

September 1995

DURABLE MEDICAL EQUIPMENT

Regional Carriers' Coverage Criteria Are Consistent With Medicare Law



**Health, Education, and
Human Services Division**

B-258071

September 19, 1995

The Honorable William V. Roth, Jr.
Chairman
The Honorable Daniel P. Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Bill Archer
Chairman
The Honorable Sam M. Gibbons
Ranking Minority Member
Committee on Ways and Means
House of Representatives

The Honorable Thomas Bliley, Jr.
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Commerce
House of Representatives

In November 1993, the Health Care Financing Administration (HCFA) began consolidating the work of processing and paying claims for durable medical equipment, prostheses, orthoses, and supplies (DMEPOS) at four regional carriers. Before November 1993, claims for such items were processed and paid by local Medicare carriers. The local carriers generally serve a state and they continue to process and pay most other Medicare part B claims.

As part of the transition to regional processing, the four regional carriers developed coverage criteria for DMEPOS. Certain groups representing disabled Medicare beneficiaries were concerned that these criteria and their implementation by regional carriers would prevent disabled persons from receiving needed DMEPOS.

In 1993, the Medicare population was about 36 million persons; about 90 percent of those were eligible for Medicare benefits because of age (65 years old and older) and the remaining 10 percent were eligible because of

disability.¹ In 1993, Medicare paid about \$2.7 billion for DMEPOS (including oxygen services and supplies).

Your committees asked us to study whether the regional carriers' coverage criteria have adversely affected disabled beneficiaries' access to customized DMEPOS. In response to that request, we reviewed (1) national Medicare requirements and the regional carriers' coverage criteria and (2) how the criteria have been applied to claims. Specifically, we reviewed the four regional carriers' DMEPOS coverage criteria, including those for customized items, and compared them with Medicare's national coverage criteria and the requirements of Medicare law. We also compared the local carriers' coverage criteria for wheelchairs, prostheses, and orthoses from nine states with the criteria developed by the regional carriers. To determine if the criteria are being applied consistently, we compared the percentages of DMEPOS claims approved by local and regional carriers for aged and disabled beneficiaries. For additional details on our objective, scope, and methodology, see appendix I.

Results in Brief

The final criteria adopted by the regional carriers are consistent in all material respects with Medicare's national coverage criteria and Medicare law. We do not believe that the regional carriers' criteria have impeded disabled beneficiaries' access to customized DMEPOS.

In 1994, the regional carriers approved DMEPOS claims for disabled Medicare beneficiaries at a similar rate as for aged beneficiaries, and there is no apparent difference in the application of the criteria between disabled and aged Medicare beneficiaries. Further, from January 1992 through September 1994 the differences in approval rates between aged and disabled beneficiaries narrowed.

Some groups representing disabled persons have stated that the disabled need items to accommodate a more active lifestyle than aged beneficiaries. HCFA has taken the position that Medicare law restricts coverage to standard items unless the beneficiary's physician prescribes and justifies lightweight materials or customized items on medical grounds. HCFA's position is consistent with current law.

¹Disabled persons, regardless of age, qualify for Medicare coverage after being entitled to Social Security disability benefits for 24 months.

Background

DMEPOS include a variety of items. Durable medical equipment includes wheelchairs, walkers, canes, and oxygen systems. Customized wheelchairs are the most common kind of customized durable medical equipment. Prostheses are replacement body parts (such as artificial limbs) and orthoses are braces. Many of these items must also be customized for the individual. Supplies include disposable items, such as wound dressings and catheters and associated tubing.

In November 1991, HCFA (the agency within the Department of Health and Human Services responsible for administering Medicare) announced its intention to concentrate the responsibility for processing and paying claims for DMEPOS at four regional carriers. The transfer from local to regional carriers began in November 1993 and was completed in July 1994.²

In announcing the change to regional carriers, HCFA said that it hoped to achieve greater consistency in coverage decisions for DMEPOS. HCFA expected that regional carriers would have sufficient claims volume to employ experts on DMEPOS who would apply coverage criteria more consistently than the local carriers. In its announcement, HCFA said that it had received complaints from beneficiaries and suppliers that the local carriers were paying incorrect amounts and were applying different interpretations of coverage criteria to DMEPOS claims.

