procedures and Federal requirements for another 31 suppliers that did not maintain the applicable license, as required by their contracts, for the last 6 months of 2013.

On the basis of our sample, we estimated that CMS paid suppliers \$182,000 less than they would have received without any errors, or less than 0.03 percent of the \$553.7 million paid under Round 2 during the last 6 months of 2013.

What OIG Recommends and CMS Comments

We recommend that CMS take specific actions, as described in this report, to ensure that suppliers meet financial documentation requirements and obtain and maintain the required licenses.

CMS concurred with our recommendations.