United States Senate
Committee on Finance

Sen. Chuck Grassley · Iowa
Ranking Member

http://finance.senate.gov
Press_Office@finance-rep.senate.gov

Contact: Jill Kozeny, 202/224-1308
Jill Gerber, 202/224-6522

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Grassley Revved Up Over Wasteful Medicare Spending on Power Wheelchairs

WASHINGTON—Senator Chuck Grassley today condemned the wasteful Medicare spending outlined in the Department of Health and Human Services, Office of the Inspector General report revealing that Medicare and its beneficiaries paid nearly four times the average paid by suppliers for standard power wheelchairs in the first half of 2007. The report also states that Medicare and its beneficiaries paid close to twice the average paid by suppliers for complex rehabilitation power wheelchair packages in the first half of 2007. A copy of the report, "Power Wheelchairs in the Medicare Program: Supplier Acquisition Costs and Services," is available here.

In April of 2004, Grassley, then chairman of the Finance Committee, held a hearing to draw attention to the widespread waste within the power wheelchair program. A copy of Grassley's statement at that hearing is copied below.

"At a time when every health care dollar counts, it's infuriating to learn that the government is throwing away money and is still overpaying for power wheelchairs," Grassley said. "It looks to me that not much has changed since my last hearing on power wheelchairs some five years ago. The Inspector General reports that in some cases, CMS was paying more than twice the price listed on the Internet. This translates into hundreds of millions of dollars wasted and costs beneficiaries millions of dollars in copayments. It's only common sense that you don't pay more for something than what's on the price tag – but too often common sense rules don't seem to apply in Washington."

For Immediate Release
April 28, 2004

Grassley keeps pressure on for clean-up of fraud and waste in power wheelchair program

Sen. Chuck Grassley said today that the Medicare officials need to act quickly to stop the scams and end the waste that riddle its power wheelchair program.

"Fraudulent schemes have made big money off this program because the equipment's expensive, the government pays more than anyone else, and the controls are lax," Grassley said. "The problems could be costing Medicare hundreds of millions of dollars every year. And, every dollar that's lost to fraud, waste and abuse is a dollar that doesn't go to beneficiaries who need the services and equipment provided by Medicare."

Grassley made his comments during a Senate hearing he convened to draw attention to the problem and review solutions. This hearing of the Finance Committee, where Grassley is chairman, featured two new audits completed by the Inspector General for the Department of Health and Human Services and testimony from the independent General Accounting Office.

Spending by Medicare over the last four years for power wheelchairs has increased by nearly 450 percent, from $289 million in 1999 to $1.2 billion in 2003.

The lead witness at Grassley's hearing today was a woman who was involved in a massive California-based Medicare fraud ring. She described how the operation made as much as $25 million over several years by billing Medicare for as many as 100 power wheelchairs a month but delivering only a fraction of that number. At the same time, this operation passed on-site inspections by Medicare officials of its phony storefronts.

In reports released at today's hearing, the Inspector General said that while the Medicare reimbursement rate for the most popular power wheelchair, a K-11 model, is $5,297, the same wheelchair can be purchased on-line for $3,863, from wholesalers for $2,363, and from distributors and manufacturers for $1,550. The Inspector General also said that most of the claims it reviewed for power wheelchairs did not meet Medicare's coverage criteria for the K-11 wheelchair. Specifically, it found that 31 percent of the claimants did not qualify for any equipment. Another 45 percent did not qualify for the K-11, though they might have qualified for different equipment such as a walker. Just 13 percent of the claimants qualified for the K-11.

In its testimony today, the General Accounting Office said that the government agency that administers the Medicare program was given warnings about problematic trends with power wheelchair reimbursements, but took no action until last fall when it announced a crackdown effort dubbed "Operation Wheeler Dealer." The General Accounting Office said this plan has been a good start, albeit late, but it doesn't address the issue of aggressive marketing of wheelchairs for Medicare beneficiaries. Its review also said that the Center for Medicare and Medicaid Services has inadequate standards for providers of durable medical equipment like wheelchairs and that site visits are too infrequent and predictable.

During today's hearing, Grassley urged the witnesses to offer suggestions about changes to the program that would inhibit fraud and minimize waste. "The idea behind this hearing is to expose the problem, identify good solutions and keep the pressure on to see the necessary changes made," Grassley said.

The text of Grassley's opening statement from today's hearing follows here.

Prepared Remarks of U.S. Sen. Chuck Grassley of Iowa
Chairman, Senate Committee on Finance
Hearing: "Taking Taxpayers for a Ride: Fraud and Abuse in the Power Wheelchair Program

This hearing will come to order. Let me begin by extending a special thanks to all the witnesses for their participation in today's important hearing. A special thank you to Rebecca Lewandowski, our first witness.

The purpose of today's hearing is to examine a number of the fraudulent schemes and costly and abusive practices that are taking place in the sale of motorized wheelchairs to Medicare and Medicaid recipients. However, merely identifying problems is not enough. I want today's hearing to also address fixing those problems. Accordingly, I am asking each witness today to offer solutions based on their own experiences.

