April 2003

MEDICARE

Divided Authority for Policies on Coverage of Procedures and Devices Results in Inequities

GAO Highlights

Highlights of GAO-03-175, a report to the Chairman, Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Critical choices on whether new technology will be covered for Medicare's 40 million beneficiaries are made nationally by the Centers for Medicare & Medicaid Services (CMS)—the agency that administers Medicare—or locally by contractors that process and pay claims.

GAO was asked to review the degree to which new procedures and devices are incorporated into Medicare, the effect of Medicare coverage policy-making processes on beneficiaries, and to what extent CMS has addressed concerns about its national coverage process.

What GAO Recommends

GAO recommends that CMS eliminate development of new local Medicare coverage policies for procedures and devices that have been assigned codes; evaluate all current local policies on procedures and devices with established codes to determine if the policies should be incorporated into national policies or be rescinded; and establish a new, centrally managed process that is more open, understandable, and timely to develop national coverage policies, using expertise from other sources. HHS disagreed with our recommendations to eliminate local coverage policy development for certain procedures and devices and to develop a new national process. It also disagreed with the intent of our recommendation to evaluate its existing local policies.

www.gao.gov/cgi-bin/getrpt?GAO-03-175.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600.

What GAO Found

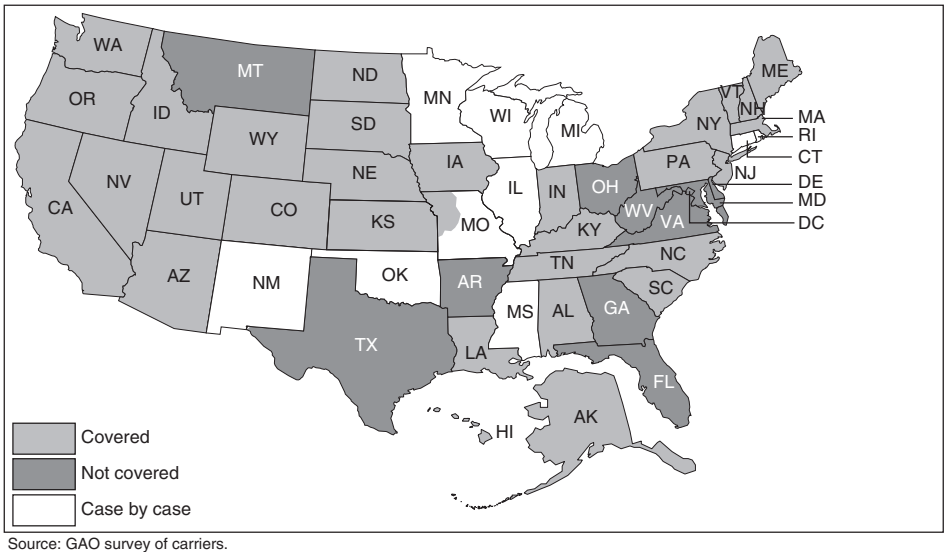
Medicare Covered Most New Procedures and Devices

Medicare covered about 99 percent of the procedures and devices that were assigned codes by an American Medical Association panel or a committee of insurers in 2001. About a quarter were introduced into the program without coverage policies that describe the circumstances for Medicare coverage or place restrictions on their use. Another quarter were affected by national coverage policies and the rest were affected only by local coverage policies.

Variations in Local Coverage Led to Inequities

Because contractors can determine coverage for beneficiaries being treated in their jurisdictions, coverage inequities for beneficiaries with similar medical conditions have resulted. For example, until recently, coverage for a new treatment for debilitating tremors, called bilateral deep brain stimulation (DBS), had been allowed only for beneficiaries treated in some states. On April 1, 2003, CMS implemented a consistent national coverage policy on DBS, but coverage variation continues for other procedures.

Medicare Coverage for Bilateral DBS by State, as of July 31, 2002



Source: GAO survey of carriers.

National Coverage Development Process Raises Concerns

While CMS creates national coverage policies that apply equally to all Medicare beneficiaries, criticisms of its slow pace and its closed policy development process prompted CMS to take steps to make its process more understandable, open, and timely. Nevertheless, the national process remains flawed because it lacks clear coverage criteria, remains closed in fundamental ways to physician and beneficiary input, and has not consistently met timeliness goals.