Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

Medicare Allowances for Lymphedema Pumps

JUNE GIBBS BROWN
Inspector General

JULY 1998
OEI-04-97-00130

OFFICE OF INSPECTOR GENERAL

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, is to protect the integrity of the Department of Health and Human Services programs as well as the health and welfare of beneficiaries served by them. This statutory mission is carried out through a nationwide program of audits, investigations, inspections, sanctions, and fraud alerts. The Inspector General informs the Secretary of program and management problems and recommends legislative, regulatory, and operational approaches to correct them.

Office of Evaluation and Inspections

The Office of Evaluation and Inspections (OEI) is one of several components of the Office of Inspector General. It conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The inspection reports provide findings and recommendations on the efficiency, vulnerability, and effectiveness of departmental programs.

OEI's Atlanta Regional Office prepared this report under the direction of Jesse J. Flowers, Regional Inspector General, and Christopher Koehler, Deputy Regional Inspector General. Principal OEI staff included:

REGION

Betty Apt, *Project Leader*
Jacqueline Watkins, *Program Analyst*
Greg Jones, *Program Analyst*

HEADQUARTERS

Stuart Wright, *Program Specialist*
Brian Ritchie, *Technical Support*

To obtain copies of this report, please call the Atlanta Regional Office at 404-562-7743.
Reports are also available on the World Wide Web at our home page address:

http://www.dhhs.gov/progorg/oei

EXECUTIVE SUMMARY

PURPOSE

To summarize trends in Medicare allowed charges for lymphedema pumps, and to ascertain the impact of Office of Inspector General investigations and Health Care Financing Administration controls on Medicare payments for lymphedema pumps..

BACKGROUND

Lymphedema pumps are pneumatic compression devices used to treat patients afflicted with lymphedema. Lymphedema is a condition characterized by swelling of tissues in an affected body part due to accumulation of excessive fluid.

FINDINGS

Medicare allowed charges for lymphedema pumps skyrocketed from 1991 to 1995

Medicare allowed charges for the most expensive type lymphedema pump (E0652) increased from $18.5 million in 1991 to $106.7 million in 1995--almost a 500 percent increase in 4 years.

The Office of Inspector General focused a national initiative on fraudulent lymphedema pump suppliers

In September of 1994, the Office of Investigations, Office of Inspector General (OIG) began a national initiative to curtail lymphedema pump fraud and abuse. Resulting from that initiative, some DME suppliers were convicted for fraudulently misrepresenting the type of pump issued to Medicare beneficiaries in order to obtain higher reimbursement.

Durable Medical Equipment Regional Carriers and The Health Care Financing Administration enhanced policies and controls for lymphedema pumps

Concurrent with the OIG investigations and convictions, Durable Medical Equipment Regional Carriers (DMERCs) began to intensify their review of lymphedema pump claims. Additionally, the Health Care Financing Administration (HCFA) began to develop new coverage and payment policies. The policies limited coverage of the most expensive model lymphedema pump to very specific instances, and then only after other treatments and less expensive model pumps had been tried. Further, HCFA required that a Certificate of Medical Necessity (CMN) accompany claims for all models of lymphedema pumps. Providers also had to submit documentation that more conservative methods of treatment had been ineffective in treating a lymphedema condition.

Medicare allowances for lymphedema pumps have declined dramatically since 1995

Medicare allowed charges for the most expensive type of lymphedema pump (E0652) dropped from $106.7 million in 1995 to $8.8 million in 1996--a 92 percent decrease in 1 year.

Efforts of the OIG, HCFA, and DMERC will save the Medicare program $381 million

The efforts of the OIG, HCFA, and DMERCs saved the Medicare program $76.2 in 1 year. If HCFA's new documentation requirements and continued OIG surveillance succeed in discouraging unnecessary payments for the expensive model lymphedema pump, the 5-year savings will total $381 million.

