

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**A COMPARISON OF PRICES FOR
POWER WHEELCHAIRS IN THE
MEDICARE PROGRAM**



Inspector General

**April 2004
OEI-03-03-00460**

Office of Inspector General

<http://oig.hhs.gov>

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OBJECTIVE

To compare the Medicare reimbursement amount for K0011 power wheelchairs to purchase prices available to consumers and suppliers.

BACKGROUND

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment. Physicians order K0011 power wheelchairs for Medicare beneficiaries who qualify for them. Medicare beneficiaries receive their K0011 power wheelchairs from suppliers that bill the Medicare program for reimbursement. Suppliers purchase power wheelchairs from wholesalers and directly from power wheelchair manufacturers.

The K0011 power wheelchair is described as a standard-weight frame motorized/power wheelchair with programmable control parameters for speed adjustment, tremor dampening, acceleration control, and braking. A wide variety of models of power wheelchairs are reimbursed under the K0011 procedure code. However, the Medicare program does not collect information on the model of power wheelchair actually provided to each beneficiary.

In 2002, Medicare and its beneficiaries paid \$856 million for all power wheelchairs. Payments for the K0011 power wheelchair accounted for 97 percent of this total, or \$829 million. In 2003, the median reimbursement for a purchased K0011 power wheelchair was \$5,297.

We collected prices for 96 models of K0011 power wheelchairs. We identified these wheelchairs from the Statistical Analysis Durable Medical Equipment Regional Carrier's product classification list. We also identified the power wheelchair models that were provided to Medicare beneficiaries. We then obtained prices of K0011 power wheelchairs from three sources: the Web sites of power wheelchair suppliers, two national wholesalers, and suppliers who negotiated directly with manufacturers and distributors of K0011 power wheelchairs.

FINDING

Medicare and its beneficiaries pay considerably more than consumers or suppliers for K0011 power wheelchairs. The median purchase prices for both consumers and suppliers were lower than the CY 2003 Medicare reimbursement amount for K0011 power wheelchairs. Compared to the Medicare reimbursement amount of \$5,297, consumers were able to purchase K0011 power wheelchairs for a median price of \$3,863, suppliers were able to purchase K0011 power wheelchairs from two wholesalers for a median price of \$2,363, and suppliers who negotiated directly with distributors and manufacturers were able to obtain K0011 power wheelchairs for a median price of \$1,550.

For the models of K0011 power wheelchairs actually supplied to Medicare beneficiaries, we found that the median prices to consumers and suppliers were below the Medicare reimbursement amount of \$5,297. The median prices for these power wheelchairs were very close to the median prices obtained for all the power wheelchairs, with the median prices ranging from \$1,699 to \$3,888.

If the Medicare reimbursement amount was set at the prices available to consumers and suppliers, Medicare and its beneficiaries could have saved over \$224 million. If the Medicare program based its reimbursement amount on the median price offered by wholesalers or the median price negotiated by suppliers with manufacturers and distributors, the program could have saved more than \$459 million in 2002. The actual savings to the program could be less than these amounts, since any potential supplier administrative costs related to furnishing K0011 power wheelchairs to Medicare beneficiaries were not included in the prices reviewed.

RECOMMENDATION

We found that both consumers and suppliers could purchase K0011 power wheelchairs at prices lower than the Medicare reimbursement amount. Consequently, the program and its beneficiaries could have realized substantial savings if the Medicare reimbursement amount for K0011 power wheelchairs more closely resembled the costs to consumers and suppliers.

We recommend that the Centers for Medicare & Medicaid Services:

- (1) Create a new coding system for K0011 power wheelchairs that accounts for the variety in models and prices for power wheelchairs.
- (2) Use the pricing information obtained as part of this review to determine whether an inherent reasonableness review for K0011 power wheelchairs is appropriate.

Agency Comments

CMS believes our recommendation regarding coding warrants further consideration. CMS is currently reviewing whether the need for an overall change in the coding structure for power wheelchairs is necessary. CMS noted that our report does not fully explain why additional codes are necessary, other than the fact that there is a wide variation in prices for the different models of K0011 power wheelchairs.

CMS agreed with our recommendation that it consider using its inherent reasonableness authority to reduce the reimbursement amount for K0011 power wheelchairs.

The full text of CMS's comments is presented in Appendix C.

OIG Response

In our study, we found that consumers were able to purchase K0011 power wheelchairs from supplier Web sites for a wide range of prices. The lowest priced wheelchair available to consumers was \$1,600, while the highest priced wheelchair was \$16,995. The median price to consumers for models of K0011 power wheelchairs actually provided to Medicare beneficiaries was \$3,888, with prices ranging from a low of \$2,000 to a high of \$5,995. In 2003, the median reimbursement for a purchased K0011 power wheelchair was \$5,297. We believe that the wide range of K0011 power wheelchairs available and the finding that beneficiaries tend to receive lower priced power wheelchairs supports the need for a new coding system. The goal of this coding system would be to create a number of reimbursement levels for the wide range of power wheelchairs now included under the K0011 procedure code.



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OBJECTIVE

To compare the Medicare reimbursement amount for K0011 power wheelchairs to purchase prices available to consumers and suppliers.

BACKGROUND

Medicare Coverage of K0011 Power Wheelchairs

Medicare beneficiaries are eligible to receive power wheelchairs under Medicare Part B coverage of durable medical equipment. A beneficiary who requires a power wheelchair usually is totally non-ambulatory and has severe weakness of the upper extremities due to a neurological or muscular disease. A K0011 power wheelchair is covered when all of the following criteria are met:

1. the beneficiary's condition is such that without the use of a wheelchair the beneficiary would otherwise be bed or chair confined;
2. the beneficiary's condition is such that a wheelchair is medically necessary and the beneficiary is unable to operate a manual wheelchair; and
3. the beneficiary is capable of safely operating the controls of a power wheelchair.

Power wheelchairs are identified by the Healthcare Common Procedure Coding System codes (procedure codes) K0010, K0011, K0012, and K0014 for reimbursement purposes. The K0011 power wheelchair is described as a standard-weight frame motorized/power wheelchair with programmable control parameters for speed adjustment, tremor dampening, acceleration control, and braking. A wide variety of models of power wheelchairs are reimbursed under the K0011 procedure code. The Medicare program does not collect information on the manufacturer, model name, or serial number of individual power wheelchairs reimbursed under the K0011 procedure code. Therefore, the program is unable to determine what model of K0011 power wheelchair is provided to Medicare beneficiaries.

Medicare Reimbursement of K0011 Power Wheelchairs

Medicare Part B classifies certain items of durable medical equipment, such as power wheelchairs, as capped rental items. Medicare pays for the rental of these items for a period of continuous use not to exceed 15 months. Beneficiaries also have the option of purchasing a power wheelchair within the first month of use. In 2001, 99 percent of all expenditures for K0011 were for first-month purchases.

In 2002, Medicare and its beneficiaries paid \$856 million for all power wheelchairs. Payments for the K0011 power wheelchair accounted for 97 percent of this total, or \$829 million. According to the Centers for Medicare & Medicaid Services (CMS), the K0011 code ranked fourth among the top 200 procedure codes ranked by Medicare payments in calendar year (CY) 2002. Spending for motorized wheelchairs has increased at least 33 percent each year since 1999. In contrast, total Medicare benefit payments rose only 11 percent during that same period. Also, the number of Medicare beneficiaries with at least one claim for a motorized wheelchair rose from just over 55,000 in 1999 to almost 159,000 in 2002, an increase of 189 percent. During the same time period, the overall Medicare population rose only 1 percent per year.

Part B claims for power wheelchairs are processed and paid by four durable medical equipment regional carriers. Medicare's payment for K0011 power wheelchairs is 80 percent of the lower of either the actual charge for the item or the Medicare fee schedule amount calculated for the item. The beneficiary is responsible for the remaining 20 percent as part of his/her Medicare copayment.

Medicare Fee Schedule Amount for K0011 Power Wheelchairs

Federal statute requires fee schedule amounts for K0011 power wheelchairs and other capped rental items to be calculated for each State using average Medicare payments from 1986 as a base year. These base year payment amounts are adjusted annually by the change in the Consumer Price Index for all urban consumers (CPI-U). Since procedure code K0011 was added to the list of procedure codes in 1994, payment data from 1986 was not available for K0011 power wheelchairs. As a result, the base fee schedule amounts for the K0011 power wheelchair code were determined using retail prices. Retail prices in effect for periods subsequent to the 1986 fee schedule base period were deflated to 1986 by the percentage change in the CPI-U.

