

CMS Must Establish Fair Pricing under the Medicare Power Mobility Device (PMD) Benefit

Position: CMS must rescind the PMD fee schedule released on October 2, 2006 and work with stakeholders (consumers, physicians, providers, manufacturers) to establish fair prices that ensure consumer access to the medically appropriate PMD. CMS must suspend the November 15, 2006 implementation date until fair prices are established. CMS, moreover, must either fix or replace the gap-fill methodology in order to establish fair prices.

Problems:

1. The proposed Medicare PMD fee schedule calls for 35-41% reduction in PMD reimbursement which will force many PMD suppliers to close their doors leading to access issues for eligible seniors and people with disabilities, especially those beneficiaries in rural and underserved areas where service costs are high and volume of patients low;
2. Stakeholders have provided detailed input to CMS, but have not had the benefit of being able to comment on a draft set of fees. Moreover, CMS has admitted that the “gap-filling” methodology used to determine the PMD fee schedule is “flawed.”
3. Domestic PMD manufacturers will face bankruptcy and massive layoffs of domestic manufacturing jobs as suppliers will be forced to go overseas to purchase low-quality chairs. This will also place beneficiaries in jeopardy for health and safety issues as they are forced into low-performance PMDs that were not intended for long-term or outdoor use.
4. In justifying the cuts, CMS claims that the Medicare PMD benefit has experienced “significant growth,” yet data shows that growth in the benefit has declined and leveled over the past several years.

Drastic Reductions in the PMD Fee Schedule Will Create Access Issues for Needy Beneficiaries:

- Reductions of 35-41% are unwarranted and unsustainable. PMD suppliers do not have anything close to those types of margins. A cut of the magnitude proposed will not cover the supplier’s cost of equipment, let alone the costs required to participate in the Medicare program including staff training, accreditation, delivery and service costs, billing and appeals.
- Faced with cuts, suppliers have indicated that they will be forced into bankruptcy or will no longer serve the Medicare program. Suppliers in rural and underserved areas are particularly vulnerable as their costs of serving beneficiaries are high, and these high costs are spread among a low number of beneficiaries. As number of beneficiaries they serve is low.
- Suppliers are not the only ones crying foul over the new PMD fee schedule, as Andrew Imparato, President and CEO of the American Association of People with Disabilities has stated, “CMS has chipped away at the benefit over the last three years, and this latest step [the new PMD fee schedule] ensures that people living with disabilities will get little help from Medicare when they need a power wheelchair to remain independent, and out of institutions.”

Domestic Manufacturing Jobs at Risk as Suppliers Forced to Buy Inexpensive, Low-Quality PMDs from Overseas:

- Suppliers who will try to operate under the new fee schedule will be forced to look to overseas markets to purchase PMDs;
- Overseas manufacturers produce cheaper products that are of lower quality and lack the performance of American manufactured PMDs;
- Beneficiaries who are placed in these low-cost, low-performing PMDs will be at risk for pressure sores and other health issues, as the chairs are not designed for long-term use. Additionally, these low performance chairs are not intended for outdoor use and beneficiaries will be placing themselves at risk if they use the PMD outside the home.
- Thousands of Americans are involved in supplying and manufacturing of PMDs. These jobs will be at risk if the cuts are implemented.

CMS Used Flawed Methodology In Determining the New PMD Fee Schedule:

- American manufacturers provided CMS with the MSRP’s of products including the basic equipment package. The MSRP information that CMS utilized to calculate some of the fee schedules was wrong which had an impact on the creation of artificially low fee schedules.
- CMS provided a “mark up” to the calculated “gap-filling” amount to come to the final allowable for each code. The “mark up” is 29.9% for all codes except for K0823 (Group 2 Standard, captain’s seat) which is 22.1%. These are arbitrary, unfair calculations.
- The “Gap-Filling” methodology is flawed even by CMS’ own admissions; when calculating the proposed fee schedule, the deflation factor was applied for each year back to **1987 (18 years)**, however the CPI update is only provided for **10 years** due to legislative mandates. **This calculation results in an artificially low allowable since a CPI update is not applied for the same amount of years as the deflation factor.** CPI updates were not provided for 10 of the 18 years and will not be provided again until 2009 due to language in the Medicare Modernization Act of 2003.
- In 2002, former Inspector General for Health & Human Services, Janet Rehnquist found that Medicare payment code K0011 was within the range of payments made by the VA, State Medicaid programs, and the Federal Employees Health Benefits Program – which were 12.30, 6.80, and 3.28 respectively.