CONCLUSION

In view of the apparent success in dealing with this problem, the OIG is canceling further inspection of this equipment. We will continue to monitor expenditures and re-instate a study if necessary.

TABLE OF CONTENTS

INTRODUCTION

PURPOSE

To summarize trends in Medicare allowed charges for lymphedema pumps, and to ascertain the impact of Office of Inspector General investigations and Health Care Financing Administration controls on Medicare payments for lymphedema pumps.

BACKGROUND

Medicare Coverage of Lymphedema Pumps

Medicare covers pneumatic compression devices, commonly called lymphedema pumps, for Medicare beneficiaries afflicted with lymphedema. Lymphedema is a relatively uncommon medical condition characterized by swelling of tissues in an affected body part due to accumulation of excessive fluid. The condition results from an impairment to the normal clearing function of the lymphatic system or from excessive production of fluid from lymphatic vessels. Factors precipitating the onset of lymphedema include surgical procedures involving removal of groups of lymph nodes, obstruction of the lymphatic system by malignant tumors, and congenital anomalies. Lymphedema pumps are medical devices designed to control and reduce swelling in affected body parts, usually a limb.

Medicare reimburses for lymphedema pumps under three different HCPCS codes: E0650, E0651, and E0652. Generally, lymphedema pumps are classified as either segmented or non-segmented, depending on whether distinct segments of the devices can be inflated sequentially. The less sophisticated, and least expensive pumps, are coded E0650 and E0651, and cost Medicare about $600 and $800, respectively. The most sophisticated and expensive pumps are coded E0652, and cost Medicare about $4,000 to $6000. This device is characterized by calibrated gradient pressure, capable of delivering individually determined pressure to each segmental unit.

METHODOLOGY

To summarize trends in Medicare allowed charges for lymphedema pumps, we obtained and arrayed expenditure data for lymphedema pump codes. We obtained data from the Medicare Part B Extract and Summary System (BESS). To ascertain the impact of Office of Inspector General investigations and HCFA payment controls, we reviewed recent reports, congressional testimony, and national investigation results related to lymphedema pumps.

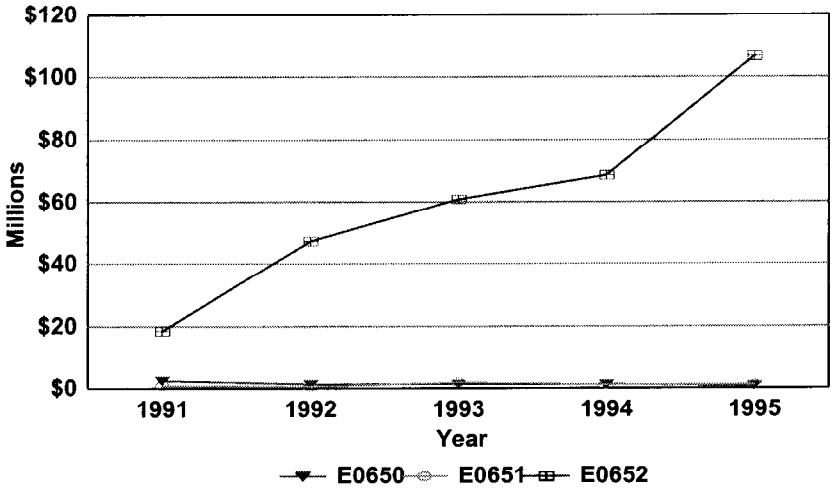
We conducted this inspection in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

MEDICARE ALLOWED CHARGES FOR LYMPHEDEMA PUMPS SKYROCKETED FROM 1991 TO 1995

As illustrated in Figure 1, Medicare allowed charges for the most expensive type lymphedema pump (E0652) increased from $18.5 million in 1991 to $106.7 million in 1995--almost a 500 percent increase in 4 years. Lymphedema pumps coded E0650 and E0651 did not experience large increases as did those coded E0652.