In the spring of 1993, the four regional carriers published draft medical review criteria for comment. These criteria described the conditions under which claims would be approved for payment. Certain groups representing Medicare beneficiaries expressed concern that the regional criteria might be overly restrictive and disabled beneficiaries might be denied access to needed DMEPOS.

Regional Carriers' Coverage Criteria Are Consistent With National Criteria and Law

The final coverage criteria adopted by the regional carriers in August 1993 are consistent with Medicare's existing national coverage criteria and the law governing the Medicare program. Moreover, the criteria are more consistent across the regional carriers than the criteria formerly used by local carriers.

We compared the regional carriers' criteria with all existing national Medicare criteria and those sections of the law that deal with DMEPOS to

²See appendix II for a list of the regional carriers and their service areas.

assess conformity. We found that the regional carriers' criteria comply in all material respects with Medicare criteria.

As part of their process for drafting coverage criteria, in the spring of 1993 the regional carriers furnished their draft DMEPOS coverage criteria to suppliers, physicians, other health professionals, and interest groups for their review and comment. The regional carriers revised and finalized their coverage criteria after considering the comments received.

Also, the regional carriers looked at the coverage criteria formerly used by the local carriers when drafting their own criteria. We compared several local carriers' coverage criteria for wheelchairs, prostheses, and orthoses with the regional criteria to see if the regional criteria were more restrictive. We reviewed the coverage criteria of carriers serving nine states³ and concluded that the regional coverage criteria were not significantly more restrictive than the local carriers' criteria in these states.

We also found that the regional carriers' coverage criteria were more consistent with one another than were the local carriers' criteria. This is illustrated by the criteria applicable to motorized wheelchairs from the nine states we reviewed. One local carrier's criteria for motorized wheelchairs required an evaluation of the patient's condition and a prescription by a specialist in physical medicine, orthopedic surgery, neurology, or rheumatology, but the other carriers did not require the prescribing physician to be of a particular specialty. In addition, some local carriers' criteria required medical evidence that the beneficiary was bed- or chair-confined and was unable to operate a manual wheelchair, but other carriers required only that the beneficiary was unable to operate a manual wheelchair.

The four regional carriers' criteria adopted a blend of parts of the local carriers' criteria and require that all the following conditions be met for coverage of a motorized wheelchair:

- without the wheelchair, the beneficiary would be bed- or chair-confined,
- the wheelchair must be medically necessary and the beneficiary must be unable to operate the wheelchair manually, and
- the beneficiary must be capable of safely operating the controls of the wheelchair.

³The nine states are identified in appendix II.

The regional carriers' criteria require that the documentation of medical necessity be completed by a physician, but they do not require that the physician be of a certain specialty.

Concerns of Disabled Interest Groups

Certain groups representing disabled beneficiaries stated that these beneficiaries did not always get the DMEPOS items they desired. The groups said that the people they represent are generally younger and more active than elderly Medicare beneficiaries and that many disabled people hold jobs and like to engage in activities outside the home, such as sports. Some groups said that disabled beneficiaries would like to have wheelchairs and prostheses made of lightweight materials, which often cost substantially more than standard items. Another group said that some beneficiaries would like to have more than one wheelchair, such as a standard one for use around the home plus a power wheelchair to facilitate getting to and from classes on a college campus or for shopping, or a lightweight wheelchair for sports.

HCFA's policy is that Medicare will only pay for standard items for beneficiaries unless the beneficiary's physician prescribes and justifies lightweight materials or customized items on medical grounds. Thus, Medicare will not pay for items that accommodate active lifestyles, such as items manufactured of lightweight materials or with custom features. Also, Medicare will pay for one wheelchair, but backup wheelchairs will be denied. We believe that these policies are consistent with current Medicare law.

