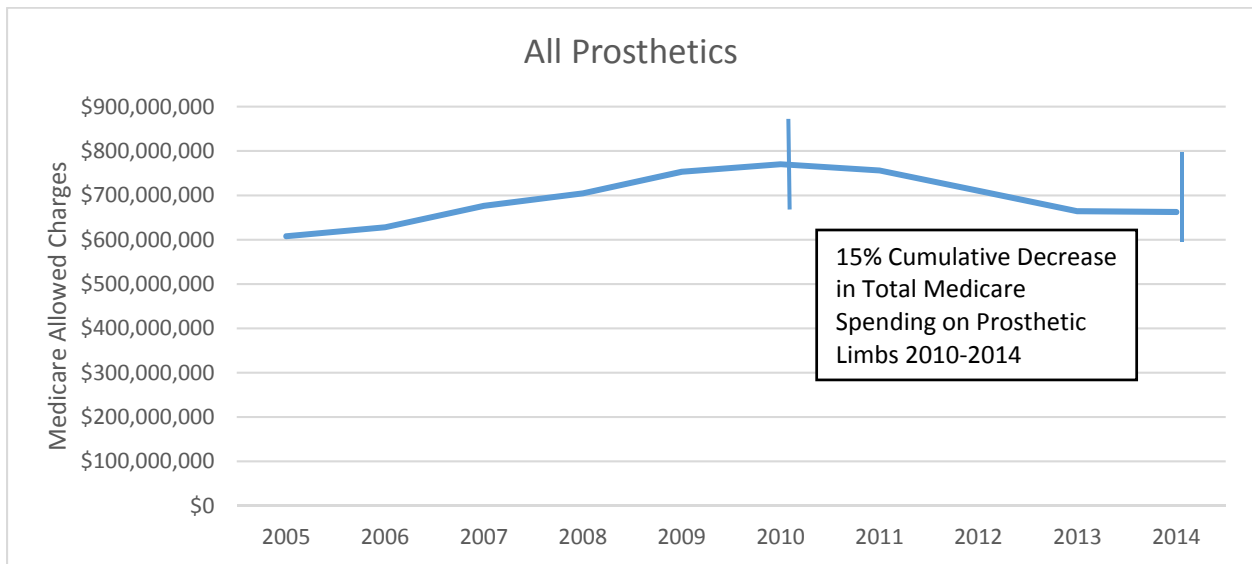
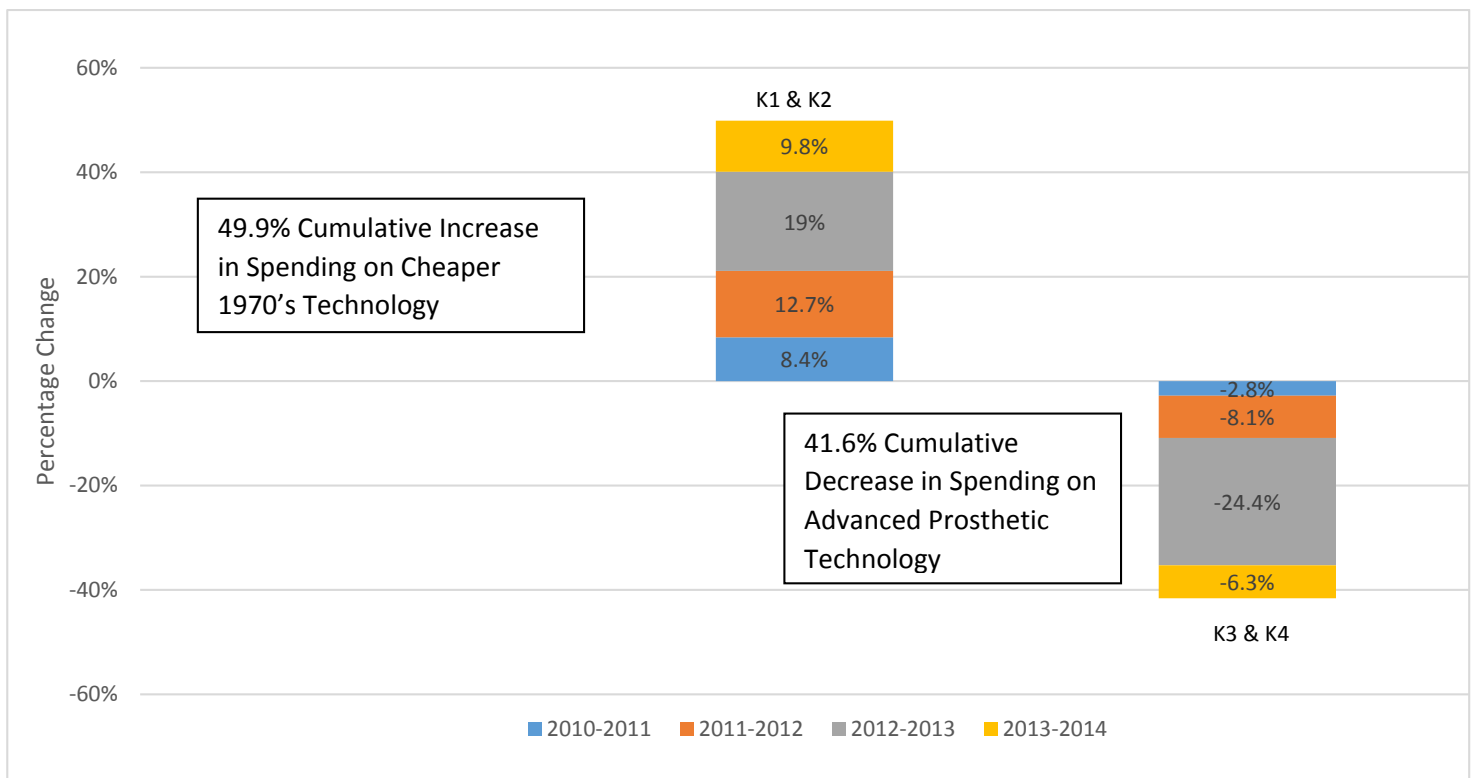


What Has Happened with Medicare Amputee Services Since 2010?



Year	All Prosthetics
2005	\$607,797,189
2006	\$628,220,869
2007	\$676,421,628
2008	\$704,604,327
2009	\$753,410,033
2010	\$770,462,739
2011	\$756,265,554
2012	\$710,599,453
2013	\$664,405,441
2014	\$662,585,471



MEDICARE SPENDING FOR PROSTHETICS 2010-14, COMPARE TO TRENDS IN TOTAL MEDICARE ANNUAL SPEND; AND NUMBER OF MEDICARE AMPUTEE BENEFICIARIES

Compound annual growth rate in per beneficiary spending:

Lower prostheses: -1.6%

Upper prostheses: -5.4%

Overall percent change in per beneficiary spending:

Lower prostheses: -6.1%

Upper prostheses: -20.0%

Annual Medicare Spend Vs. Annual Number of Medicare Amputees and Lower Limb Prosthesis Spend

Beneficiary Profile on Number of Medicare Amputees Treated*										
	Total Medicare Spend	% change in Total Medicare Spend	Number of Medicare Amputee Beneficiaries*	Medicare Payment Per Amputee Beneficiary*	% Change in Medicare Payment Per Amputee Beneficiary*	% Reduction in Total Medicare Prosthetic Spend	% Decrease in K3/K4 Feet	% Decrease in all K3/K4 Prostheses	% Increase in K1/K2 Prosthetic Feet	% Increase in all K1/K2 Prostheses
2010	\$446 Billion	N/A	32,800	\$8,813	N/A	N/A	N/A	N/A	N/A	NA
2011	\$480 Billion	7.6%	31,920	\$8,597	-2.5%	-1.8%	-2.8%	-3.6%	8.4%	4.2%
2012	\$466 Billion	-2.9%	30,440	\$9,001	4.7%	-6.0%	-8.1%	-13.3%	12.7%	8.1%
2013	\$492 Billion	5.3%	28,300	\$8,460	-6.0%	-6.5%	-24.4%	-19.5%	19.0%	12.7%
2014	\$505 Billion	2.6%	27,920	\$8,247	-2.5%	-0.27%	-6.3%	-5.0%	9.8%	7.0%
Cumulative Change		12.6%	-4,880	-\$566	-6.4%	-15%	-41.6%	-41.4%	49.9%	32.0%

*Compiled on Measuring Lower Limb and Upper Limb Prosthetic Base Codes Only

What Does Medicare's Own Data Tell Us About Prosthetic Utilization?

Fact	Source
1. The average per beneficiary Medicare spend for lower limb prosthesis has decreased by 6.1% from 2010 until 2014 (3.8% from 2010 until 2013)	Dobson DaVanzo analysis of Medicare 5% DMEPOS claim file
2. The overall increase in the Medicare spend for K1 and K2 components from 2010 until 2014 was 37.7% (28.0% from 2010 until 2013) *	Medicare paid claims data file
3. The overall decrease in the Medicare spend for K3 and K4 components from 2010 until 2014 was 36.1% (32.7% from 2010 until 2013) *	Medicare paid claims data file
4. The overall Medicare spend for lower limb prostheses decreased by almost \$93 million from 2010 until 2014, a difference of 14% (14.3% from 2010 until 2013)	Medicare paid claims data file
5. The overall Medicare spend for all prostheses decreased by \$107.7 million from 2010 until 2014, a difference of 14.1% (13.9% from 2010 until 2013)	Medicare paid claims data file
6. In 2009, the OIG reported that lower limb prostheses represented 81% of the total Medicare prosthetic spend. In 2014, lower limb prostheses (\$568.5 million) represented 86.8% of the total prosthetic spend (\$654.6 million)	2011 OIG report/Medicare Paid claims data file

* Previous reports indicated a cumulative increase of 35% in Medicare spending for K1 and K2 components and a 35.3% cumulative decrease in Medicare spending for K3 and K4 components. The previous report was limited to prosthetic feet only. The percentages above reflect utilization of both prosthetic feet and prosthetic knees.

Analysis

The overall Medicare spend for lower limb prostheses continues to decrease (14% from 2010 until 2014). While some of this reduction in overall spending can be attributed to the fact that there are fewer beneficiaries receiving Medicare covered lower limb prostheses, the fact that Medicare is spending less money per beneficiary is a direct result of the increased utilization of K1 and K2 components rather than K3 and K4 components (i.e. a change in the standard of care. Medicare's own data shows a significant increase in claims for K1 and K2 devices and an equally significant reduction in claims for K3 and K4 devices. These trends clearly indicate utilization of lesser technologically advanced devices/componentry very likely as a direct result of increased scrutiny and audit activity by Medicare contractors on claims that include more advanced prostheses or components.

Medicare National Claims History File

Compound annual growth rate in per beneficiary spending:

Lower prostheses: -1.6%

Upper prostheses: -5.4%

And your totals are correct:

Overall percent change in per beneficiary spending:

Lower prostheses: -6.1%

Upper prostheses: -20.0%

From: Tom Fise [<mailto:TFise@AOPANet.org>]

Sent: Friday, January 15, 2016 2:21 PM

To: Audrey El-Gamil <audrey.el-gamil@dobsondavano.com>; Joe McTernan <JMcTernan@AOPANet.org>

Subject: RE: Medicare National Claims History File

Thanks Audrey, this looks very helpful. Is it possible to give a cumulative/composite decrease in per beneficiary over 2010-14 period, e.g.,

$\$8,857.46 - \$8,320.72 = \$536.74$; $\$536.74/\$8,857.46$ is 6.06% reduced Medicare per beneficiary payment for Lower Limb Prosthetics, 2010-14

$\$4,549.38 - \$3,639.31 = \$913.07$; $\$913.07/\$4,549.38$ is 20.07% reduced Medicare spend per beneficiary for Upper Limb Prosthetics, 2010-14.

Is that correct?

From: Audrey El-Gamil [<mailto:audrey.el-gamil@dobsondavano.com>]

Sent: Friday, January 15, 2016 2:02 PM

To: Joe McTernan

Cc: Tom Fise

Subject: RE: Medicare National Claims History File

Hi Tom and Joe,

Here is the resulting table from the analysis we discussed. This only includes the L codes discussed – the lower extremity codes from our old study, and the upper extremity codes provided by Joe yesterday.

The total dollars represented in this analysis is very different from the total Medicare spending estimates from the reference documents you provided – likely due to differences and the number of codes included.

This analysis shows that the number of Medicare beneficiaries receiving lower extremity orthoses has been decreasing over time, and the Medicare payments are decreasing even faster. As a result, the payment per beneficiary has decreased from 2010 through 2014 for lower extremity prostheses. Among upper extremity prostheses, the number of beneficiaries and Medicare payments initially increased then decreased over the time period.

At this time, these analyses cannot be combined to produce a total, as a unique beneficiary may receive both a lower and an upper extremity prostheses. Combining these tables would likely double count the beneficiaries but not double count the Medicare payments. We are looking into calculating the number of unique beneficiaries that received either service, and can give you a total at that time.

Hope this helps!

Audrey

Medicare Beneficiaries Receiving Prosthetic Services and the Medicare Payments for the Prosthetic Claims – 2010-2014

	Lower Extremity Prostheses				Upper Extremity Prostheses			
	Number of Beneficiaries	Medicare Payment*	Medicare Payment per Beneficiary	Percent Change	Number of Beneficiaries	Medicare Payment*	Medicare Payment per Beneficiary	Percent Change
2010	32,440	\$287,336,100	\$8,857.46	0	380	\$1,728,765	\$4,549.38	0
2011	31,400	\$270,952,100	\$8,629.05	-2.6%	560	\$3,455,066	\$6,169.76	35.6%
2012	29,880	\$271,525,020	\$9,087.18	5.3%	580	\$2,475,896	\$4,268.79	-30.8%
2013	27,760	\$236,514,220	\$8,519.96	-6.2%	580	\$2,897,996	\$4,996.54	17.0%
2014	27,480	\$228,653,360	\$8,320.72	-2.3%	440	\$1,601,294	\$3,639.31	-27.2%

Source: Dobson DaVanzo analysis of DME claims (LDS) for a 5% sample of Medicare beneficiaries; extrapolated to universe of patients

* Reflects Medicare payment for the complete claim that contains at least one of the prosthetic services of interest

Dobson-DaVanzo looked into the 5% DME claims and extrapolated the data to the full Medicare population. Here are the numbers of Medicare beneficiaries who received a lower extremity prosthesis. They are unable to get to the 76K estimate from OIG.

	Number of Unique Medicare Beneficiaries with Lower Prosthetic
2010	32440
2011	31400
2012	29880
2013	27760
2014	27480