

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Medical Equipment Suppliers  
Compliance With Medicare Standards**



**AUGUST 2001  
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# EXECUTIVE SUMMARY

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## PURPOSE

To determine whether or not durable medical equipment suppliers who received a supplier number in 1999 were in compliance with Medicare standards.

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## BACKGROUND

To receive reimbursement from Medicare, business organizations who supply durable medical equipment to Medicare beneficiaries must obtain a unique identifying number. That number is referred to as a durable medical equipment supplier number. The Centers for Medicare and Medicaid Services contract with the National Supplier Clearinghouse in Columbia, South Carolina, to approve applications for durable medical equipment supplier numbers.

To obtain approval for a durable medical equipment supplier number, suppliers must demonstrate that they meet 11 Medicare standards.

Because of concerns that durable medical equipment suppliers were not complying with the Medicare standards, CMS initiated a pilot program in 1996 to do site inspections before granting a durable medical equipment supplier number. In 1997, the Office of Inspector General reported that suppliers were only fully meeting one of the 11 standards. The report further showed that in some instances suppliers were not operating legitimate businesses.

Partly in response to its pilot program, and the OIG report, CMS and the National Supplier Clearinghouse expanded its pilot program to include physical site inspections of suppliers in all States before granting a supplier number. Our present inspection provides an assessment on how well suppliers meet the standards after CMS fully expanded its site inspection program in 1999.

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## FINDINGS

### **Less Than One Percent of Suppliers Did Not Have a Physical Presence at Their Business Address of Record**

In our 1997 inspection on supplier compliance with Medicare standards, we reported that 7 percent of suppliers and applicants were not doing business at their address of record. Supplier failure to have a presence at their address of record raised serious questions about the legitimacy of their business. However, our current inspection showed that only one of 165 suppliers (.61 percent) were not located at and doing business at the address

they had provided to the National Supplier Clearinghouse. Based on our referral, the National Supplier Clearinghouse revoked the supplier number for that supplier.

### **All Suppliers Complied With Delivery, Warranty, Repairs, Returns, Complaints and Disclosing Ownership Standards**

### **Some Suppliers Failed to Comply With Inventory, Liability Insurance and Licensure Standards**

- C Five percent of suppliers did not have an inventory of durable medical equipment.
- C Eight percent of suppliers did not have appropriate liability insurance.
- C Thirteen percent of suppliers did not have appropriate licensure.

### **Fifty Percent of Suppliers Did Not Comply With Standard to Provide Consumer Information**

Medicare standards required DME suppliers to provide a list of the 11 Medicare standards to beneficiaries. Fifty percent of DME suppliers did not meet the standard.

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## **RECOMMENDATIONS**

The physical site inspections of suppliers before granting a DME supplier number has improved compliance with Medicare standards. If CMS desires a higher compliance rate, we offer the following suggestions.

- C CMS and the NSC could implement efforts to educate suppliers about the requirement to provide beneficiaries a list of supplier standards. This could be done in their letter transmitting a number to an approved supplier. The NSC could emphasize compliance with Medicare supplier standards, which are included in the package accompanying the letter. Such education would help assure that beneficiaries know their rights and supplier obligations to them.
- C CMS could revise its standards to require suppliers to transmit a copy of the Medicare supplier standards to each beneficiary at the time of each sale or rental.
- C CMS and the NSC could institute random, unannounced site inspections of supplier operations. Such inspections should be made at times other than the time of initial enrollment or reenrollment.

Enforcing full compliance with each standard is difficult and could be cost prohibitive. In our 1997 report, we recommended that CMS charge suppliers an application fee. We did not assess the benefits of such a fee in our present inspection. However, we continue

to believe such fees would help assure that only legitimate DME suppliers are approved for a Medicare number. Further, the fees would help offset CMS' cost of doing site inspections to assure that suppliers comply with all Medicare standards.

### **Agency Comments**

The CMS concurred with our findings. CMS outlined several initiatives that we believe respond to our recommendations. First, CMS plans to increase site visits on suppliers that do not comply with standards, and to reward those that pass. Additionally, CMS plans to assess the impact of the new supplier standards. Finally, during their site inspections, CMS compliance inspectors are also charged with educating suppliers on requirements to provide beneficiaries with a copy of the Medicare DME supplier standards. The full text of CMS' comments are presented in Appendix E.

