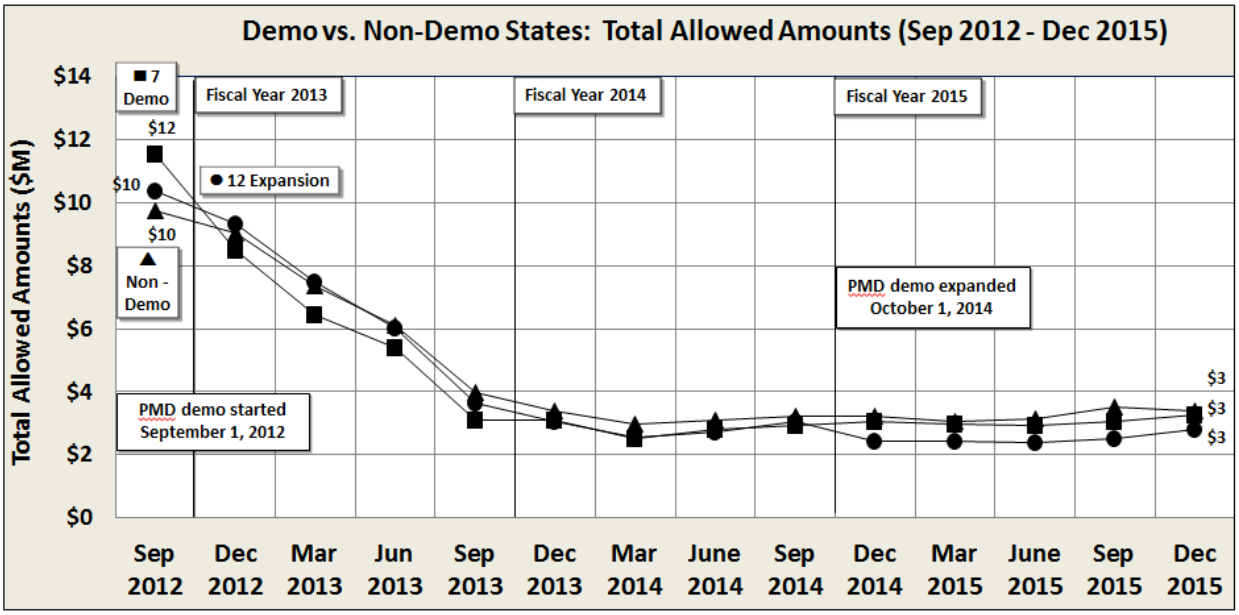
Medicare Prior Authorization of Power Mobility Devices Demonstration
Status Update
(Posted 6-30-2016)

The Medicare Prior Authorization of Power Mobility Devices (PMDs) Demonstration began on September 1, 2012 in California, Illinois, Michigan, New York, North Carolina, Florida and Texas. On October 1, 2014 the demonstration was expanded to include Maryland, New Jersey, Pennsylvania, Indiana, Kentucky, Ohio, Georgia, Tennessee, Louisiana, Missouri, Washington, and Arizona.

Preliminary Data

Since implementation, the Centers for Medicare & Medicaid Services (CMS) observed a decrease in expenditures for power mobility devices in the demonstration states and non-demonstration states. Based on claims processed from the inception of the pilot on September 1, 2012 through December 31, 2015, monthly expenditures for the power mobility device codes included in the PMD demonstration decreased from $12 million in September 2012 to $3 million in December 2015 in the original 7 demonstration states, $10 million in September 2012 to $3 million in December 2015 in the 12 additional expansion states, and $10 million in September 2012 to $3 million in December 2015 in the non-demonstration states.[1]



Data based on claims processed from the inception of the pilot on 09/01/2012 through 12/31/2015
Monthly data refresh date: 04/06/2016 (STARS IDR)

We believe the decrease in spending is due in part to national Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers adjusting their billing practices nationwide (not just in the demonstration states) and reflects suppliers complying with CMS policies based on their experiences with prior authorization in the demonstration states. We believe the decrease in spending is due in part to

[1] By law [Patient Protection and Affordable Care Act (PPACA) Section 6404], practitioners have up to one calendar year after the date of service to submit claims. Consequently, it will take over 12 months for claims figures to reach 100% completeness. Therefore, the figures for recent months (2015) will likely rise as more claims are submitted and processed in the coming months. This will have a disproportionate effect on the later months in 2015.

national Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers adjusting their billing practices nationwide (not just in the demonstration states) and reflects suppliers complying with CMS policies based on their experiences with prior authorization in the demonstration states. The decrease in spending can also be attributed to the continuous DMEPOS supplier education and outreach mechanisms implemented by the Durable Medical Equipment Medicare Administrative Contractors (DME MACs) and CMS as well as other initiatives[2] to prevent fraud and reduce expenditures for medically unnecessary PMDs.

While we recognize that multiple factors contributed to the decrease in PMD expenditures, there was also a significant decrease in the number of beneficiaries receiving PMDs in the demonstration states after the start of the demonstration. We believe this decrease is because prior authorization is ensuring that only beneficiaries who meet Medicare requirements receive a PMD.

Between September 1, 2012 and December 31, 2015 the number of beneficiaries receiving a PMD decreased by:

- 61% in the non-demonstration states,
- 55% in the 7 original demonstration states, and
- 69% in the 12 expansion states.

As of December 31, 2015 prior authorization requests were submitted for over 110,700 Medicare beneficiaries. The requests were affirmed for all beneficiaries who met all the requirements. Roughly 59% of requests were non-affirmed because the beneficiaries do not qualify for the benefit based on the documentation submitted, which illustrates the importance of this demonstration. The prior authorization provides more assurance to the beneficiary that the PMD is covered by Medicare and thus they may have minimal out of pocket costs, such as the usual copay.

Preliminary demonstration data on requests received, as of December 31, 2015, indicate:

- The DME MACs are conducting the prior authorization reviews timely (within 10 business days for initial submissions and 20 business days for resubmissions).
- Overall, estimated spending for PMDs has decreased by at least $748 million (assuming that the monthly expenditures for PMDs would have remained constant at $32 million per month) since the inception of the demonstration.

As of May 30, 2016 37,194 out of 131,932 prior authorization requests were submitted electronically through CMS's Electronic Submission of Medical Documentation program.

Feedback

Overall the industry's feedback has been positive. Several DMEPOS suppliers have suggested prior authorization helps their business by providing a more predictable cash flow and improved relationships with the ordering physician. These DMEPOS suppliers have expressed support for the demonstration and would like it to be expanded to other states and items.

Feedback from beneficiaries has been largely positive. Prior to implementation, CMS spoke to numerous Medicare beneficiary groups that expressed support for the demonstration. Also, the DME MAC customer service representatives were well informed and prepared to handle Medicare beneficiaries' questions prior to the implementation of the demonstration.

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2 Another factor contributing to the ongoing reduction in expenditures for PMDs would be the reduction in payment amounts, fraud and abuse associated with implementation of the DMEPOS competitive bidding program in 9 of the largest metropolitan areas in January 2011 and an additional 100 large metropolitan areas in July 2013. This program is reducing expenditures for approximately half of the beneficiaries receiving PMDs nationwide. The reduction can also be attributed to the elimination of the lump sum purchase option for standard power wheelchairs, which took effect on January 1, 2011. This change significantly reduces expenditures for power wheelchairs used on a short term basis.

Further Efforts

The CMS will continue to monitor and evaluate the effectiveness of the demonstration and analyze demonstration data to assist in the investigation and prosecution of fraud.