



OIG NEWS

For Immediate Release
(202) 619-1343
March 3, 2008

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Department of Health and Human Services
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Washington, DC 20201

OIG Report Finds Continued Lack of Medical Supplier Compliance with Medicare Requirements

Study Reviews Los Angeles: Recommends Further Strengthening of Supplier Enrollment Process

Washington, DC — Inspector General Daniel R. Levinson announced today that the Office of Inspector General (OIG) for the Department of Health and Human Services issued another report on durable medical equipment, prosthetics, orthotics, and supply (DMEPOS) suppliers' compliance with Medicare requirements. The report, "Los Angeles County Suppliers' Compliance with Medicare Standards: Results from Unannounced Visits," found that problems persist.

OIG inspected 905 suppliers to assess their compliance with certain Medicare standards. Although these suppliers must comply with more than 20 standards encompassing numerous requirements, OIG focused on four easily observed rules requiring that each supplier: (1) maintain a physical facility, (2) be accessible during reasonable business hours, (3) have a visible sign, and (4) post hours of operation.

OIG found suppliers not located at their addresses on file or, in some cases, not open during reasonable business hours. Medicare paid these companies approximately \$21 million in the year ending June 30, 2007.

"We recognize that the Centers for Medicare and Medicaid Services (CMS) has recently taken action to prevent Medicare supplier fraud — especially in Florida and California," said Inspector General Levinson. "Nevertheless, this report, along with our previous work, demonstrates that Medicare continues to be vulnerable to noncompliant suppliers. I am committed to our ongoing effort with CMS and our law enforcement partners to prevent unscrupulous suppliers from defrauding Medicare at the expense of the Nation's taxpayers and seniors."

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In Los Angeles County, 13 percent of suppliers (about one in every eight) did not have physical facilities or were not open during repeated unannounced site visits. This included 20 facilities that were entirely vacant and others that housed other businesses. One business was an art gallery, another a tutoring firm, and yet another a trucking company. Two additional locations were private residences with no business signs or posted business hours.

Another 9 percent of the LA suppliers maintained physical facilities and were open during business hours, but failed to post visible signs, hours of operation, or both.

Los Angeles is one of the hotspots for supplier problems. In 2006, the National Supplier Clearinghouse (a CMS contractor) conducted 401 inspections in Los Angeles County and ultimately revoked the billing privileges for 95 suppliers. And from 2002 through 2006, the number of DMEPOS suppliers, the amount of their billings, and the number of suppliers expelled from Medicare all increased in Los Angeles County.

This is the latest OIG report on vulnerabilities in the DMEPOS benefit. In March 2007, during unannounced inspections in three South Florida counties, OIG found that 31 percent of suppliers were in violation of CMS rules, as these suppliers did not maintain physical facilities or were not accessible during reasonable business hours. <http://www.oig.hhs.gov/publications/docs/press/2007/PRSouthFlorida.pdf>

While recognizing that CMS recently has taken action to address vulnerabilities in the DMEPOS benefit, including initiating a new demonstration program, OIG continues to recommend permanent corrective actions to prevent fraudulent providers from entering and participating in Medicare. For example, to cover the costs of the additional recommended unannounced site visits and more rigorous background checks, OIG suggests that all DMEPOS suppliers in the Medicare program be required to pay a Medicare enrollment application fee.

To read the full report, go to:
<http://oig.hhs.gov/oei/reports/oei-09-07-00550.pdf>

To see OIG photographs of supply companies not accessible at their addresses on file, go to: http://oig.hhs.gov/publications/photos/la_dme.html

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