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# INTRODUCTION

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## PURPOSE

To determine whether or not durable medical equipment suppliers who received a supplier number in 1999 were in compliance with Medicare standards.

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## BACKGROUND

### Approving DME Suppliers for Medicare

To receive reimbursement from Medicare, business organizations who supply durable medical equipment (DME) to Medicare beneficiaries must obtain a unique identifying number. That number is referred to as a DME supplier number. The Centers for Medicare and Medicaid Services (CMS)<sup>1</sup> contracts with the National Supplier Clearinghouse (NSC) in Columbia, South Carolina, to approve applications for DME supplier numbers.

CMS defines durable medical equipment as that which can withstand repeated use, is primarily used to serve a medical purpose, is generally not useful to a person in the absence of illness or injury, and is appropriate for use in the home. For coverage under Medicare Part B, DME must be furnished for use in a beneficiary's home. For the purpose of this report, when we refer to DME suppliers, we include suppliers of prosthetics, orthotics, and other medical supplies.

### DME Supplier Standards

To obtain NSC approval for a DME supplier number, suppliers must demonstrate that they meet 11 Medicare standards required by Section 1834 of the Social Security Act. The standards require that suppliers

- C fill orders from their own inventory or under a contractual arrangement,
- C oversee delivery of equipment,
- C answer questions and complaints from beneficiaries,
- C maintain and repair rental equipment,
- C maintain a physical address at the business site,
- C comply with State and Federal licensure requirements,
- C honor warranties on equipment,
- C accept the return of substandard equipment,
- C disclose consumer information (a list of standards) to beneficiaries,
- C comply with ownership disclosure provisions of the Social Security Act, and
- C have appropriate liability insurance.

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<sup>1</sup>Formerly the Health Care Financing Administration

The supplier standards are front-end measures. They provide minimal assurance that suppliers physically exist and are operating a legitimate business. A detailed statement of each standard is shown in Appendix A.

DME suppliers must reenroll every 3 years for participation in Medicare. The reenrollment process is similar to the new application process, in that the NSC must assure that both existing and new suppliers meet the standards for Medicare participation.

### **Additional Supplier Standards**

In an effort to better assure that Medicare suppliers for DME are operating legitimate business, the CMS proposed nine additional supplier standards in January 1998. CMS required suppliers to achieve compliance with the new standards by December 2000. This was about 4 months after we had completed our data collection for this report. Therefore, we do not address compliance with the nine additional standards in this report. The standards require that suppliers

- C comply with Medicare law,
- C make no material misrepresentations on their application,
- C provide documentation of compliance with standards to CMS upon request,
- C notify beneficiaries that they may rent or purchase certain items,
- C ensure application is signed by someone whose signature binds the supplier,
- C agree not to transfer or reassign a supplier number,
- C have a business phone at the facility, and a listing in the phone directory,
- C agree not to telemarket to beneficiaries, except in limited circumstances, and
- C receive payment in their own name for drugs used with DME.

A detailed statement of each standard is shown in Appendix B.

### **DME Supplier Compliance With Medicare Standards**

Because of concerns that DME suppliers were not complying with the Medicare standards, and in some instances were not operating legitimate businesses, CMS initiated efforts in 1996 to improve the process for granting DME supplier numbers. Through the NSC, CMS began a pilot program to physically inspect suppliers in one State before approving them for a DME supplier number.

In 1997, the OIG completed an inspection documenting the extent that suppliers who obtained a DME supplier number operated bona fide businesses.<sup>2</sup> That report showed that many existing suppliers and new supplier applicants were not in compliance with Medicare supplier standards. For example, 41 percent of suppliers and 40 percent of new applicants failed to meet at least one of the standards.

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<sup>2</sup>“Medical Equipment Suppliers: Assuring Legitimacy” (OEI-04-96-00240)



Partly in response to the OIG recommendations and the results of its pilot test, CMS and NSC expanded the physical site inspections through a contract with ChoicePoint, Inc.<sup>3</sup> The expansion of site visits was phased in over the next 4 years. By 1999, the NSC was using site inspections of DME suppliers in all 50 States as part of the process for assuring compliance with Medicare standards before granting a DME supplier number.