Figure 1
Medicare Allowed Charges for
Lymphedema Pumps



THE OFFICE OF INSPECTOR GENERAL FOCUSED A NATIONAL INITIATIVE ON FRAUDULENT LYMPHEDEMA PUMP SUPPLIERS

The Office of Investigations, Office of Inspector General (OIG) has been investigating lymphedema pump suppliers since the early 1990s. However, in September 1994, the Office began a national initiative to curtail lymphedema pump fraud and abuse. The OIG served 30 durable medical equipment suppliers with subpoenas asking for all records from 1989 through 1993 related to their lymphedema pump billing. .

Resulting from the 1994 OIG initiative, HCFA suspended payments for some medical suppliers until the investigations were completed. Also, some DME suppliers were convicted for fraudulent practices. For example, several investigations showed that manufacturers and providers misrepresent the type of pump issued to Medicare beneficiaries in order to obtain

higher reimbursement. In some cases, the more expensive lymphedema pump was provided to patients who had only regular edema which could have been treated with the lower cost pump.

Suppliers used various scams to get reimbursed for lymphedema pumps. The following is a sample of OIG cases concluded during the last 3 years:

1995

A New Jersey DME company submitted claims for lymphedema pumps that did not meet specifications, resulting in overpayments of approximately $192,960. The supplier agreed to repay $100,000, and entered into a compliance plan designed to prevent future improper billings.

1996

A Maryland DME company agreed to pay $1.5 million to resolve liabilities under the Civil Monetary Penalties Law. The company submitted claims for lymphedema pumps that did not meet specifications for the code used. The company was overpaid $690,000.

Two New Jersey DME suppliers who had billed Medicare $5000 for pumps that should have been reimbursed at $600 agreed to pay Medicare close to $1 million. The company that sold the pumps to the suppliers also agreed to pay $4.9 million to settle allegations that they had misrepresented the product.

1997

A New Jersey supplier was sentenced for Medicare fraud and obstruction of justice. The supplier billed Medicare for pumps that were medically unnecessary. The false claims that the supplier submitted indicated that a less expensive pump had been tried before using the more expensive one. The supplier was ordered to pay $220,100 in restitution.

A Washington State DME owner was sentenced to 12 months. This supplier billed Medicare for the most expensive lymphedema pumps, but delivered less expensive pumps. The supplier was required to pay $148,500 in restitutions, fines, and penalties.

DURABLE MEDICAL EQUIPMENT REGIONAL CARRIERS AND THE HEALTH CARE FINANCING ADMINISTRATION ENHANCED POLICIES AND CONTROLS FOR LYMPHEDEMA PUMPS

Concurrent with the OIG investigations and convictions, in 1994 Durable Medical Equipment Regional Carriers (DMERCs) began to intensify their review of lymphedema pump claims. For example, DMERCs began to automatically review claims for all three models of lymphedema pumps.

Also, the Health Care Financing Administration (HCFA) began to develop expanded coverage and payment policies. HCFA required that a Certificate of Medical Necessity (CMN) accompany claims. A CMN is a form that a physician completes and signs to certify that a patient has a documented, medical need for a lymphedema pump. The CMN elicits specific information about a patient's medical condition and need for a lymphedema pump.

HCFA further required that documentation of a patient's condition accompany a claim for reimbursement. A simple diagnosis code on a claim or CMN is rarely adequate to explain a patient's condition. There should also be documentation that conservative measures were tried before ordering a pump to treat lymphedema condition. Such measures may include limb elevation and custom fitted gradient-pressure compression dressings.

