U.S. SENATE COMMITTEE ON
Finance
SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN
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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

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.