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## METHODOLOGY

In 1999, about 12,682 DME suppliers nationwide obtained a Medicare supplier number. For our inspection, we reduced that universe to 4,927 independent suppliers. We included free standing suppliers, independent drug stores, and small drug store chains (those with under 25 business locations).

We excluded large chain stores such as K-Mart, Wal-Mart, and Kroger who frequently provide DME as part of their business. Many chain stores such as those have a pharmacy as part of their business and the DME would be included in that part of the operation. Likewise, we excluded large chain drug stores such as Eckerd, CVS Pharmacy, and Walgreen's. Finally, we excluded physician practices that also supply DME as part of their business. We excluded such DME suppliers because our preinspection showed that such suppliers were more likely to comply with the Medicare standards -- particularly the requirement to have an appropriate physical address.

### Data Collection

From the reduced universe of 4,927 DME suppliers, we randomly selected 16 clusters of suppliers nationwide. We used a cluster sampling strategy to control the travel costs of our inspection and still assure geographic coverage. We initially included each supplier in the 16 clusters for our inspection -- a total of 208 suppliers.

We then reduced our sample size by excluding any suppliers that were a part of a large chain operation and had inadvertently been included. We further excluded suppliers who were under investigation by CMS or OIG, and suppliers who no longer had an active DME supplier number. Our final sample size was 165 suppliers, encompassing 16 States. Appendix C shows the geographic coverage of our sample.

For each member of our sample, we conducted an unannounced site inspection at the business location shown in the NSC records. At each site, we determined whether or not suppliers were meeting the 11 Medicare standards. We did so by physical observation of supplier operations, interviews with owners and staff, and record reviews.

We relied on supplier self-reports to determine compliance with some standards. For example, we asked suppliers whether they had received any complaints from beneficiaries. Likewise, we asked suppliers whether they had repaired equipment under a

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<sup>3</sup>A national company that contracts to provide prevention and risk management to the insurance industry, as well as other industries

warranty. If they said no, we relied on their self-reported answer. If they said yes, we asked to see and reviewed documentation on the complaints and warranty repairs.

In some instances, we were unable to determine whether a supplier met a specific standard. For example, if the business was closed or a spokesperson for the supplier was not available, we were only able to assess whether the supplier had an appropriate physical location. Since we were unable to test compliance with all standards at each location, our projections of compliance rates are based on the number of suppliers complying with each standard individually.

To understand supplier application policies, processes, and outcomes, we also interviewed staff at CMS, NSC, and ChoicePoint, Inc.

Our cluster sampling method allowed us to project the extent that our universe of 4,927 suppliers complied with the 11 Medicare standards. However, our selection method did not enable us to directly compare our results to the results of our 1997 report. Our 1997 inspection was not based on random sampling methods. For that study, we judgementally selected suppliers located in large urban areas across the United States. We also focused on urban areas that were traditionally associated with high incidence of Medicare fraud.

## **Data Analysis**

We aggregated our on-site inspection results to determine how many suppliers in our sample met and did not meet each standard.

Based on our sample results, we estimated the national proportion of suppliers that were not complying with each standard.

Appendix C provides confidence intervals for estimates of noncompliance.