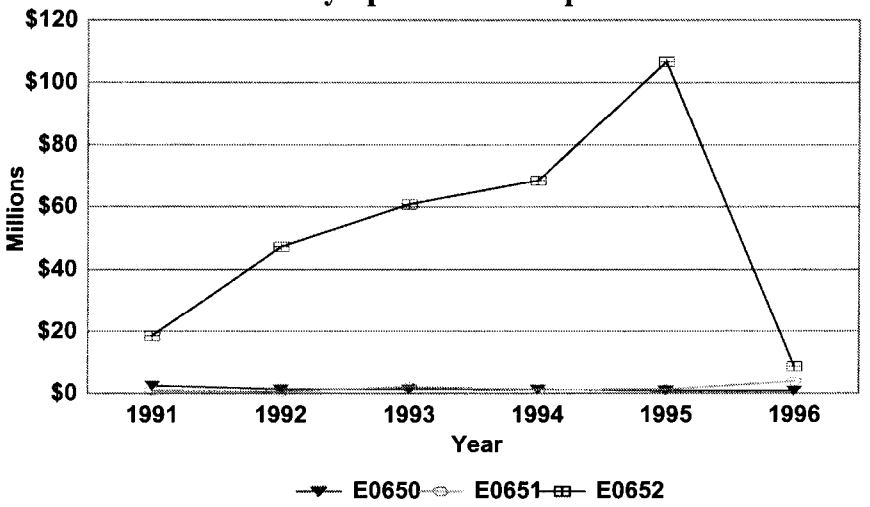
In 1995, HCFA further revised its lymphedema coverage and payment policy to require that the most expensive lymphedema pump (E0652) be used as a treatment of last resort. A physician is required to provide additional information to document the need for the more expensive pump. The information must include

- more details about a patient's medical condition than claims for the less expensive pumps,
- nature, time, and results of other treatment methods attempted, including the less expensive pumps,
- treatment plan, including details about the pressure needed for each chamber of the pump,
- features of the provided system that a patient requires, and
- pump model number and manufacturer's name.

MEDICARE ALLOWED CHARGES FOR LYMPHEDEMA PUMPS HAVE DECLINED DRAMATICALLY SINCE 1995

As illustrated in Figure 2, Medicare allowed charges for the most expensive type lymphedema pump (E0652) dropped from $106.7 million in 1995 to $8.8 million in 1996--a 92 percent decrease in 1 year.

Figure 2
Medicare Allowed Charges for Lymphedema Pumps



Medicare allowed charges for code E0652 continued to decline in 1997. Claims for January through September 1997 totaled approximately $460,000. HCFA estimated that those claims represent about 63 percent of claims that were be filed for 1997. Therefore, projected claims for code E0652 are around $730,000, as compared to $8.8 million in 1996.

Allowed charges for pumps submitted under code E0651 increased about $2.7 million. Allowed charges for Code E0650 pumps remained relatively unchanged.

EFFORTS OF THE OIG, HCFA, AND DMERC WILL SAVE THE MEDICARE PROGRAM $381 MILLION

Compared to the peak level of 1995, the efforts of the OIG, HCFA, and DMERCs have been successful. Combined, those efforts reduced Medicare allowed charges for the code E0652 pump $97.9 million in one year. Taking into consideration the $2.7 million increase in the code E0651 lesser-priced pump, Medicare allowed charges for all pumps decreased $95.2 million.

The reduction in allowed charges resulted in a savings of $76.2 million for 1996 in Medicare's 80 percent portion of allowed charges. This brings the projected 5-year savings to $381 million.

CONCLUSION

Concerted efforts by the OIG, HCFA, and DMERCs seem to have curtailed growth and contributed to declines in Medicare allowed charges for the most expensive model lymphedema pumps. Prosecutions of and payment of restitutions by lymphedema pump suppliers has sent a message that fraudulent billing for lymphedema pumps will not be tolerated. New policies and more stringent documentation requirements by DMERCs made billing for the high priced lymphedema pumps more difficult.

In view of the apparent success in dealing with this problem, the OIG is canceling further inspection of lymphedema pumps. We will continue, however, to monitor expenditures and re-instate an inspection if necessary.