The fee schedule amounts for the K0011 power wheelchair are limited by national ceilings and floors. The fee schedule ceiling is equal to the median of the statewide fee schedule amounts and the fee schedule floor is equal to 85 percent of that median. In 2003, the ceiling amount for a purchased K0011 power wheelchair was \$5,297, and the floor amount was \$4,502.

Medicare Prescription Drug, Improvement, and Modernization Act of 2003

On November 22, 2003, Congress passed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Section 302(c)(2) of the Act states that payments for certain items and supplies furnished in 2005

shall be reduced by the percentage difference between the amount of payment otherwise determined for the specified item or supply under this subsection for 2002, and the amount of payment for the specified item or supply under chapter 89 of title 5, United States Code . . .

The payment amount under Chapter 89 of Title 5, United States Code, is identified as the median Federal Employee Health Plan price, which was obtained from the Inspector General's June 12, 2002 testimony before the Senate Committee on Appropriations. The Inspector General reported that the median Federal Employee Health Plan price for K0011 power wheelchairs was \$5,097.

Supplying K0011 Power Wheelchairs to Medicare Beneficiaries

Physicians order K0011 power wheelchairs for Medicare beneficiaries who qualify for them. Medicare beneficiaries receive their K0011 power wheelchairs from suppliers that bill the Medicare program for reimbursement. If the beneficiary chooses to purchase the power wheelchair at that time, the supplier receives a lump-sum payment.

Suppliers purchase power wheelchairs from wholesalers and directly from power wheelchair manufacturers. Wholesalers purchase large quantities of medical equipment and supplies at discounted rates from manufacturers and sell these products to suppliers. Wholesalers and manufacturers may offer rebates or other discounts to suppliers.

CMS Creates Power Wheelchair Workgroup

In April 2003, CMS created a workgroup to examine the rapid growth in power wheelchair payments, identify its causes, and propose solutions.

The workgroup found that Medicare had little comparative data to use in determining the appropriateness of the fee schedule amounts for power wheelchairs. However, the workgroup did conclude that large suppliers could obtain pricing discounts from power wheelchair manufacturers. As a result, CMS is investigating long-term options that may address problems with the fee schedule. One of these options includes analyzing K0011 power wheelchairs for a potential inherent reasonableness payment adjustment. CMS may use its inherent reasonableness authority to deviate from standard payment methodologies, if their application results in a payment amount that is determined to be grossly excessive or deficient.

CMS and OIG Efforts to Stop K0011 Fraud and Abuse

On September 9, 2003, CMS and the Office of Inspector General (OIG) issued a joint press release detailing new efforts to stop abuse of the power wheelchair benefit. As part of this joint press release, CMS announced a “10-point initiative to substantially curb abuse of the Medicare program by unscrupulous providers of power wheelchairs and other power mobility products who prey on Medicare beneficiaries.”

The 10-point initiative includes developing inherent reasonableness review guidelines so Medicare can be assured that it is paying appropriately for power wheelchairs. Power wheelchairs will be the first item analyzed for potential inherent reasonableness payment adjustments.

At the same time, OIG will be investigating the proliferation of durable medical equipment fraud cases involving inflated billings to Medicare, charges for equipment and supplies not delivered, and the falsification of documents to qualify beneficiaries for wheelchairs and other equipment that they often did not need.

METHODOLOGY

Models of K0011 Power Wheelchairs

Since there are a wide variety of power wheelchairs on the market, we used the Statistical Analysis Durable Medical Equipment Regional Carrier's (statistical analysis carrier) product classification list for wheelchairs to determine which models of power wheelchairs are coded as K0011. Some K0011 power wheelchair models have additional features (such as semi-reclining back mechanisms, anti-tipping devices, safety belts) that have separate procedure codes. In order to obtain prices for base units only, we compiled a list of power wheelchair models that were coded solely as K0011. This list consisted of 96 models of K0011 power wheelchairs.

We also wanted to specifically review pricing for models of K0011 power wheelchairs that were actually provided to Medicare beneficiaries. Since Medicare claims do not identify the model of K0011 power wheelchair supplied, we used information from related OIG work to determine what models of K0011 power wheelchairs were actually supplied to Medicare beneficiaries. As part of this work, we selected a random sample of 300 K0011 power wheelchair claims paid in 2001. We contacted the suppliers who submitted the sample claims and requested that they provide the manufacturer, model, and serial number of the K0011 power wheelchair provided to the beneficiary. We identified 33 models of K0011 power wheelchairs that were provided to Medicare beneficiaries in our sample and were also included on the statistical analysis carrier's product classification list.

Sources of Prices for K0011 Power Wheelchairs

Supplier Web Site Prices

In order to determine the prices charged to consumers for K0011 power wheelchairs, we collected prices of K0011 power wheelchairs from the Web sites of power wheelchair suppliers in June 2003 and July 2003. We performed an Internet search for power wheelchair suppliers who provide power wheelchairs directly to consumers. Consumers are able to purchase power wheelchairs either by placing an order on the Internet or by phone. We obtained prices from 41 suppliers located in the United States. These suppliers may or may not participate in the Medicare program. Some of the suppliers had storefront operations as well. We collected 379

individual prices for K0011 power wheelchair models from the 41 suppliers. We obtained prices for 54 models of K0011 power wheelchairs that were identified on the statistical analysis carrier's product classification list.

Medicare allows suppliers to bill for batteries separately from the power wheelchair itself. Some suppliers included batteries in the price of the K0011 power wheelchair. In cases where we were able to identify the battery price, we subtracted the battery price from the power wheelchair price. This was done so that we could determine a price for the base unit.

National Wholesaler Prices

We also obtained the prices of K0011 power wheelchairs to suppliers from two national wholesalers. The wholesalers are two of the largest distributors of medical and surgical products in the United States. From one of the wholesalers, we obtained prices quoted to the wholesaler from three power wheelchair manufacturers. The prices from the manufacturers were quoted in October 2001, October 2002, and September 2003. We obtained the August 2002 home health care products catalog from the other wholesaler, which included prices for power wheelchairs from one manufacturer. We collected 22 individual prices from the two wholesalers for 18 models of K0011 power wheelchairs.

Manufacturer and Distributor Prices

We obtained documentation on suppliers' prices negotiated directly with manufacturers and distributors of K0011 power wheelchairs. We collected documentation from eight suppliers. A review of the documentation, which included invoices and purchase orders from 1999 to 2003, yielded 36 individual prices for 12 models of K0011 power wheelchairs.

Comparison of Medicare Reimbursement Amount to Median Prices

We determined the percentages that the Medicare reimbursement amount exceeded the median prices of the three sources reviewed. In order to accomplish this, we first calculated the median price from the prices collected from each of the three sources reviewed. We then determined the percentage difference in prices for each source by subtracting the median prices of K0011 power wheelchairs from the Medicare reimbursement amount and then dividing this number by the median price. We used Medicare's CY

I N T R O D U C T I O N

2003 fee schedule's median of \$5,297 as the Medicare reimbursement amount.

Calculating Potential Medicare Savings

We calculated how much Medicare and its beneficiaries would save if the reimbursement amount for K0011 power wheelchairs was set at the median price of the sources reviewed. We first determined the percentage difference in prices for each source by subtracting the median prices of K0011 power wheelchairs from the CY 2003 Medicare reimbursement amount (\$5,297) and then dividing this number by the Medicare reimbursement amount. We then multiplied these percentage differences by the total Medicare payments for K0011 power wheelchairs in 2002 (\$828,887,761) in order to determine potential program savings. Medicare payments were obtained from CMS's Part B Extract and Summary System. The data used to calculate potential Medicare and beneficiary savings are presented in Appendix B.

Limitations of Pricing Data

In regard to the prices available to suppliers, we did not collect data to determine if suppliers had any administrative costs related to furnishing K0011 power wheelchairs to Medicare beneficiaries. Therefore, the median prices available to suppliers do not include any potential associated supplier costs. The estimates of potential program savings presented in the findings of this report would be lower if median prices had included any supplier administrative costs.

We would assume that the prices collected from Web sites of suppliers include profit margins and any costs related to billing other insurers. We do not know if the costs associated with billing the Medicare program would be significantly different from the costs of billing other insurers.

► FINDINGS

Medicare and its beneficiaries pay considerably more than consumers or suppliers for K0011 power wheelchairs.