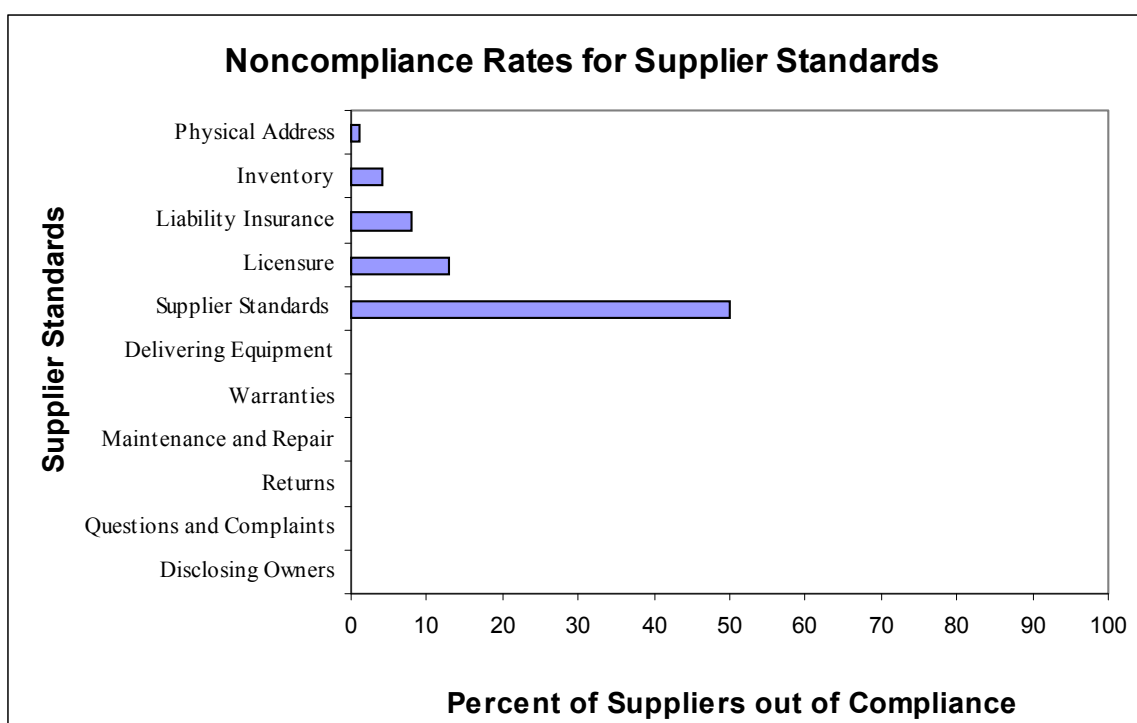
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We conducted our inspection between November 1999 and February 2001. We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

# FINDINGS

Fifty-six percent of suppliers were in compliance with all 11 Medicare standards. Only 8 percent of suppliers failed to comply with more than one Medicare standard. However, 44 percent of suppliers were out of compliance with at least one Medicare standard.

One standard requires suppliers make a list of all 11 supplier standards available to beneficiaries. For this standard, the noncompliance rate was 50 percent. For another 4 standards, the noncompliance rate was 13 percent or less. The suppliers fully met the remaining 6 of 11 standards in effect at the time of our review.



## Less Than One Percent of Suppliers Did Not Have a Physical Presence at Their Business Address of Record

One Medicare standard requires a supplier to have an appropriate physical address to conduct business. One of the 165 suppliers in our sample (.61 percent) did not have a physical presence at their business address of record. The building at the listed address was unoccupied. We observed no evidence that the supplier was ever there.

We can logically assume the supplier was previously doing business at the listed address. ChoicePoint inspectors verified the existence of a supplier business before the NSC approved the supplier's application for a DME supplier number. However, neighboring

business operators were unaware that any supplier business had ever existed at the listed address.

The supplier had not notified the NSC of any recent change of address, and continued to bill the Medicare program through the date of our fieldwork, in September 2000.

Because their business operation could not be observed at their address of record, we could not determine that they were a legitimate business. Accordingly, we referred the supplier to the NSC for review. The NSC did a follow-up review to determine their current status. After confirming our observations, the NSC revoked the supplier number for this supplier.

Projected to the population of suppliers from which our sample was drawn, the .61 percent would equal about 30 suppliers.

In our 1997 inspection on supplier compliance with Medicare standards, we reported that 7 percent of suppliers and applicants were not doing business at their address of record. Supplier failure to have a presence at their address of record raised serious questions about the legitimacy of their business. We cannot directly compare those results to our current study results due to differences in methodology.

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## **All Suppliers Complied With Delivery, Warranty, Repairs, Returns, Complaints and Disclosing Ownership Standards**

We discuss each of the Medicare standards below to show common practices by suppliers to meet them. In many instances, we relied on self-reported compliance with the standards. The Medicare standards did not require suppliers to maintain documentation of their compliance with the standards. However, we reviewed documentation and observed supplier operations to corroborate self-reported compliance where records were available and actual business operations were underway.

