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MEMORANDUM

TO: Reporters and Editors
FR: Jill Kozeny, 202/224-1308
for Sen. Chuck Grassley
RE: CMS demonstration targeting DME fraud
DA: July 3, 2007

Sen. Chuck Grassley, Ranking Member of the Committee on Finance, issued the comment below about a new initiative of the Centers for Medicare & Medicaid Services to try to better detect and prevent fraud against the Medicare program by suppliers of durable medical equipment, prosthetics and orthotics supplies, such as power wheelchairs, nebulizers and artificial limbs.

Sen. Grassley's comment:

“It’s good news that the federal government is doing more to protect Medicare beneficiaries and ensure that Medicare dollars are spent appropriately. In this case, it’s important to proactively identify questionable applicants and suspicious billing to stop bad actors from scamming the Medicare program. Government efforts over the last year have uncovered a considerable amount of fraud by durable medical equipment suppliers in South Florida and Los Angeles, so these two areas are good starting points. I’ll continue to exercise my oversight responsibilities to the millions of Medicare beneficiaries to ensure that Medicare funds are properly and responsibly spent and look for opportunities to further prevent fraudulent billing.”

Additional information:

On Monday, the Centers for Medicare & Medicaid Services announced a two-year demonstration project that will require durable medical equipment suppliers in South Florida and Los Angeles to reapply for participation in Medicare in order to maintain their billing privileges. The demonstration project specifies circumstances under which suppliers would have their billing privileges revoked, including failure to reapply within 30 days, failure to report change in ownership or address, and failure to meet all of the enrollment requirements. The remaining applicants would be subject to an enhanced review.

Sen. Grassley has been a leader in exposing the fraudulent billing practices of some

durable medical equipment providers. In 2004, he chaired a Finance Committee hearing entitled "Taking Taxpayers for a Ride: Fraud and Abuse in the Power Wheelchair Program." Since then, he has continued his vigorous oversight and kept pressure on the Centers for Medicare & Medicaid Services to strengthen enforcement efforts to identify and eliminate fraudulent and unscrupulous durable medical equipment suppliers. Earlier this year, the Government Accountability Office reported that Medicare paid \$700 million in improper payments for items such as wheelchairs, artificial limbs, and inhalation drugs. In March, the Inspector General of the Department of Health and Human Services noted that Medicare continues to be highly vulnerable to durable medical equipment fraud and abuse.

The federal government contracted with the National Supplier Clearinghouse in December 2006 to conduct inspections of durable medical equipment suppliers in South Florida and Los Angeles and hundreds of supplier billing numbers were revoked as a result. In addition, the federal government formed a multi-agency strike force with their state and local counterparts to investigate Medicare fraud, and in the last few months, 56 individuals in South Florida have been charged with fraudulent Medicare billing of over \$258 million.