The median purchase prices for both consumers and suppliers were lower than the Medicare reimbursement amount for K0011 power wheelchairs. Our comparison of prices for the K0011 power wheelchair to Medicare's reimbursement amount and our estimates of potential savings are presented in Table 1 below. The Medicare reimbursement amount for K0011 power wheelchairs exceeded the median prices from the three sources by 37, 124, and 242 percent. Of the three sources reviewed, the median price negotiated by suppliers with manufacturers and distributors was the lowest. Prices obtained for K0011 power wheelchair models varied widely, from a low of \$999 to a high of \$16,995. Ninety-four percent of the prices reviewed were below the Medicare reimbursement amount.

Table 1: Comparison of Consumer and Supplier Prices to Medicare Reimbursement Amount

Source:	Median Price	Range of Prices	Percentage by which Medicare Reimbursement Amount Exceeds Median Price	Potential Medicare and Beneficiary Savings
Medicare ¹	\$5,297	\$4,502 to \$5,297	NA	NA
Supplier Web Sites	\$3,863	\$1,600 to \$16,995	37%	\$224,395,894
Wholesalers	\$2,363	\$1,713 to \$3,141	124%	\$459,119,632
Supplier Prices Negotiated with Manufacturers and Distributors	\$1,550	\$999 to \$2,161	242%	\$586,339,898

¹This is Medicare's reimbursement amount for CY 2003. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 lowered the reimbursement amount to approximately \$5,100 for K0011 power wheelchairs furnished in 2005.

Source: Office of Evaluation and Inspections, 2003

Note: All figures in the table have been rounded

The median price to consumers for a K0011 power wheelchair was \$3,863.

According to supplier Web sites, consumers are able to purchase K0011 power wheelchairs for a median price of \$3,863. Only 28 of the 379 prices offered by suppliers to consumers exceeded the Medicare reimbursement amount for K0011.

The prices available to consumers ranged from a low of \$1,600 to a high of \$16,995. The most expensive K0011 power wheelchair available for purchase was the Levo Mobil LCM Comfort, manufactured by Levo USA, Inc. This wheelchair was \$4,000 more than the second most expensive wheelchair. The wheelchair is able to transfer the patient to a standing position. Those who are unable to stand on their own, such as people with spina bifida or cerebral palsy, and need a maneuverable indoor power wheelchair utilize this power wheelchair.

The majority of the suppliers offered free shipping to consumers who purchased power wheelchairs from their Web sites. Some suppliers also offered free maintenance of the power wheelchair for 1 year after the date of purchase.

Since the Medicare program does not collect information on the manufacturer or model of the K0011 power wheelchair being provided to beneficiaries, it is unable to determine whether most beneficiaries are using lower-priced or higher-priced models. However, we found that the median price to consumers for models of K0011 power wheelchairs that were actually provided to Medicare beneficiaries in 2001 was \$3,888. The prices for this subset of K0011 power wheelchairs ranged from a low of \$2,000 to a high of \$5,995. Out of the 247 prices we collected, there were only 4 instances where the cost to the consumer was greater than the Medicare reimbursement amount.

Wholesalers offered K0011 power wheelchairs to suppliers for a median price of \$2,363.

The prices offered by the two wholesalers ranged from a low of \$1,713 to a high of \$3,141, with a median of \$2,363. Data collected from related OIG work was used to determine the models of K0011 power wheelchairs actually being supplied to Medicare beneficiaries in 2001. We found that the median price offered to suppliers for these models of K0011 power wheelchairs was \$2,494 with prices ranging from \$1,785 to \$3,141.

F I N D I N G S

Suppliers were able to obtain K0011 power wheelchairs from manufacturers and distributors for a median price of \$1,550.

We reviewed invoices and purchase orders received from suppliers who negotiated prices of K0011 power wheelchairs with manufacturers and distributors. Based on our review of 36 individual prices from 8 suppliers, we determined that suppliers were able to purchase K0011 power wheelchairs for a median price of \$1,550. The prices ranged from a low of \$999 to a high of \$2,161. We also analyzed prices for models of K0011 wheelchairs that were supplied to Medicare beneficiaries in 2001. The median price negotiated by suppliers for the subset models of K0011 power wheelchairs provided to Medicare beneficiaries was \$1,699, with prices ranging from \$1,150 to \$2,161.

As part of our analysis, we grouped the prices into two categories. One group included prices negotiated with manufacturers, the other group included prices negotiated with distributors. The median price offered by manufacturers for K0011 power wheelchairs was \$1,392, while the median price offered by distributors was \$1,699.

