CMS Announces Prepayment Review and Prior Authorization Demonstration Program for Power Mobility

November 28, 2011

CMS to Hold Conference Calls December 2 and December 5, 2011

As part of the Obama Administration’s goals for cutting improper payments by 2012, the Centers for Medicare & Medicaid Services (CMS) recently announced a new three year demonstration to help ensure that Medicare only pays for Power Mobility Devices (PMD) that are medically necessary under existing coverage guidelines, thus limiting fraud, waste and abuse. The goals include reducing overall payment errors by $50 billion, cutting the Original Medicare error rate in half, and recovering $2 billion in improper payments to recipients of federal dollars.

The demonstration begins January 1, 2012 will be conducted in seven States with, according to CMS, “high rates of Medicare fraud”: California, Texas, Florida, Michigan, Illinois, North Carolina and New York. These States account for 43 percent of the $606 million total Medicare power mobility device (PMD) expenditures in 2010. According to CMS, these are claims known to be susceptible to fraud and have high error rates.

Following is CMS’ explanation of the demonstration:

“In the first phase of this demonstration (lasting between three to nine months for each of the seven states), all applicable PMD claims will go through a prepayment review process. In the second phase, physicians and treating practitioners, working with their suppliers will have to submit a prior authorization request for a device before the supplier can submit a claim to Medicare. CMS estimates conducting prepayment review on approximately 79,500 claims and receiving 23,500 initial prior authorization requests in the first year. Prepayment review will be phased out during the first year and prior authorization will be implemented throughout the seven states. Based on historical data, prepayment review and prior authorization combined will affect approximately 325,000 PMD claims over the course of the three-year demonstration.
“The prior authorization demonstration does not create new documentation requirements for providers and suppliers – it simply requires them to provide the information earlier in the claims process. After receiving the prior authorization request, Medicare will conduct a medical review and communicate the coverage decision (based on Medicare policies such as National Coverage Determinations (NCD) and Local Coverage Determination (LCD) to the patient, provider and supplier within 10 business days of receiving the request. Under rare, emergency circumstances, Medicare must complete this process in 48 hours. Physicians or treating practitioners can make unlimited requests, but Medicare has 30 days to consider any resubmitted requests. Claims with approved prior authorization requests will be paid if all other Medicare coverage and documentation requirements are met.

“Suppliers can choose to submit claims without a prior authorization decision, but the claim will be subject to prepayment review. If the claim satisfies Medicare’s coverage and documentation requirements, it will be paid with a 25 percent reduction in Medicare reimbursement, unless they are a contract supplier under the Medicare DMEPOS competitive bidding program providing PMDs to Medicare beneficiaries residing in a competitive bidding area. Claims for which prior authorization has not been approved will not be paid by Medicare and will receive denials.

“Testing the use of prepayment review and prior authorization will help CMS improve methods for identifying and prosecuting fraud, and prevent improper payments. This will help to ensure that Medicare only pays for PMD claims that are medically necessary under existing coverage guidelines, and will provide valuable data for tackling the continued challenges the Medicare program faces.”

At this point, no further details are available. CMS is hosting on December 2 and December 5, 2011 two “special” open door forums (ODFs) designed to provide more information on this Prepayment Review and Prior Authorization Demonstration Project for PMDs. They are scheduled for Friday, December 2, 2011 from 2:00 to 3:30 pm ET for suppliers and Monday December 5, 2011 from 2:00 to 3:30 pm ET for providers (e.g., prescribing physicians). Call participants can submit questions prior to the Special ODF to pademo@cms.hhs.gov by Thursday, December 1, 2011, 5 pm ET.

Call in information for the December 2nd call is:

Call in information for the December 5th call is: