

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**Medicare Maintenance Payments for
Capped Rental Equipment**



**JANET REHNQUIST
INSPECTOR GENERAL**

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EXECUTIVE SUMMARY

PURPOSE

To determine the cost-effectiveness of Medicare maintenance payments for capped rental equipment.

BACKGROUND

Medicare Part B pays for certain pieces of durable medical equipment such as hospital beds, nebulizers, and wheelchairs under the capped rental category. Payments for capped rental equipment are made monthly and cannot exceed 15 months of rental. After the rental period has ended, Medicare will pay for either the continuing maintenance or repair of these items. In 2000, Medicare paid approximately \$111 million for maintenance and \$19 million for repairs of capped rental equipment. Medicare beneficiaries were responsible for 20 percent of these payments in the form of coinsurance.

Once a Medicare beneficiary has been renting the equipment for 10 consecutive months, the supplier must give the beneficiary the option of purchasing the equipment. If a beneficiary chooses to continue renting the equipment, Medicare will pay for an additional 5 months of rental. Suppliers may then bill for maintenance and servicing of the equipment beginning 6 months after the rental period has ended and every 6 months thereafter. Maintenance billed in one month covers any servicing performed for 6 months following the service date. Suppliers are not required to perform maintenance in order to receive the semi-annual maintenance payment. If the beneficiary chooses to purchase the equipment, Medicare will pay for 13 months of rental. After the rental period has ended, Medicare will pay for repairs on purchased equipment when service is performed.

We primarily focused on two sources of information for this report: (1) a 5-year review (1996 to 2000) of maintenance and repair payments for capped rental equipment that beneficiaries decided to rent or purchase in 1996 and (2) a survey of suppliers who received payment from Medicare for the maintenance and servicing of capped rental equipment in June 2000.

FINDINGS

Medicare paid substantially more for maintenance than repairs over a 5-year period for the 31 equipment codes in our review

We tracked, over a 5-year period (1996 to 2000), the maintenance and repair payments for 3,553 pieces of equipment representing 31 equipment codes that beneficiaries decided to rent or purchase in 1996. We found that, on average, Medicare paid substantially more for maintenance on rented equipment than repairs on purchased equipment over the 5 years.

For half of the 31 equipment codes, there were no associated repairs over the 5-year period.

We found that, overall, Medicare would have saved 96 percent of the maintenance payments made to suppliers for the services in our review had Medicare paid for actual equipment repair rather than routine maintenance. If this 96 percent is applied to the total maintenance payments for the 31 codes in 2000, Medicare would have saved \$98 million of the \$102 million paid for maintenance that year.

Only 9 percent of capped rental equipment actually received any maintenance and servicing from June to December 2000

In addition to a 5-year review comparing maintenance payments to repair payments, we also reviewed a sample of equipment to determine if any maintenance and servicing was actually provided. Out of 964 maintenance services with a June 2000 service date, we requested documentation for a sample of 260 services. Overall, just 9 percent of the capped rental equipment with a June 2000 service date actually received any servicing between June and December 2000. We estimate that of the \$7.3 million Medicare paid for maintenance services from June 2000, \$6.5 million was paid for equipment that received no actual servicing.

CONCLUSION

The findings of this report illustrate that Medicare's current policy of paying for maintenance and servicing of capped rental equipment is not cost-effective. We found that Medicare pays substantially more in maintenance payments for rented items than it does for actual repairs on purchased equipment. In addition, we found that Medicare beneficiaries are receiving little or no routine maintenance on their rented equipment.

RECOMMENDATION

We recommend that the Centers for Medicare & Medicaid Services eliminate the semi-annual maintenance payment currently allowed for capped rental equipment and pay only for repairs when needed. We believe this change would result in nearly \$100 million dollars being saved each year by Medicare and its beneficiaries. As a broader issue relating to capped rental equipment, CMS may also want to consider if eliminating the 15-month rental option would be a viable solution. By requiring any continuous rentals to be converted to a purchase after the 13th month of rental, the need for the semi-annual maintenance payment would automatically be eliminated.

Agency Comments

The CMS agreed with our recommendation and stated that they will consider a legislative initiative to eliminate the 15-month rental option. This initiative would result in significant savings to the Medicare program by eliminating the semi-annual maintenance and servicing fee and by eliminating monthly rental payments for months 14 and 15. Appendix E contains the full text of CMS' comments.

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INTRODUCTION

PURPOSE

To determine the cost-effectiveness of Medicare maintenance payments for capped rental equipment.

BACKGROUND

Title XVIII of the Social Security Act established coverage requirements for Part B of the Medicare Program. Medicare Part B pays for certain pieces of durable medical equipment such as hospital beds, nebulizers, and wheelchairs under the capped rental category. Capped rental equipment generally costs more than \$150 and is not routinely purchased, service intensive, or customized. Payments for capped rental equipment are made monthly and cannot exceed 15 months of rental. After the monthly rental period has ended, Medicare will pay for either the continuing maintenance or repairs of these items. In 2000, Medicare paid approximately \$111 million for maintenance and \$19 million for repairs of capped rental equipment. Medicare beneficiaries were responsible for 20 percent of these payments in the form of coinsurance.

Once a Medicare beneficiary has been renting the equipment for 10 consecutive months, the supplier must give the beneficiary the option of purchasing the equipment. If a beneficiary chooses to continue renting the equipment, Medicare will pay for an additional 5 months of rental. After that time, the supplier retains ownership of the equipment and Medicare will cover maintenance and servicing every 6 months. If the beneficiary chooses to purchase the equipment, the rental payments for the equipment end at 13 months instead of 15 months. The supplier then transfers the title of the equipment to the beneficiary and Medicare pays only for necessary repairs.

Medicare Maintenance Payments for Rented Equipment

For equipment that beneficiaries have elected to continue to rent, Medicare will pay for routine maintenance and servicing after the 15 month rental cap has been reached. If beneficiaries do not inform suppliers of their decision, it is assumed that the beneficiary will continue to rent the equipment. Suppliers may begin billing for maintenance and servicing 6 months after the rental period has ended, and then they may bill once every 6 months thereafter. The semi-annual maintenance payment covers any maintenance performed during the 6-month time period following the service date billed on the claim. Medicare pays for this maintenance and servicing regardless of whether or not the equipment is actually serviced by suppliers.

Medicare Repair Payments for Purchased Equipment

For equipment that beneficiaries have elected to purchase at the end of the rental period, suppliers may bill Medicare for repairs when they are performed. Repairs include reasonable and necessary charges for parts and labor which are not covered under any manufacturer or supplier warranty. Routine periodic servicing of equipment is not covered. However, more extensive maintenance which is recommended by the manufacturer is covered as repairs. These repairs, which should be performed by authorized technicians, can include breaking down sealed components and performing tests which require specialized testing equipment.

METHODOLOGY

We primarily focused on two sources of information for this report: (1) a 5-year review (1996 to 2000) of maintenance and repair payments for capped rental equipment that beneficiaries decided to rent or purchase in 1996 and (2) a survey of suppliers who received payment from Medicare for the maintenance and servicing of capped rental equipment in June 2000.

5-Year Data Review

Data Collection and Analysis. We began with a 1 percent file of durable medical equipment services from CMS' 1996 National Claims History file. We extracted all capped rental services with a BR or BP modifier indicating that the beneficiary made a decision either to continue to rent the equipment (BR modifier) or to purchase the equipment (BP modifier). Then using CMS' National Claims History File data from 1996 through 2000, we extracted all of the services for those beneficiaries who decided to rent or purchase equipment in 1996. It is possible that during the 5 years we tracked, beneficiaries may have stopped using their rented or purchased equipment due to changes in medical condition or death. We did not review individual beneficiary histories to determine if the need for the equipment continued over the 5-year period reviewed.

There was a total of 60 different equipment codes representing 1,251 pieces of equipment that beneficiaries decided to purchase and 2,359 pieces of equipment that beneficiaries decided to continue renting in 1996. Of these 60 codes, only 31 had both rented and purchased equipment. These 31 codes had a total of 1,244 purchased items and 2,309 rented items. We used these 31 codes for our review. Two of these codes were terminated in 1999 and replaced by other codes. In these instances, we included the maintenance and repair payments for both the original and replacement codes in our totals.

For the beneficiaries who decided to rent a particular piece of equipment in 1996, we extracted all of their maintenance services for that equipment code (indicated by an MS modifier) from the 1996 to 2000 data. We determined the number of maintenance services received in each year and the dollar amount associated with the maintenance services.

For the beneficiaries who decided to purchase a piece of equipment in 1996, we extracted all of their repair and labor charges associated with that equipment from 1996 to 2000. To do this, we selected all the beneficiaries' services with an RP modifier for repairs as well as services billed with codes E1340 and E1350 to account for labor charges. Since a beneficiary may have decided to purchase more than one piece of equipment over the years, we reviewed the list of repair services to determine if it was an appropriate code for the piece of equipment the beneficiary decided to purchase in 1996. We then compiled a list of appropriate repair codes for each piece of equipment purchased in 1996. We included all E1340 and E1350 charges, as well as all E1399 services (for miscellaneous durable medical equipment) billed with an RP modifier in this list. We determined the number of repair services received in each year and the dollar amount associated with those repair services.

For each code in our review, we determined the average of maintenance payments for rented equipment and the average of repair payments for purchased equipment. We did this by aggregating all the maintenance and repair payments over 5 years and dividing by the total number of equipment rented or purchased in 1996 respectively. Throughout this report, we refer to these averages as "average maintenance payment" and "average repair payment." To calculate the 5-year dollar savings if the program paid only for equipment repair and not maintenance, we began by subtracting the average repair payment from the average maintenance payment for each code. We then multiplied this number by the total number of equipment rented in 1996 for each of the codes. To calculate the Medicare savings for the services in our review, we aggregated the dollar savings for each individual equipment code. To determine the savings percentages for each equipment code and overall, we took the amount that Medicare would save if the program paid for equipment repair rather than maintenance, and divided it by the total maintenance payments from 1996 to 2000. To calculate total Medicare savings, we applied the overall savings percentage to the total projected amount Medicare paid for maintenance between 1996 and 2000 on these 31 codes. The maintenance and repair payments for the 31 equipment codes are provided in Appendix A. Point estimates and confidence intervals are provided in Appendix D.

Survey Data

Sample Design. We began with a 1 percent file of durable medical equipment services from CMS' 2000 National Claims History file which included all claims processed through December 2000. From this file, we extracted all paid services with an MS modifier indicating maintenance and servicing was billed. We verified that all the equipment codes billed with an MS modifier were for capped rental equipment.

We selected our sample maintenance services from 1 month, June 2000. A single maintenance service covers a 6-month time frame during which maintenance can be performed. Our analysis indicated that June 2000 was similar to the other months of 2000 in terms of the number of maintenance services paid and allowed charges. We removed services for deceased beneficiaries, and then selected a stratified random sample of maintenance services with a service date from June 2000. We stratified our sample to

ensure that we would have a variety of equipment types to review. Our sample contained four strata based on equipment type. Stratum one included wheelchairs and accessories, stratum two included nebulizers, stratum three included hospital beds and accessories, and stratum four included all other equipment such as continuous positive airway pressure (CPAP) devices, patient lifts, and commodes. After eliminating services for suppliers under review by our Office of Investigations, our sample consisted of 260 maintenance services. These services represent 26 different equipment codes. A description of our sample is presented in Table 1 below. A list describing the 26 equipment codes in our sample is provided in Appendix B.

Table 1. Sample of Maintenance Services from June 2000

Strata	Equipment Type	Sampling Frame	Sample
1	Wheelchairs and Accessories	348	65
2	Nebulizers	241	65
3	Hospital Beds and Accessories	227	65
4	All Other Equipment	148	65
TOTAL		964	260

Data Collection and Analysis. We mailed surveys to the suppliers who billed for the June 2000 maintenance services in our sample. We collected this data from suppliers from April to July 2001. The survey asked suppliers whether or not they provided any maintenance, servicing, or repairs on the equipment between June and December 2000. We asked suppliers to indicate the dates they performed the service, to describe the type of maintenance performed, and to include documentation of the service. If suppliers indicated that on a visit they checked, cleaned, repaired, tested, replaced a part, or exchanged the equipment, we counted this as maintenance and servicing. If the supplier indicated that they called the beneficiary to see if service was needed or if they mailed supplies to beneficiaries, we did not count this as maintenance and servicing.

We sent a second request to providers who did not respond to our initial survey request. In a third and final request, we informed suppliers that for the purposes of our study, we would conclude that no maintenance or servicing was performed from June to December 2000 if we did not receive a response. We received responses for 250 of the 260 services in our sample. We did not receive responses for 10 of our sample services. For eight of these services, it appeared that suppliers received all three of our requests; therefore, we concluded that there was no documentation to support these maintenance services. We were not able to locate suppliers for two of these services; therefore, we excluded these services from our analysis. Our sample for analysis consisted of 258 services. Estimates and confidence intervals for all statistics regarding our sample data are projected to the universe of maintenance services for June 2000. The estimates and confidence intervals are provided in Appendix D.

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

Our detailed 5-year analysis which involved tracking more than 3,500 pieces of capped rental equipment for beneficiaries who decided to rent or purchase the equipment in 1996 demonstrated that Medicare paid substantially more for maintenance on rented equipment than repairs on purchased equipment. Furthermore, our additional analysis of supplier documentation for more than 250 maintenance services from June 2000 found only 9 percent of the capped rental equipment actually received any maintenance and servicing. The combination of these two findings provides strong evidence that Medicare's current policy of paying for maintenance and servicing of capped rental equipment is not cost-effective.

Medicare paid substantially more for maintenance than repairs over a 5-year period for the 31 equipment codes in our review

We tracked, over a 5-year period (1996 to 2000), the maintenance and repair payments for 3,553 pieces of equipment representing 31 capped rental equipment codes that beneficiaries decided to rent or purchase in 1996. We found that, on average, Medicare paid substantially more for maintenance on rented equipment than repairs on purchased equipment over the 5 years. Between 1996 and 2000, there was only one equipment code where the average repair payment was more than the average maintenance payment. For half of the 31 codes, there were no associated repairs over the 5-year period. There were 21 equipment codes where Medicare would have saved over 90 percent of maintenance payments had the program paid for repairs rather than maintenance on the equipment. The seven equipment codes with the highest dollar savings in our review are presented in Table 2 on the next page. Appendix A contains a comparison of the repair and maintenance payments for all 31 equipment codes.

We found that, overall, Medicare would have saved 96 percent of the maintenance payments made for the services in our review had Medicare paid for actual equipment repair rather than routine maintenance. If we apply this 96 percent to the estimated \$49 million paid for maintenance over the 5 years, Medicare would have saved \$47 million on this equipment. This savings is based only on the maintenance payments for beneficiaries who decided to rent rather than purchase the 31 types of equipment in 1996. If this 96 percent is applied to the total maintenance payments for the 31 equipment codes in 2000, Medicare would have saved \$98 million of the \$102 million paid for maintenance that year.

Table 2. Average Repair and Maintenance Payments for Selected Equipment (1996 to 2000)

Equipment Code	Description of Equipment	Average Repair Payment for all Purchased Items over 5-Year Period	Average Maintenance Payment for all Rented Items over 5-Year Period	Dollar Savings if Medicare Paid for Repairs Instead of Maintenance
E0260	Hospital bed, semi-electric	\$10.36	\$413.09	\$163,105.65
K0001	Standard wheelchair	\$5.07	\$111.41	\$52,850.98
E0277	Powered pressure reducing air mattress	\$39.42	\$712.91	\$44,450.34
K0003	Lightweight wheelchair	\$12.96	\$221.59	\$29,834.09
K0004	High strength, lightweight wheelchair	\$0.51	\$330.57	\$29,045.28
E0255	Hospital bed, variable height	\$0.00	\$330.08	\$28,056.80
E0570	Nebulizer, with compressor	\$0.68	\$61.76	\$27,302.76

Source: OIG review of CMS' National Claims History File Data, 1996-2000

Only 9 percent of capped rental equipment actually received any maintenance and servicing from June to December 2000

In addition to a 5-year review comparing maintenance payments to repair payments, we also reviewed a sample of equipment to determine if any maintenance and servicing was actually provided. Out of 964 maintenance services with a June 2000 service date, we requested documentation for a sample of 260 services. Overall, just 9 percent of the capped rental equipment with a service date in June 2000 actually received any servicing between June and December 2000. Current Medicare regulations allow suppliers to be paid for maintenance and servicing even if they do not perform any service. We estimate that of the \$7.3 million Medicare paid for maintenance services from June 2000, \$6.5 million was paid for equipment that received no actual servicing.

Of the 26 equipment codes in our sample, less than one-third received any servicing from June to December 2000. In terms of equipment type, 16 percent of nebulizers, 9 percent of hospital beds, 2 percent of wheelchairs, and 17 percent of other equipment such as CPAP devices and suction pumps received maintenance during this time frame.

For the 91 percent of equipment that did not receive any maintenance, some suppliers indicated why they had not performed any servicing. Twenty-eight suppliers indicated that although they did not perform maintenance from June to December 2000, they had performed maintenance on the equipment sometime during the last 3 years. However, most made only one visit during this time. Fifteen suppliers indicated that no maintenance was performed because they wait for the beneficiary to call them for service. Ten suppliers indicated they did not service the equipment because they phoned the beneficiary and were told that the equipment was working properly.

Seven suppliers indicated that they provided filters for the equipment but that the beneficiaries were able to replace the filters themselves; therefore, a maintenance visit was not necessary.

Of the 9 percent of equipment that received maintenance and servicing from June to December 2000, most (24 of 28 items) received just one maintenance visit. Only four pieces of equipment received more than one maintenance visit in the 6-month time period. For a majority of equipment, the one maintenance visit included having a part replaced. Of the equipment that had a part replaced, five were hospital beds that had parts such as a crank, head board, and hand control cable replaced. Three nebulizers had accessory parts such as filters replaced, and three CPAP devices had accessory parts such as filters and tubing replaced. Even though suppliers are allowed to bill Medicare separately for nebulizer and CPAP filters and other accessories, we considered it maintenance and servicing if the supplier, not the beneficiary, replaced these parts.

Some suppliers performed other types of maintenance and servicing including checking, cleaning, testing, repairing, or exchanging the equipment. While suppliers performed multiple types of service on some equipment, three-quarters of the equipment received only one type of maintenance on a single visit. See Appendix C for the type of maintenance and servicing performed on all of the equipment reviewed.

CONCLUSION

The findings of this report illustrate that Medicare's current policy of paying for maintenance and servicing of capped rental equipment is not cost-effective. We found that Medicare pays substantially more in maintenance payments for rented items than it does for actual repairs on purchased equipment. In addition, we found that Medicare beneficiaries are receiving little or no routine maintenance on their rented equipment.

RECOMMENDATION

We recommend that the Centers for Medicare & Medicaid Services eliminate the semi-annual maintenance payment currently allowed for capped rental equipment and pay only for repairs when needed. We believe this change would result in nearly \$100 million dollars being saved each year by Medicare and its beneficiaries. As a broader issue relating to capped rental equipment, CMS may also want to consider if eliminating the 15-month rental option would be a viable solution. By requiring any continuous rentals to be converted to a purchase after the 13th month of rental, the need for the semi-annual maintenance payment would automatically be eliminated.

Agency Comments

The CMS agreed with our recommendation and stated that they will consider a legislative initiative to eliminate the 15-month rental option. This initiative would result in significant savings to the Medicare program by eliminating the semi-annual maintenance and servicing fee and by eliminating monthly rental payments for months 14 and 15. Appendix E contains the full text of CMS' comments.

**Comparison of Repair and Maintenance Payments
for 31 Equipment Codes (1996 to 2000)**

Equipment Code	Equipment Description	Average Repair Payment for all Purchased Items over 5-Year Period	Average Maintenance Payment for all Rented Items over 5-Year Period	Difference between Average Maintenance and Average Repair Payment	Dollar Savings if Medicare Paid for Repairs Instead of Maintenance	Percent Savings if Medicare Paid for Repairs Instead of Maintenance
E0146	Folding walker	\$0.00	\$0.00	\$0.00	\$0.00	0%
E0165	Commode chair	\$6.58	\$21.78	\$15.20	\$334.40	70%
E0180	Pressure pad, alternating w/pump	\$25.28	\$37.70	\$12.42	\$422.28	33%
E0181	Pressure pad, alternating w/pump, heavy duty	\$0.00	\$37.00	\$37.00	\$1,073.00	100%
E0235	Paraffin bath unit, portable	\$0.00	\$0.00	\$0.00	\$0.00	0%
E0250	Hospital bed, fixed height	\$0.00	\$118.04	\$118.04	\$1,180.40	100%
E0255	Hospital bed, variable	\$0.00	\$330.08	\$330.08	\$28,056.80	100%
E0260	Hospital bed, semi-electric	\$10.36	\$413.09	\$402.73	\$163,105.65	97%
E0265	Hospital bed, total electric	\$0.00	\$465.41	\$465.41	\$2,792.46	100%
E0277	Powered pressure reducing air mattress	\$39.42	\$712.91	\$673.49	\$44,450.34	94%
E0452	Intermittent assist device with CPAP	\$0.00	\$1,287.16	\$1,287.16	\$16,733.08	100%
E0480	Percussor	\$0.00	\$0.00	\$0.00	\$0.00	0%
E0570	Nebulizer, with compressor	\$0.68	\$61.76	\$61.08	\$27,302.76	99%
E0600	Suction pump	\$0.00	\$60.88	\$60.88	\$1,826.40	100%
E0601	Continuous positive airway pressure (CPAP) device	\$0.00	\$417.10	\$417.10	\$24,608.90	100%
E0630	Patient lift, hydraulic	\$18.82	\$235.67	\$216.85	\$10,842.50	92%
E0745	Neuro-muscular stimulator for shock	\$0.00	\$106.41	\$106.41	\$532.05	100%

APPENDIX A

Equipment Code ¹	Equipment Description	Average Repair Payment for all Purchased Items over 5-Year Period	Average Maintenance Payment for all Rented Items over 5-Year Period	Difference between Average Maintenance and Average Repair Payment	Dollar Savings if Medicare Paid for Repairs Instead of Maintenance	Percent Savings if Medicare Paid for Repairs Instead of Maintenance
E0910	Trapeze bar, attached to	\$0.00	\$44.56	\$44.56	\$2,450.80	100%
E0940	Trapeze bar, free standing	\$0.00	\$37.40	\$37.40	\$598.40	100%
E1031	Rollabout chair	\$0.00	\$50.25	\$50.25	\$552.75	100%
K0001	Standard wheelchair	\$5.07	\$111.41	\$106.34	\$52,850.98	95%
K0002	Standard hemi (low seat) wheelchair	\$31.72	\$140.52	\$108.80	\$1,958.40	77%
K0003	Lightweight wheelchair	\$12.96	\$221.59	\$208.63	\$29,834.09	94%
K0004	High strength, lightweight wheelchair	\$0.51	\$330.57	\$330.06	\$29,045.28	100%
K0006	Heavy-duty wheelchair	\$13.29	\$333.49	\$320.20	\$7,044.40	96%
K0007	Extra heavy-duty	\$0.00	\$457.44	\$457.44	\$2,744.64	100%
K0010	Standard weight frame power wheelchair	\$253.10	\$687.56	\$434.46	\$2,606.76	63%
K0011	Standard weight powered wheelchair w/control	\$279.22	\$836.84	\$557.62	\$7,249.06	67%
K0012	Lightweight portable power wheelchair	\$199.15	\$0.00	(\$199.15)	(\$199.15))
K0193	CPAP device, with humidifier	\$0.00	\$0.00	\$0.00	\$0.00	0%
K0195	Elevating wheelchair leg rests	\$0.27	\$39.03	\$38.76	\$6,356.64	99%
TOTAL					\$466,354.07	96%
PROJECTED TOTAL					\$46,635,407	

Source: OIG review of CMS' National Claims History File Data, 1996-2000

¹ In October 1999, equipment code E0452 was replaced by code K0532 and equipment code K0193 was replaced by code E0601. We included the maintenance and repair payments for both the original and replacement codes in our review.