### **Suppliers had a System for Delivering Equipment**

This standard requires suppliers to deliver DME items to beneficiaries and to oversee delivery of items ordered from other suppliers on behalf of a beneficiary. All suppliers had a system for delivering equipment as required by the standard.

We based our conclusion that suppliers were complying with this standard on discussions with 138 of the 165 suppliers in our sample. We also corroborated our interviews by observing over the counter business transactions, delivery staff, and delivery trucks on the premises.

To further verify that suppliers were meeting the delivery standard, we also tested the delivery standard by reviewing signed invoices or delivery tickets for one to three Medicare beneficiary claims during Calendar Year 1999. We did this test at 65 suppliers -about 40 percent of the suppliers we interviewed. Although Medicare standards did not require it, our test showed that 86 percent could document delivery. The remaining 14

percent could not document delivering DME for all claims we tested, but they could document deliveries for one or two of them.

### **Suppliers Honored Warranty Agreements**

The standard required suppliers to honor warranty agreements on DME equipment under applicable State law. Most suppliers said no beneficiaries had returned items under warranty. We tested for compliance with this standard at 123 of 165 suppliers. All suppliers told us their policy was to make or arrange for warranty repairs or replacements as needed. Only 5 suppliers could provide documentation of having made warranty repairs or replacements. However, the Medicare standards did not require documentation.

### **Suppliers Repaired Rented Durable Medical Equipment**

The standard required suppliers to repair DME that they rented to beneficiaries. They may repair the items themselves or contract for needed repairs. We tested compliance with this standard at 130 of 165 suppliers. Only 29 percent (38 of 130) of them rented DME equipment. All of them had provisions for repairing rented DME. Most of them repaired rented DME themselves. Only 4 suppliers said they had a contract to repair rented equipment.

### **Suppliers Accepted Returned Durable Medical Equipment and Supplies**

The standard required suppliers to accept returns of substandard or unsuitable items from beneficiaries. We were able to interview 116 of the 165 suppliers in our sample on this standard. Ninety-one of them said no beneficiary had attempted to return an item to them. The remaining 25 suppliers said they accepted returns of unsuitable items. While CMS did not require documentation on compliance with the Medicare standards, 7 of the 25 had done so.

### **Suppliers Responded to Beneficiary Questions and Complaints**

The standard required suppliers to answer beneficiary questions and complaints about DME equipment. We tested for compliance with this standard at 127 of 165 suppliers. Suppliers seemed to be complying with this standard based on their comments to us. Most, however, said they only verbally responded to questions and complaints by beneficiaries about their DME and supplies. Some suppliers told us they actually documented complaints, and a few also documented questions.

### **Suppliers Disclosed Ownership**

This standard requires that suppliers disclose any persons or company with at least 5 percent ownership interest in their business. We were able to test this standard at 137 of the 165 suppliers in our sample. All seemed to be complying with the standard.

To test compliance with the standard, we asked for the identity of the principal business owners. We limited our onsite test to principal owners because on-site managers and

employees could not logically be expected to know all ownership parties in a business. We did not require on-site persons we interviewed to refer to business records.

We then compared the principal owners we identified through on-site interviews to those listed on the business application for a supplier number. In all instances, the principal owners we identified on-site agreed with those identified in the application.

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## **Some Suppliers Failed to Comply With Inventory, Liability Insurance and Licensure Standards**

### **Five Percent of Suppliers did not have an Inventory**

This standard requires that suppliers have an inventory of DME and supplies onsite, or that they have a contract with another entity to provide them. Seven of 132 suppliers we inspected for this standard had no inventory or contract for supplying DME and supplies.

However, suppliers out of compliance with this standard could still meet beneficiary demand for DME by ordering from a third party, on an as needed basis. In many cases, such suppliers directed that DME and supplies they ordered from a third party be shipped directly to the Medicare beneficiary. This is referred to as “just-in-time” ordering or drop shipping. For example, one supplier of wheelchairs in Illinois ordered products from a company in Florida, and the Florida company shipped directly to the beneficiary.

For “just-in-time” and drop shipping arrangements, there was no formal contract. Thus, we considered suppliers with such arrangements out of compliance. However, we verified that such suppliers actually did furnish DME to beneficiaries. Where suppliers billed Medicare in 1999, we reviewed shipping records and similar documentation, showing equipment and supplies had been shipped to beneficiaries.

We estimated 5 percent of the 4,927 suppliers nationwide were operating without having an inventory of equipment or supplies on site, and without a contract for inventory. This projects to 261 of the suppliers in our universe.

### **Eight Percent of Suppliers did not have Current Liability Insurance**

This standard requires suppliers to carry appropriate liability insurance. Appropriate insurance was not defined in the Medicare standard.

In our sample, 8 percent (10 out of 125) of suppliers we inspected on this standard could not document they had current liability insurance. The NSC verifies liability insurance with the issuing insurance company as part of the application process. In the case of suppliers out of compliance with this standard, suppliers had liability insurance when they applied for a supplier number, but they had allowed it to lapse after obtaining their DME supplier number. For example, the expiration date on the insurance policy of a supplier in Oklahoma was April, 2000, about 6 months after the NSC had granted a DME supplier number.

We estimated that 8 percent of suppliers were operating with no liability insurance, which amounts to 394 suppliers nationwide.

### **Thirteen Percent of Suppliers did not have Appropriate License**

The licensure standard requires that suppliers operate in compliance with all State and Federal licensure and regulatory requirements. The standard does not specifically require a local license, however, one is required on the application for a supplier number. Eighty-seven percent of suppliers had the appropriate business license.

However, we estimated that 13 percent (18 of 137) of the supplier population was operating without a current license at the time of our inspection. Projected to the supplier population included in our sample, this equals about 640 DME suppliers.

In several instances, a supplier had a current State business license, but the local license was expired. For example, one supplier in North Carolina had a current local license, however, the state license had expired about 15 months after the supplier was approved for a DME supplier number. The NSC verifies licensure at application and reenrollment, but has no system to assure that suppliers remain licensed during the three-year interim period between initial enrollment and reenrollment.

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### **Fifty Percent of Suppliers Failed the Standard to Provide Consumer Information**

One Medicare standard requires that suppliers make a list of all 11 Medicare supplier standards available to each beneficiary. The list of standards lets beneficiaries know the responsibilities of suppliers. The list also functions, in part, as a statement of beneficiary rights. For example, a beneficiary with a rented wheelchair could reference the list of standards and know that the supplier is responsible for repairs. Similarly, beneficiaries could look at the list and see that suppliers must accept the return of items which are substandard or unsuitable.

Fifty-six of 112 suppliers we inspected for this standard, or 50 percent of suppliers nationwide, did not disclose the supplier standards to beneficiaries. Projected to our sample of 4,927 suppliers, this equals about 2,463 suppliers.

Many suppliers told us they were not even familiar with the requirement. In one case, a supplier with a poster-size copy of the standards on the wall behind his desk claimed never to have heard of Medicare supplier standards. Of note, in our 1997 inspection, we also reported that suppliers most often failed to comply with the standard.

## RECOMMENDATIONS

We believe that DME supplier compliance with Medicare standards has improved substantially since our 1997 inspection. Because we used different methodologies, we cannot directly compare the results of this inspection to the results of our 1997 inspection. However, the 1997 inspection showed varying levels of non-compliance with all standards except one. Our current inspection shows that the supplier noncompliance rate was relatively low or non-existent for all Medicare standards except one. Only one standard had a non-compliance rate greater than 13 percent.

We believe that much of the improvement can be attributed to physical site inspections by an NSC contractor, ChoicePoint, Inc. If a supplier does not meet standards as documented by the ChoicePoint site inspection, the National Supplier Clearinghouse does not grant a Medicare supplier number. In many instances, noncompliance occurred after a supplier number was issued. In recognition of the value of onsite inspections, the NSC recently began performing site inspections on its own in one State.

If CMS desires to further improve the compliance rate, however, we offer the following options for consideration.

- C CMS and the NSC could implement efforts to educate suppliers about the requirement to provide beneficiaries a list of supplier standards. This could be done in their letter transmitting a number to an approved supplier. The NSC could emphasize compliance with Medicare supplier standards, which are included in the package accompanying the letter. Such education would help assure that beneficiaries know their rights and supplier obligations to them.
- C CMS could revise its standards to require suppliers to transmit a copy of the Medicare supplier standards to each beneficiary at the time of each sale or rental. This would enable beneficiaries to question suppliers and help enforce compliance.
- C CMS and the NSC could institute random, unannounced site inspections of supplier operations. Such inspections should be made at times other than the time of initial enrollment or reenrollment.

Enforcing full compliance with each standard is difficult and could be cost prohibitive. In our 1997 report, we recommended that CMS charge suppliers an application fee. We did not assess the benefits of such a fee in our present inspection. However, we continue to believe such fees would help assure that only legitimate DME suppliers are approved for a Medicare number. Further, the fees would help offset CMS' cost of doing site inspections to assure that suppliers comply with all Medicare standards.



Further, CMS' additional supplier standards that became effective in December 2000 should help enforce compliance with all DME standards. For example, the standards require suppliers to keep records on and document compliance with standards for rental repairs, warranty work, and notifying beneficiaries of a rental or purchase option. The standards also require suppliers to document that they furnish beneficiaries a copy of the supplier standards.

### **Agency Comments**

The CMS concurred with our findings. CMS outlined several initiatives that we believe respond to our recommendations. First, CMS plans to increase site visits on suppliers that do not comply with standards, and to reward those that pass. Additionally, CMS plans to assess the impact of the new supplier standards. Finally, during their site inspections, CMS compliance inspectors are also charged with educating suppliers on requirements to provide beneficiaries with a copy of the Medicare DME supplier standards. The full text of CMS' comments are presented in Appendix E.

# APPENDIX A

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## SUPPLIER STANDARDS IN EFFECT AT THE TIME OF OUR FIELDWORK June through September 2000

1. A supplier will fill orders from its own inventory or inventory of other companies with which it has contracts to fill such orders; or fabricates or fits such items for sale from supplies it buys under contract.
2. A supplier is responsible to oversee delivery of Medicare covered items to Medicare beneficiaries.
3. A supplier honors all warranties, express or implied, under applicable State law.
4. A supplier will answer all questions or complaints a beneficiary has about an item or use of an item that is sold or rented to the beneficiary, and refers beneficiaries with Medicare questions to the appropriate carrier.
5. A supplier maintains and repairs directly, or through a service contract with another company, items it rents to a beneficiary.
6. A supplier accepts returns of substandard (less than full quality for a particular item) or unsuitable items (inappropriate for the beneficiary at the time it was fitted and/or sold) from the beneficiary.
7. A supplier discloses consumer information to each beneficiary with whom it does business. This consists of a copy of these supplier standards to which it must conform.
8. A supplier complies with the disclosure provisions in Title XI of the Social Security Act, section 1124(a).
9. A supplier must comply with all State and Federal licensure and regulatory requirements.
10. A supplier must maintain a physical facility on an appropriate site.
11. A supplier must have proof of appropriate liability insurance.

## APPENDIX B

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### SUPPLIER STANDARDS EFFECTIVE DECEMBER 2000

1. A supplier must operate its business and furnish Medicare covered items in compliance with all provisions of Medicare law.
2. A supplier must not make or cause to be made, any false statements or misrepresentation of a material fact on an application for a billing number.
3. A supplier must furnish various documentation to CMS upon request demonstrating compliance with supplier standards.
4. A supplier must notify a beneficiary that they may rent or purchase certain items.
5. A supplier's application must be signed by an individual whose signature binds a supplier.
6. A supplier cannot convey or reassign a supplier number.
7. A supplier must maintain a primary business telephone at the physical facility. This telephone number must be listed under the name of the business in the business portion of the local telephone company directory. The exclusive use of a beeper number, answering service, pager, facsimile machine, car phone, or an answering machine may not be used as the primary business telephone for purposes of this regulation.
8. As required by sections 1834(a)(17)(A) and 1834(h)(3) of the Act, a supplier of a Medicare covered item must agree not to contact a beneficiary by telephone regarding the furnishing of a Medicare covered item to the individual unless the individual has given written permission, the supplier has furnished an item to the individual already, or the supplier is contacting the individual regarding a furnished item.
9. Only a supplier that is licensed to dispense the drug may bill for a drug used as a Medicare covered supply with durable medical equipment or prosthetic devices. A supplier must bill and receive payment for the drug in its own name.