Although the regional criteria comply with Medicare's existing national policies, some people may find that items approved by local carriers in the past may no longer be approved and, conversely, regional carriers may approve items that some local carriers had denied. In anticipation of such a development, HCFA established a grandfather clause for current recipients of DMEPOS. Thus, Medicare beneficiaries who had items approved by their local carrier in the past will remain eligible for reimbursement for those items from the regional carrier; however, first-time claims will be reviewed using the regional carriers' criteria.

In 1994, Regional Carriers Approved Similar Percentages of DMEPOS Services for Disabled and Aged Beneficiaries

To see if the regional carriers' criteria were affecting disabled and aged beneficiaries differently, we obtained paid claims data covering January 1992 through September 1994. Disabled Medicare beneficiaries had a similar but somewhat lower percentage of DMEPOS claims approved for payment as did the aged during that period. Further, the difference in percentages generally narrowed by 1994, when regional carriers processed claims.

Table 1 shows the percentage of claims that carriers allowed by region and nationwide. For calendar years 1992 and 1993, the claims were processed by local carriers, which we grouped into regions to correspond with the regional carriers. In 1994, claims were processed by the regional carriers.

Table 1: Percentage of DMEPOS Claims Allowed for Aged and Disabled Beneficiaries, by Region and Nationwide (1992-94)

Area	1992		1993		1994 (Jan.-Sept.)	
	Aged	Disabled	Aged	Disabled	Aged	Disabled
Region A	74	65	77	70	95	91
Region B	76	69	80	74	89	81
Region C	79	73	80	76	95	92
Region D	78	68	76	67	92	86
Nationwide	77	69	79	72	93	87

Note: See appendix III for the number of claims.

We identified certain items frequently claimed by disabled beneficiaries from 1992 to 1994. The carriers allowed similar percentages of claims for disabled and aged beneficiaries for these items, with a narrowing of the differences between the groups by 1994, when claims were processed by regional carriers. (See table 2.)

Table 2: Percentage of Selected DMEPOS Items Allowed for Aged and Disabled Beneficiaries, Nationwide (1992-94)

Item	1992		1993		1994 (Jan.-Sept.)	
	Aged	Disabled	Aged	Disabled	Aged	Disabled
Customized wheelchair	50	57	52	61	47	46
Lightweight wheelchair	79	74	82	78	96	96
"Flex foot" prosthesis	85	79	88	86	98	97

Note: See appendix III for the number of items.

Conclusions

The coverage criteria adopted by the regional carriers are consistent with Medicare's national coverage policies and law. Also, in 1994 the regional carriers approved a similar percentage of DMEPOS services for disabled and aged Medicare beneficiaries, so there was no significant difference in access to DMEPOS services between disabled and aged Medicare beneficiaries.

Agency Comments

The Department of Health and Human Services had no comments following its review of this report.

We are sending copies of this report to the Secretary of Health and Human Services and other interested parties. We also will make copies available to others upon request.

If you have any questions about this report, please call me at (202) 512-7119. Other major contributors to this report are listed in appendix IV.



Sarah F. Jaggar
Director, Health Financing
and Public Health Issues

Contents

Letter	1
Appendix I Objective, Scope, and Methodology	10
Appendix II Names and Addresses of Regional Carriers and Their Service Areas	11
Appendix III DMEPOS Services Allowed for Aged and Disabled Beneficiaries (1992-94)	13
Appendix IV Major Contributors to This Report	14
Tables	
Table 1: Percentage of DMEPOS Claims Allowed for Aged and Disabled Beneficiaries, by Region and Nationwide	6
Table 2: Percentage of Selected DMEPOS Items Allowed for Aged and Disabled Beneficiaries, Nationwide	6
Table III.1: DMEPOS Claims Allowed by Region and Nationwide	13
Table III.2: Selected DMEPOS Items, Nationwide	13

Abbreviations

DMEPOS	durable medical equipment, prostheses, orthoses, and supplies
HCFA	Health Care Financing Administration

Objective, Scope, and Methodology

The objective of this assignment was to determine if Medicare carriers' coverage criteria adversely affected disabled beneficiaries' access to customized DMEPOS.

