



JAN 10 2008

Mr. Rick Surpin
President
Independence Care Systems
257 Park Avenue South
New York, New York 10010-7304

Dear Mr. Surpin:

I am writing in response to your letter dated December 17, 2007, in which you expressed concerns about the Office of Inspector General's (OIG) October 2007 report, "A Comparison of Medicare Program and Consumer Internet Prices for Power Wheelchairs," OEI-04-07-00160. The objective of this report was to compare the Medicare fee schedule amounts for power wheelchairs to Internet prices available to consumers.

This report is the first in a series of evaluations by OIG on power wheelchairs in the Medicare program. Based on that report's findings, we are conducting further evaluations to compare Medicare fee schedule amounts to prices that Medicare suppliers paid for power wheelchairs. We will also identify the services that Medicare suppliers provided, such as home assessments, delivery, setup, and beneficiary training. We will focus on the highest-volume procedure code (K0823), as well as complex rehabilitation power wheelchairs, and collect information on the models that suppliers provided. These evaluations will provide additional information to decisionmakers about the appropriateness of Medicare's power wheelchair fee schedule.

Our report shows that Medicare fee schedule amounts were an average of 45 percent higher than Internet prices available to consumers in the first quarter of 2007. We reported that Medicare and its beneficiaries could have achieved savings had Medicare reimbursements more closely resembled prices available to consumers over the Internet. We recommended that the Centers for Medicare & Medicaid Services (CMS) consider performing additional reviews to determine whether the current Medicare power wheelchair fee schedule amounts for certain groups and procedure codes are appropriate. CMS concurred with our recommendation.

Although Medicare fee schedule amounts and consumer Internet prices cover both the costs of supplying power wheelchairs and the costs of the chairs themselves, we recognize that Medicare suppliers may incur costs different from those incurred by

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non-Medicare suppliers. The limitations section of our report states, “We did not assess the administration costs of participating in the Medicare program when calculating potential Medicare and beneficiary savings.” Further, our report states, “This study was not designed to meet CMS’s ‘inherent reasonableness’ standards for revising Medicare payment rates.”

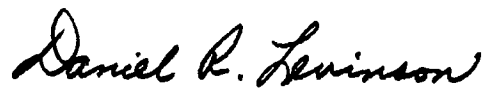
You may have also noted that in our comparison of Internet prices and the Medicare fee schedule we did not subtract the cost of batteries from the power wheelchair Internet prices that included them. As reported in the methodology section of the report, at least 69 percent of the power wheelchairs for which we collected Internet prices (440 of 635) included batteries. Medicare reimburses suppliers for batteries separately from the power wheelchairs at fee schedule amounts ranging from \$60 to \$372 (total reimbursement for two batteries needed to operate a power wheelchair).

OIG is committed to identifying program weaknesses and vulnerabilities to help prevent fraud, waste, and abuse; to promote economy and efficiency; and to improve quality of care. Our work aims to identify and recommend methods to minimize inappropriate payments and examine pricing and payment methods to ensure that costs to Medicare, its beneficiaries, and taxpayers are appropriate.

Over the years, OIG has conducted numerous pricing studies related to medical equipment and supplies and has consistently found that Medicare pays too much for certain items. Specifically, our past analyses have shown that health care consumers, Federal health insurance plans, State Medicaid agencies, and the Department of Veterans Affairs pay less than Medicare for many items. Our October report indicates that Medicare pays more for power wheelchairs than consumers pay over the Internet. Our future evaluations will provide further analysis regarding the appropriateness of Medicare’s power wheelchair payments.

Thank you for the opportunity to respond to your concerns. I am pleased that members of your organization will be meeting with OIG staff this Friday to discuss our report and related issues. If you have questions, please call Claire Barnard, Director of External Affairs, at (202) 205-9523.

Sincerely,



Daniel R. Levinson
Inspector General