**Comparson Of Medicare's Current Fee Schedule Vs. 11/15/06 Fee Schedule
Group 2 Power Wheelchairs**

Power Wheelchair Configuration with Basic Equipment Package as of 11/15/06				Group 2 Power Wheelchair STANDARD DUTY		
Description	Code	Current Allowable	Qty per Chair	No Power Option	Single Power Option	Multi Power Option
				Current Allowable	Current Allowable	Current Allowable
STANDARD - WEIGHT FRAME MOTORIZED/POWER WHEELCHAIR WITH PROGRAMMABLE CONTROL PARAMETERS FOR SPEED ADJUSTMENT, TREMOR DAMPENING, ACCELERATION CONTROL AND BRAKING	K0011	\$ 5,123.00	1	\$ 5,123.00	\$ 5,123.00	\$ 5,123.00
WHEELCHAIR ACCESSORY, POSITIONING BELT/SAFETY BELT/PELVIC STRAP, EACH	E0978	\$ 42.70	1	\$ 42.70	\$ 42.70	\$ 42.70
REAR WHEEL, ZERO PRESSURE TIRE TUBE (FLAT FREE INSERT) FOR POWER WHEELCHAIR, ANY SIZE, EACH	K0093	\$ 151.88	2	\$ 303.76	\$ 303.76	\$ 303.76
WHEELCHAIR ACCESSORY, CALF REST/PAD, EACH	E0995	\$ 30.40	2	\$ 60.80	\$ 60.80	\$ 60.80
ADJUSTABLE ANGLE FOOTPLATE, EACH	K0040	\$ 74.67	2	\$ 149.34	\$ 149.34	\$ 149.34
LARGE SIZE FOOTPLATE, EACH	K0041	\$ 52.92	0	\$ -	\$ -	\$ -
POWER WHEELCHAIR ACCESSORY, HAND OR CHIN CONTROL INTERFACE, REMOTE JOYSTICK OR TOUCHPAD, PROPORTIONAL, INCLUDING ALL RELATED ELECTRONICS, AND FIXED MOUNTING HARDWARE	E2320	\$ 1,025.90	1	\$ -	\$ -	\$ 1,025.90
POWER WHEELCHAIR ACCESSORY, HAND CONTROL INTERFACE, REMOTE JOYSTICK, NONPROPORTIONAL, INCLUDING ALL RELATED ELECTRONICS, MECHANICAL STOP SWITCH, AND FIXED MOUNTING HARDWARE	E2321	\$ 1,589.10	0	\$ -	\$ -	\$ -
POWER WHEELCHAIR ACCESSORY, NONSTANDARD SEAT FRAME WIDTH, 20-23 INCHES	E2340	\$ 358.36	1	\$ 358.36	\$ -	\$ -
WHEELCHAIR ACCESSORY, MANUAL SEMI-RECLINING BACK, (RECLINE GREATER THAN 15 DEGREES, BUT LESS THAN 80 DEGREES), EACH	E1225	\$ 452.00	0	\$ -	\$ -	\$ -

Current Allowable	\$ 6,037.96	\$ 5,679.60	\$ 6,705.50
New 11/15/06 Allowable	\$ 3,626.80	\$ 4,000.70	\$ 4,828.50
Dollar Reduction	\$ 2,411.16	\$ 1,678.90	\$ 1,877.00
Percentage Reduction	40%	30%	28%

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- Beneficiaries who are placed in these low-cost, low-performing PMDs will be at risk for pressure sores and other health issues, as the chair are not designed for long-term use. Additionally, these low performance chairs are not intended for outdoor use and beneficiaries will be placing themselves at risk if they use the PMD outside the home.
- Approximately 3,000 Americans are involved in the manufacturing of PMDs. These jobs will be at risk if the cuts are implemented.

CMS Data Indicates Medicare's PMD Benefit Has Decreased and Leveled the Last Several Years:

- In releasing the new Medicare fee schedule for PMDs, CMS attempt to justify the drastic cuts by claiming that expenditures for PMDs grew over 2,700% during the past nine years. Yet, CMS' figures fail to paint an accurate, complete or up-to-date picture.
- Advancements in technology have provided a viable mobility alternative for seniors and disabled Americans. In the mid-1990's, American manufacturers developed PMDs with smaller wheel bases that could operate safely in the home environment and which qualify as Medicare covered DME.
- CMS fails to provide reimbursement levels for 2004 and 2005, despite this data being readily available. For 2004, PMD reimbursement dropped to \$621 million and 2005 saw a slight increase to \$663 million. Increased anti-fraud efforts, along with regulatory and policy changes, can be attributed with helping lower and level off Medicare PMD reimbursement..

The following is a detailed breakdown of Medicare reimbursement for PMDs for 1998-2005: Medicare pays 80% of the allowable.

HCPCS Code	Year	Number of Reimbursed Units	Annual Payment	National Average
K011	1998	46,219	\$156,357,966	\$3,382.98
K011	1999	56,623	\$184,838,577	\$3,264.37
K011	2000	81,829	\$266,118,931	\$3,252.13
K011	2001	103,261	\$380,484,006	\$3,684.68
K011	2002	162,595	\$621,225,310	\$3,820.69
K011	2003	228,676	\$897,869,888	\$3,926.38
K011	2004	162,507	\$621,245,711	\$3,822.89
K011	2005	175,140	\$663,137,735	\$3,786.33