Therefore, I want to ask Mr. Kuhn, who is here today representing the Centers for Medicare and Medicaid Services, to remain at the hearing and listen to each of the witness's testimony and recommendations. I intend to follow up with Dr. McClellan at CMS to get his action plan, including any other needed actions.

I want to make it clear from the start that Medicare and Medicaid fulfill vital responsibilities for our seniors and many others. It is critical that the CMS meet the interests and needs of all these individuals in an effective, efficient, economical, and competent manner At the same time — it is imperative that the interests and expectations of the taxpayers be met, as well.

Since the inception of the Medicare and Medicaid programs, the government has reimbursed qualified beneficiaries and recipients for the medical equipment they need to function in society. Overall, however, it's fair to say that the system has experienced some serious problems with fraud and abuse over the years.

Now today, we are here once again, attempting to address yet another serious problem area for CMS — fraud, waste and abuse involving its reimbursements for power wheelchairs. We have a power wheelchair–the K11 right here in the hearing room. The K11 is the main type of chair purchased by Medicare and we will hear that term come up a lot today.
Because of the immense size and cost of the Medicare and Medicaid programs, it seems that no fraud in these programs is ever small: rather, it tends to total in the hundreds of millions of dollars — or even the billions — and that's with a B.

Today, the General Accounting Office and the Office of Inspector General at the Department of Health and Human Services are here to report on many serious problems they have documented. In fact, the OIG is releasing two reports today.

One of these reports looked at those who are receiving the most commonly provided power wheelchair, the K-11, For this report, the OIG examined a statistically-valid sample of those who had received a K-11, and found that almost one-third–you heard it right–one third- did not meet the requirements for any type of wheelchair.

In fact, the OIG found that only 13% of those it surveyed actually met the coverage requirement for a K-11. That, I submit, is not a very good batting average — in any league. The OIG also conservatively calculated that for just calendar year 2001 alone, the overpayments for K-11 power wheelchairs totaled an estimated $178 million, and this was when the expenditures for power wheelchairs were less than half what they total today.

Another OIG report being released today, looks at the prices that Medicare pays for the K-11, versus the prices that others pay. The conclusion, despite Medicare's huge size and buying power, it actually pays more for the K-11s than do other buyers. Please take a brief look at the chart we have here. Do you see a problem here??

Imagine, if the Medicare reimbursement amount was set at the prices available to consumers and suppliers, then Medicare and its beneficiaries could have saved over $224 million in one year. And if Medicare based its reimbursement amount on the median price offered by wholesalers or the median price that suppliers negotiated with manufacturers and distributors, the program could have saved between $459 million and $586 million — just in 2002.

None of this makes a whole lot of sense to this senator, and I don't think it will make a whole lot of sense to the taxpayers from Iowa or the other 49 states who have just finished sending much of their hard-earned dollars to Washington.

Coupling the OIGs findings on price and eligibility, and unfortunate to say, there are also lots of schemes out there that are ripping off Medicare when it comes to power wheelchairs. Let me turn you attention to a one minute DVD that we are going to play for you.

Now let me tell you what you were looking at. You were looking at a group of people who were defrauding the Medicare program. The Office of the Inspector General as part of a sting operation, set up a pole camera, called what was sham storefront DME supplier and told them that the Center for Medicare and Medicaid Services was going to conduct an on-site visit. Because it was a sham operation, they needed to bring in supplies likes desks, chairs and DME supplies to pass the on-site review. That's what you just saw.

Today, we have one witness who has agreed to testify and to provide us with a real insiders account of how power wheelchair fraud works. The DVD that you just saw is one of the sham DME's in which she was involved. She has agreed to talk to us candidly about her personal experience in a scam that bilked Medicare for about $25M.

Now, I would be remiss if I did not say that most suppliers and most manufacturers are putting in an honest days work and submitting accurate bills to the federal government for payment. They are playing by the rules and we welcome their assistance in combating fraud. The GAO, as well, has some startling findings to report today. Although CMS has noted that there was a four-year growth rate of about 450% in expenditures for power wheelchairs, only recently, has CMS finally gotten around to asking "Why?" and then begun to attempt to stop it. I find that very troubling — especially since GAO reports that CMS was advised about the problem some 6 or 7 years ago. Fortunately, the Center for Medicare and Medicaid Services recently initiated Operation Wheeler Dealer in an effort to attack the problem of wheelchair

fraud; for that I am grateful; but rest assured we won't be waiting another 6 or 7 years for the results of that initiative.

GAO also has also examined CMS's 10-point initiative unveiled last September to address power wheelchair fraud. I am anxious to hear what GAO has to say about that proposal and I am interested in CMS responses to the findings that will be presented by both the GAO and the OIG.

Finally, we will have some thoughtful comments from some skilled professionals and representatives of the disability community and the DME industry.