Report in Brief
Date: September 2020
Report No. A-05-20-00008

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Medicare-Allowed Charges for Noninvasive Ventilators Are Substantially Higher Than Payment Rates of Select Non-Medicare Payers

Why OIG Did This Audit

Medicare-allowed charges for noninvasive ventilators increased from $279.9 million in 2016 to $424.4 million in 2018, an increase of 52 percent. We are concerned about the relationship of these increased costs to prices per noninvasive ventilator, and specifically concerned about whether Medicare-allowed charges are comparable with payment rates of select non-Medicare payers.

Our objective was to determine whether Medicare-allowed charges for noninvasive ventilators were comparable with payment rates of select non-Medicare payers.

How OIG Did This Audit

Our audit covered $1.1 billion in Medicare-allowed charges for approximately 1 million monthly noninvasive ventilator rental units billed under Healthcare Common Procedure Coding System (HCPCS) code E0466 during calendar years (CYs) 2016 through 2018. We calculated a nonstatistical estimate of payment differences for HCPCS code E0466 that was based on a comparison of Medicare-allowed charges and payment rates of select non-Medicare payers. Of the estimated payment differences, we calculated the 80 percent that Medicare would pay and the 20 percent that beneficiaries would pay. Our analysis included noninvasive ventilators paid under Medicare fee schedules for all 50 States, the District of Columbia, and U.S. territories.

What OIG Found

For CYs 2016 through 2018, we estimated that Medicare and beneficiaries could have saved $86.6 million if Medicare-allowed charges were comparable with payment rates of select non-Medicare payers on HCPCS code E0466. Of this payment difference, we estimated that Medicare paid $69.3 million and Medicare beneficiaries paid $17.3 million. Generally, Medicare-allowed charges are higher than select non-Medicare payer payment rates because the Centers for Medicare & Medicaid Services (CMS) does not routinely evaluate pricing trends for noninvasive ventilators or payment rates of select non-Medicare payers. Rather, CMS uses statutorily mandated fee schedule payments that have an economic update factor applied to them annually. In 2016, CMS was required to adjust certain fee schedule amounts for durable medical equipment, prosthetics, orthotics, and supplies using information from the competitive bidding program. But this change did not affect the noninvasive ventilator HCPCS code reviewed for this report.

What OIG Recommends and CMS Comments

We recommend that CMS review Medicare-allowed charges for noninvasive ventilators HCPCS code E0466, for which Medicare and beneficiaries could have potentially saved an estimated $86.6 million in CYs 2016 through 2018, and add noninvasive ventilators HCPCS code E0466 to the competitive bidding program as soon as practicable.

In written comments on our draft report, CMS confirmed that it had been evaluating noninvasive ventilators for potential inclusion in the competitive bidding program. CMS also confirmed that noninvasive ventilators had initially been included in Round 2021 of the program. However, the product category was removed on April 9, 2020, because of the COVID-19 pandemic, limited access to ventilators, and other factors. CMS stated that it will consider whether to include noninvasive ventilators in future rounds of the program.