Description of 26 Equipment Codes in Maintenance Review

STRATA 1 - WHEELCHAIRS AND ACCESSORIES

Codes	Description
E1090	High-strength lightweight wheelchair; detachable arms, desk or full-length, swing-away, detachable footrests
E1150	Wheelchair; detachable arms, desk or full-length, swing-away, detachable, elevating legrests
K0001	Standard wheelchair
K0002	Standard hemi (low seat) wheelchair
K0003	Lightweight wheelchair
K0004	High strength, lightweight wheelchair
K0006	Heavy-duty wheelchair
K0007	Extra heavy-duty wheelchair
K0012	Lightweight portable motorized/power wheelchair
K0101	One-arm drive attachment, each
K0195	Elevating legrest, pair (for use with capped rental wheelchair base)

STRATA 2 - NEBULIZERS

Codes	Description
E0570	Nebulizer, with compressor

STRATA 3 - HOSPITAL BEDS AND ACCESSORIES

Codes	Description
E0250	Hospital bed, fixed height, with any type side rails, with mattress
E0255	Hospital bed, variable height, hi-lo, with any type side rails, with mattress
E0260	Hospital bed, semi-electric (head and foot adjustment), with any type side rails, with mattress
E0265	Hospital bed, total electric (head, foot, and height adjustments), with any type side rails, with mattress
E0910	Trapeze bar, also know as Patient Helper, attached to bed, with grab bar

STRATA 4 - ALL OTHER EQUIPMENT

Codes	Description
E0146	Folding walker, wheeled, with seat
E0165	Commode chair, stationary, with detachable arms
E0180	Pressure pad, alternating with pump
E0181	Pressure pad, alternating with pump, heavy duty
E0277	Powered pressure reducing air mattress
E0600	Suction pump, home model, portable
E0601	Continuous positive airway pressure (CPAP) device
E0630	Patient lift, hydraulic, with seat or sling
K0532	Respiratory assist device, bi-level pressure capability, without backup rate feature, used with noninvasive interface, e.g., nasal or facial mask

Source: 2000 HCPCS published by Medicode Inc.

Maintenance and Servicing Performed On 26 Equipment Codes Reviewed

The table below shows the equipment that received maintenance and servicing from June through December 2000, as well as the different types of maintenance and servicing performed for each equipment code. A check indicates that at least one piece of equipment for that code received a particular type of maintenance during the period of our review.

HCPCS Code	Equipment Description	Number in our Sample	Number that Received Maintenance June-Dec 2000	Number that Received One Visit June-Dec 2000	Number that Received More than One Visit June-Dec 2000	Type of Maintenance and Servicing					
						Checked	Cleaned	Tested	Repaired	Part replaced	Exchanged
Wheelchairs and Accessories											
E1090	High strength, lightweight wheelchair detachable arms	1	0	0	0	-	-	-	-	-	-
E1150	Wheelchair, standard, with leg rests	1	0	0	0	-	-	-	-	-	-
K0001	Standard wheelchair	25	0	0	0	-	-	-	-	-	-
K0002	Standard hemi (low seat) wheelchair	2	0	0	0	-	-	-	-	-	-
K0003	Lightweight wheelchair	8	0	0	0	-	-	-	-	-	-
K0004	High strength lightweight wheelchair	7	0	0	0	-	-	-	-	-	-
K0006	Heavy-duty wheelchair	4	0	0	0	-	-	-	-	-	-
K0007	Extra heavy-duty wheelchair	1	0	0	0	-	-	-	-	-	-
K0012	Lightweight portable power wheelchair	1	0	0	0	-	-	-	-	-	-
K0101	One-arm drive attachment	1	0	0	0	-	-	-	-	-	-
K0195	Elevating wheelchair leg rests	14	1	1	0	-	-	-	-	✓	-

APPENDIX C

HCPCS Code	Equipment Description	Number in our Sample	Number that Received Maintenance June-Dec 2000	Number that Received One Visit June-Dec 2000	Number that Received More than One Visit June-Dec 2000	Type of Maintenance and Servicing					
						Checked	Cleaned	Tested	Repaired	Part replaced	Exchanged
Nebulizers											
E0570	Nebulizer, with compressor	64	10	7	3	✓	✓	✓	✓	✓	✓
Hospital Beds and Accessories											
E0250	Hospital bed, fixed height	4	0	0	0	-	-	-	-	-	-
E0255	Hospital bed, variable height	7	0	0	0	-	-	-	-	-	-
E0260	Hospital bed, semi-electric	46	6	5	1	-	-	-	✓	✓	✓
E0265	Hospital bed, total electric	2	0	0	0	-	-	-	-	-	-
E0910	Trapeze bar	6	0	0	0	-	-	-	-	-	-
Other Equipment											
E0146	Folding walker	1	0	0	0	-	-	-	-	-	-
E0165	Commode chair	6	0	0	0	-	-	-	-	-	-
E0180	Pressure pad, alternating with pump	5	1	1	0	-	-	-	-	✓	-
E0181	Pressure pad, alternating with pump, heavy duty	1	0	0	0	-	-	-	-	-	-
E0277	Powered pressured reducing air mattress	2	1	1	0	-	-	-	-	✓	-
E0600	Suction pump	7	1	1	0	-	-	-	-	-	✓
E0601	Continuous positive airway pressure (CPAP) device	27	7	7	0	✓	-	-	-	✓	-
E0630	Patient lift, hydraulic	11	0	0	0	-	-	-	-	-	-
K0532	Respiratory assist device	4	1	1	0	✓	-	✓	-	-	-
Totals		258	28	24	4						

Source: OIG Survey Data, 2001

Estimates and Confidence Intervals

The table below contains statistical estimates presented in Findings section of this report. Point estimates and corresponding 95 percent confidence intervals were weighted based on the sample design as described in the Methodology section.

Statistic	Point Estimate	95 Percent Confidence Interval
Percent of Equipment that Received Maintenance and Servicing from June through December 2000	9.17%	5.88% - 12.46%
Percent of Nebulizers that Received Maintenance and Servicing from June through December 2000	15.63%	6.67% - 24.58%
Percent of Hospital Beds that Received Maintenance and Servicing from June through December 2000	9.23%	2.15% - 16.31%
Percent of Wheelchairs that Received Maintenance and Servicing from June through December 2000	1.54%	0.00% - 4.56%
Percent of Other Equipment that Received Maintenance and Servicing from June through December 2000	17.19%	7.89% - 26.48%
Total June 2000 Medicare Payments for Maintenance and Servicing where No Maintenance was Performed	\$6,508,828	\$5,888,202 - \$7,129,453
Total June 2000 Medicare Payments for Maintenance and Servicing	\$7,306,998	\$6,672,518 - \$7,941,479
Total 1996-2000 Medicare Payments for Maintenance and Servicing of Equipment that Beneficiaries Decided to Rent in 1996	\$48,607,283	\$47,227,524 - \$49,987,042
Total 1996-2000 Medicare Payments for Repairs of Equipment that Beneficiaries Decided to Purchase in 1996	\$5,192,415	\$4,532,632 - \$5,852,198

Comments from the Centers for Medicare & Medicaid Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

7500 Security Boulevard
Baltimore, MD 21244-1860

DATE: MAY - 8 2002

TO: Janet Rehnquist
Inspector General

FROM: Thomas A. Scully *Tom Scully*
Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report: *Medicare Maintenance Payments for Capped Rental Equipment*
(OEI-03-00-00410)

Thank you for the opportunity to comment on the above-referenced report. We have reviewed the OIG's draft report, which is part of its continuing work to look at pricing of durable medical equipment and supplies. The OIG found Medicare pays substantially more through the semi-annual maintenance payment arrangement for rented equipment than it does for actual repairs on purchased items. Furthermore, the OIG found that rented equipment receives little or no routine maintenance.

As a result, the OIG recommends the Centers for Medicare & Medicaid Services (CMS) eliminate the semi-annual maintenance payments for rental equipment and, instead, pay for repairs when needed. According to the OIG, this change would result in approximately \$100 million being saved each year by Medicare and its beneficiaries.

The CMS agrees with the OIG's findings and recognizes the large savings that would result if the recommendation were implemented. We will consider a legislative initiative to revise the statute so that the 15-month rental option is eliminated. If acted upon by Congress, this proposal would result in significant savings to the Medicare program through the elimination of unnecessary maintenance and service fees and additional program savings by eliminating Medicare rental payments for months 14 and 15. Medicare would cease paying suppliers after the 13th rental month after which ownership of the equipment would transfer to the beneficiary.

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Tara J. Bernabe, *Project Leader*
Cynthia R. Hansford, *Program Assistant*
Cortney Hayflinger, *Program Analyst*

Stephanie Lattin, *Program Specialist*
Brian Ritchie, *Technical Support Staff*