To address this objective, we reviewed the four regional carriers' DMEPOS coverage criteria, including those for customized items, and assessed whether they complied with Medicare's established national coverage criteria. In addition, for nine states we reviewed the local carriers' coverage criteria, as provided to the regional carriers, relating to wheelchairs, prostheses, and orthoses. The states were selected to represent states with relatively high Medicare populations and each of the four regions. Also, we interviewed HCFA officials, the medical director of one of the regional carriers, four consumer groups representing disabled persons, and two DMEPOS suppliers about whether regional carriers were unreasonably restricting access to DMEPOS for disabled Medicare beneficiaries.

The statistical information in this report was developed from a computerized database of paid DMEPOS claims for calendar years 1992 and 1993 and January through September 1994 that we obtained from HCFA. The 1994 data were the most current available at the time of our request to HCFA. We extracted records for 220 DMEPOS items for which there were allowed charges in each year from 1992 to 1994. The total allowed charges for these 220 items represented about 91 percent of the total allowed charges for all DMEPOS items from 1992 through September 1994, excluding oxygen services. Oxygen services are relatively high-volume, high-dollar DMEPOS, but we excluded them from our analysis because, while oxygen services are individualized, they are not customized like wheelchairs, prostheses, or orthoses.

Our work, which was conducted from October 1993 to July 1995, was performed in accordance with generally accepted government auditing standards.

Names and Addresses of Regional Carriers and Their Service Areas

Travelers Insurance Co. ⁴ Wilkes-Barre, PA (Region A)	Connecticut Delaware Maine Massachusetts New Hampshire New Jersey New York ⁵ Pennsylvania ⁵ Rhode Island Vermont
--	---

Adminastar Federal, Inc. Indianapolis, IN (Region B)	District of Columbia Illinois ⁵ Indiana Maryland Michigan ⁵ Minnesota Ohio Virginia West Virginia Wisconsin
---	--

Palmetto Government Benefits Administrators Columbia, SC (Region C)	Alabama Arkansas Colorado Florida ⁵ Georgia Kentucky Louisiana Mississippi New Mexico North Carolina Oklahoma Puerto Rico South Carolina Tennessee Texas ⁵ Virgin Islands
---	--

⁴The Travelers changed its name to MetraHealth Insurance Company on January 4, 1995.

⁵One of the nine states studied in our review.

**Appendix II
Names and Addresses of Regional Carriers
and Their Service Areas**

**Connecticut General Life
Insurance Co. (CIGNA)
Nashville, TN (Region D)**

Alaska
American Samoa
Arizona
California⁵
Guam
Hawaii
Idaho
Iowa
Kansas
Mariana Islands
Missouri⁵
Montana
Nebraska
Nevada
North Dakota
Oregon
South Dakota
Utah
Washington⁵
Wyoming

⁵One of the nine states studied in our review.

DMEPOS Services Allowed for Aged and Disabled Beneficiaries (1992-94)

Table III.1: DMEPOS Claims Allowed by Region and Nationwide (in Thousands)

Area	1992		1993		1994 (Jan.-Sept.)	
	Aged	Disabled	Aged	Disabled	Aged	Disabled
Region A	3,215	385	2,685	346	1,294	164
Region B	2,416	350	2,315	346	1,934	304
Region C	5,401	721	4,700	689	2,727	432
Region D	3,192	448	2,272	365	1,231	177
Nationwide	14,224	1,904	11,972	1,746	7,186	1,077

Table III.2: Selected DMEPOS Items, Nationwide

Item	1992		1993		1994 (Jan.-Sept.)	
	Aged	Disabled	Aged	Disabled	Aged	Disabled
Customized wheelchair	4,096	7,735	2,177	2,979	136	128
Lightweight wheelchair	312,231	35,450	311,628	33,843	192,924	24,275
"Flex foot" prosthesis	967	763	950	756	496	497

Major Contributors to This Report

Thomas Dowdal, Assistant Director, (202) 512-6588
Michael Piskai, Evaluator-in-Charge
Jerry Baugher
Mary Ellen Fleischman
Roger Hultgren

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested



