DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

MAR 14 2014

TO: Howard Shelanski
Administrator, OIRA

FROM: Marilyn Tavenner
Administrator

SUBJECT: Request for Emergency Clearance of the Paperwork Reduction Act Package for Medicare Fee-for-Service Recovery Audit Prepayment Review Demonstration and Prior Authorization Demonstration

The Centers for Medicare & Medicaid Services (CMS) is requesting that a Paperwork Reduction Act (PRA) information collection request (ICR) for the Medicare Fee-for-Service Recovery Audit Prepayment Review Demonstration and Prior Authorization Demonstration be processed under the emergency clearance process associated with 5CFR 1320.13(a)(2)(i) and 5CFR 1320.13(a)(2)(ii). This request relates only to the Prior Authorization of Power Mobility Device (PMD) Demonstration. The approval of this data collection process is essential to prevent improper payments for PMDs that do not meet Medicare coverage requirements. The CMS believes that this demonstration prevents public harm by protecting the Medicare Trust Fund from improper payments made for PMDs that do not comply with Medicare policy and by ensuring that a beneficiary's medical condition warrants the medical equipment ordered. Reductions in improper payments will help ensure the sustainability of the Medicare Trust Fund and protect beneficiaries who depend upon the Medicare program. In absence of this expanded demonstration, a significant number of claims will not be reviewed to ensure compliance with §1862(a)(1)(A) of the Act which provides that Medicare may only make payment for services which are reasonable and necessary for the diagnosis or treatment of illness or injury or to improve the functioning of a malformed body member.

Project Background

On September 1, 2012 the CMS implemented a prior authorization process for PMDs (scooters and power wheelchairs) in seven states with high populations of fraud- and error-prone providers (CA, IL, MI, NY, NC, FL and TX). Initial data indicates that the Prior Authorization Demonstration has had an unanticipated effect and was more successful in reducing spending and improper payments for PMDs than originally estimated. The CMS believes the recent decrease in overall spending is due in part to national Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) suppliers adjusting their billing practices and reflects suppliers complying with CMS policies based on their experiences with prior authorization in the demonstration states. Prior authorization is driving initial successes, ensuring that only beneficiaries who meet Medicare requirements receive a PMD. Suppliers have also increased compliance with CMS policies based on their experiences with prior authorization in the demonstration states.

The Durable Medical Equipment industry feedback has been positive thus far. Several suppliers have suggested prior authorization helps their business operations by providing a more predictable cash flow and reduced burden. These suppliers have expressed support for the demonstration and would like it to be expanded to other states and items. Feedback from beneficiaries has been largely positive.

Based on the demonstration's initial success in reducing spending and improper payments, and the support received by various stakeholders, CMS seeks to expand the current demonstration to 12 additional states, for a total of 19 states, with all demonstration requirements remaining the same. Those states include: Pennsylvania, Ohio, Louisiana, Missouri, Maryland, New Jersey, Indiana, Kentucky, Georgia, Tennessee, Washington, and Arizona.

This expansion would allow CMS the flexibility to further implement prior authorization under an existing framework that is known to many of the national suppliers of PMDs and to collect additional data and results under this demonstration. The CMS cannot expand the demonstration to additional states without the PRA approval. However the standard PRA approval timeframe would not allow for sufficient data to be collected in the new states as the demonstration is scheduled to end on August 31, 2015.

Burden Impact of Expanding the Demonstration

The Office of Management and Budget (OMB) approved the ICR entitled the "Medicare Fee-for-Service Recovery Audit Prepayment Review Demonstration and Prior Authorization Demonstration" with the control number 0938-1169 on July 23, 2012. The program has been more efficient than initially expected. The volume of actual submissions and therefore the burden, are much lower than originally estimated. In our initial ICR we estimated 325,000 prior authorization requests per year would be submitted. Based on actual results CMS has revised the estimate associated with the original seven states downward to 130,000 annually. The CMS anticipates at its height the burden associated with the new states to be 49,000 annually. The total burden is estimated at 179,000 cases per year for the original and the expanded states. Our burden estimate for the remainder of the demonstration has been adjusted to reflect the actual submission data and the burden for the additional states proposed in the expansion.

Expanding the demonstration allows CMS to leverage the resources already used on provider/supplier/beneficiary education, operational preparations, as well as staffing and training at the four Durable Medical Equipment Medicare Administrative Contractors (DME MACs). For the impacted states the use of prior authorization has decreased the amount of pre and post payment reviews of PMD claims. This has also equated to a decrease in appeals of PMD claims. The CMS expects this to continue in the expansion, which reduces supplier burden and CMS and supplier administrative expenses.

Proposed Timeline:

The CMS also submitted the Demonstration Package to expand the existing demonstration to Office of Management and Budget for approval. It is imperative that the Demonstration Package and the ICR move closely together so that the approval for the expansion of the existing

demonstration and the PRA approval are received in a manner such that the expansion start date can be announced. Since CMS will need the approval of both the ICR and the Demonstration Package to operate the demonstration, both approvals must be received for CMS to continue.

March 6, 2014
- Submit ICR to OSORA

March 17, 2014
- Target publication date for the Emergency FR notice
- Start of 14-day public comment period
- ICR submitted to OMB
- Start of informal OMB review period

March 30 2014
- End of 14-day public comment period

March 31, 2014
- Start of formal OMB review period.

June 2, 2014
- Requested OMB approval date.

We request your support in reviewing our amendment to the rate review reporting requirements under the emergency PRA procedures. If you have any questions, please contact Dan Schwartz, Division of Medical Review and Education at (410) 786-4197.