The median price negotiated by suppliers with manufacturers and distributors was the lowest among the three sources reviewed. Similarly, when we analyzed prices for individual models of K0011 power wheelchairs across all three sources, the prices negotiated by suppliers with manufacturers and distributors were the lowest. Appendix A shows prices obtained from all three sources for three models of K0011 power wheelchairs provided to Medicare beneficiaries. These three models alone accounted for 13 percent of K0011 power wheelchairs provided to Medicare beneficiaries in our sample.

If the Medicare reimbursement amount was set at the prices available to consumers and suppliers, Medicare and its beneficiaries could have saved over \$224 million.

If the Medicare reimbursement amount for K0011 power wheelchairs were set at the median price available to consumers, the Medicare program and its beneficiaries would have saved \$224 million in 2002. Medicare beneficiaries alone would have saved \$45 million in copayments. An individual Medicare beneficiary could have saved \$287, if the Medicare reimbursement amount for K0011 power wheelchairs were set at the median price available to consumers.

F I N D I N G S

Of the three sources reviewed, the median price negotiated by suppliers with manufacturers and distributors was the lowest. If the Medicare program based its K0011 reimbursement amount on this price, the program and its beneficiaries could have saved \$586 million in 2002. The actual savings to the program could be less than these amounts, since any potential supplier administrative costs related to furnishing K0011 power wheelchairs to Medicare beneficiaries were not included in the prices reviewed. Our calculations of potential savings estimates are presented in Appendix B.

R E C O M M E N D A T I O N S

We found that both consumers and suppliers could purchase K0011 power wheelchairs at prices lower than the Medicare reimbursement amount. Consequently, the program and its beneficiaries could have realized substantial savings if the Medicare reimbursement amount for K0011 power wheelchairs more closely resembled the costs to consumers and suppliers.

We recommend that CMS:

- (1) Create a new coding system for K0011 power wheelchairs that accounts for the variety in models and prices for power wheelchairs.
- (2) Use the pricing information obtained as part of this review to determine whether an inherent reasonableness review for K0011 power wheelchairs is appropriate.

Agency Comments

CMS believes our recommendation regarding coding warrants further consideration. CMS is currently reviewing whether the need for an overall change in the coding structure for power wheelchairs is necessary. CMS noted that our report does not fully explain why additional codes are necessary, other than the fact that there is a wide variation in prices for the different models of K0011 power wheelchairs.

CMS agreed with our recommendation that it consider using their inherent reasonableness authority to reduce the reimbursement amount for K0011 power wheelchairs.

The full text of CMS's comments is presented in Appendix C.

OIG Response

In our study we found that consumers were able to purchase K0011 power wheelchairs from supplier Web sites for a wide range of prices. The lowest priced wheelchair available to consumers was \$1,600, while the highest priced wheelchair was \$16,995. The median price to consumers for models of K0011 power wheelchairs actually provided to Medicare beneficiaries was \$3,888, with prices ranging from a low of \$2,000 to a high of \$5,995. In 2003, the median reimbursement for a purchased K0011 power wheelchair was \$5,297. We believe that the wide range of K0011 power wheelchairs available and the finding that beneficiaries tend to receive lower priced power wheelchairs supports the need for a new coding system. The goal of this coding system would be to create a

number of reimbursement levels for the wide range of power wheelchairs now included under the K0011 procedure code.

 **A P P E N D I X ~ A**

Comparison of Consumer and Supplier Prices for Individual Models

The following table shows prices obtained from all three sources for three models of K0011 power wheelchairs provided to Medicare beneficiaries.

Comparison of Consumer and Supplier Prices for Individual Models				
Individual K0011 Power Wheelchair Model	Calendar Year 2003 Medicare Median Reimbursement Amount	Supplier Web Site Price ¹	Wholesaler Price ¹	Supplier Price Negotiated with Manufacturers and Distributors ¹
Model A	\$5,297	\$3,747	\$2,661	\$2,000
Model B	\$5,297	\$2,974	\$2,051	\$1,775
Model C	\$5,297	\$3,634	\$1,785	\$1,699

¹Median price is provided when more than one price was collected from source.