# APPENDIX C

## LOCATIONS OF SITE INSPECTIONS

STATE	CITY	STATE	CITY
AZ	PARKER	FL	BOCA RATON
	YUMA		CORAL GABLES
CA	AUBURN		DELRAY BEACH
	BAKERSFIELD		FT LAUDERDALE
	BORREGO SPRINGS		MIAMI
	BRAWLEY		MIAMI BEACH
	CHATSWORTH		POMPANO BEACH
	CHULA VISTA		SOUTH MIAMI
	EL CENTRO	IA	DAVENPORT
	GRASS VALLEY	IL	CHICAGO HEIGHTS
	HOLLYWOOD		GENESEO
	HOLTVILLE		HARVEY
	INDIO		KANKAKEE
	LANCASTER		LYNDON
	LOS ANGELES		MOLINE
	N HIGHLANDS		ORLAND PARK
	NEWHALL		PEORIA
	OROVILLE		POLO
	PALMDALE		ROCK ISLAND
	PAUMA VALLEY		TINLEY PARK
	PORTERVILLE		WALNUT
	RIO LINDA	IN	DEMOTTE
	ROSEVILLE		GRIFFITH
	TULARE		HIGHLAND
	YUBA CITY		MERRILLVILLE
CT	BRISTOL		MUNSTER
	CROMWELL	KS	SATANTA
	EAST HARTFORD	MS	ACKERMAN
	EAST WINDSOR		CALHOUN CITY
	GLASTONBURY		COLUMBUS
	HARTFORD		GRENADA
	NEWINGTON		KILMICHAEL
	PLAINVILLE		LOUISVILLE
	SIMSBURY		SMITHVILLE
			STARKVILLE
			TUPELO

## APPENDIX C continued

STATE	CITY	STATE	CITY
NC	BUTNER	OH	ACKRON
	CARY		BEDFORD HTS
	DURHAM		BROADVIEW HTS
	MORRISVILLE		CLEVELAND
	RALEIGH		GARFIELD HTS
	ROXBORO		NORTH ROYALTON
	WAKE FOREST		NORTHFIELD
NJ	COLUMBUS		PARMA
	EAST BRUNSWICK		VALLEY VIEW
	EAST WINDSOR		WALTON HILLS
	EDISON	OK	ELK CITY
	FREEHOLD		GRANDFIELD
	HAMILTON		HYDRO
	HAMMONTON		LAWTON
	LAWRENCEVILLE		WEATHERFORD
	LITTLE EGG HARBOR		WOODWARD
	MARLTON	SC	CAYCE
	MATAWAN		CHAPIN
	MEDFORD		COLUMBIA
	MILLTOWN		IRMO
	MONROE		LEESVILLE
	OLD BRIDGE		PELION
	PARLIN		WAGENER
	PEMBERTON	WEST COLUMBIA	
PERTH AMBOY	TX	BORGER	
PRINCETON		CANADIAN	
SOUTH AMBOY		SEYMOUR	
SOUTH BRUNSWICK		VERNON	
TRENTON		WHEELER	
NV	LAUGHLIN		

# APPENDIX D

## POINT ESTIMATES AND CONFIDENCE INTERVALS

For those suppliers in our sample that did not meet the standards, we estimated the percentage of the supplier population that was out of compliance. Our sample of 165 suppliers allows us to predict noncompliance with 95 percent confidence. For example, we report 8 percent of all suppliers did not have appropriate liability insurance. We are confident at the 95 percent level that the actual population estimate lies between 3 and 13 percent.

<b>Supplier Standard</b>	<b>Point Estimate</b>	<b>95% Confidence Interval</b>
Physical address	1%	0 - 4%
Inventory	5%	1 - 9%
Liability insurance	8%	3 - 13%
Appropriate licensure	13%	1 - 25%
Supplier standards/Consumer information	50%	34 - 66%

## APPENDIX E

In this appendix, we present in full the comments from the Centers for Medicare and Medicaid Services.