Source: Office of Evaluation and Inspections, 2003

 **A P P E N D I X ~ B**

Calculation of Potential Savings for K0011 Power Wheelchairs

In order to calculate potential savings, we first calculated percentage differences between the prices to consumers and suppliers for K0011 power wheelchairs and Medicare's reimbursement amount. We did this by subtracting the median price from each source from the Medicare reimbursement amount. We then divided this number by the Medicare reimbursement amount. We used Medicare's calendar year 2003 fee schedule's median of \$5,297 as the Medicare reimbursement amount. We then multiplied total Medicare payments (\$828,887,761) for K0011 power wheelchairs in 2002 by the percentage differences.


Calculation of Potential Savings for K0011 Power Wheelchairs					
Source:	Median Price	Calendar Year 2003 Medicare Median Reimbursement Amount	Median Price Compared to Medicare Reimbursement Amount	2002 Payments for K0011 Power Wheelchairs	Potential Medicare and Beneficiary Savings
Supplier Web Sites	\$3,863	\$5,297	27% lower	\$828,887,761	\$224,395,894
Wholesalers	\$2,363	\$5,297	55% lower	\$828,887,761	\$459,119,632
Supplier Prices Negotiated with Manufacturers and Distributors	\$1,550	\$5,297	71% lower	\$828,887,761	\$586,339,898

Source: Office of Evaluation and Inspections, 2003

Note: All figures in the table have been rounded

‡ A P P E N D I X ~ C

Centers for Medicare & Medicaid Services' Comments



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

DATE: FEB 12 2004

TO: Dara Corrigan
Acting Principal Deputy Inspector General
Office of Inspector General

FROM: Dennis G. Smith *Dennis G. Smith*
Acting Administrator
Centers for Medicare & Medicaid Services

SUBJECT: Office of Inspector General Draft Report: "A Comparison of Prices for Power Wheelchairs in the Medicare Program," (OEI-03-03-00460)

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EAIG	_____
PDIG	_____
DIG-AS	_____
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ExecSec	_____
Date Sent	2-17

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RECEIVED

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft report entitled, "A Comparison of Prices for Power Wheelchairs in the Medicare Program." We have the following comments.

This report compares Medicare payment amounts for HCPCS code K0011, the most commonly utilized code for power wheelchairs by Medicare suppliers, with retail prices available to general consumers and wholesale and manufacturer prices available to suppliers for the same items that are reimbursed by Medicare. Medicare allowed charges for K0011 have grown from \$28 million in 1995 to \$829 million in 2002. For 2003, total allowed charges for an estimated 79 percent of claims reported so far are \$1.1 billion. Part of this huge growth in utilization for power wheelchairs may be attributed to an excessive payment amount that creates an incentive for suppliers to furnish and receive payment for as many claims for purchased K0011 products as possible.

On September 9, 2003, the Centers for Medicare & Medicaid Services (CMS) announced a 10-point plan to deal with the unreasonable growth in utilization of K0011. Part of this 10-point plan included a commitment by CMS to review Medicare payments for K0011 using the inherent reasonableness authority. In addition, the American Association of Homecare and various wheelchair manufacturers have stated their belief to CMS that the utilization problem for power wheelchairs can be eliminated if the K0011 code is broken out into several new categories of power wheelchairs. The industry claims that implementation of new code categories, in conjunction with specific coverage criteria, would limit coverage of the more expensive, high-end power wheelchairs to a relatively small percentage of patients with special needs.

Recommendation
Create a new coding system for K0011 power wheelchairs that accounts for the variety in models and prices for power wheelchairs.

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Response

We believe this recommendation warrants further consideration. We are currently reviewing whether an overall change in the coding structure for power wheelchairs is needed for Medicare and/or Medicaid purposes; however, this review is not yet complete and no final decisions have been made regarding this issue. The report does not explain why the OIG believes that additional codes are necessary, other than the fact that there is a wide variation in prices for the different models of power wheelchairs.

Recommendation

Use the pricing information obtained as part of this review to determine whether an inherent reasonableness review for K0011 power wheelchairs is appropriate.

Response

We concur with this recommendation. As noted in the report, as part of the 10-point plan addressing the abuse of Medicare's power wheelchair benefit, CMS is currently reviewing the Medicare payment amounts for code K0011 using the inherent reasonableness authority.



A C K N O W L E D G M E N T S

This report was prepared under the direction of Robert A. Vito, Regional Inspector General for Evaluation and Inspections in the Philadelphia Regional Office, and Linda M. Ragone, Deputy Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

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