



Examining the Impact of Medicare Audits on HME Suppliers

Results of AAHomecare Audit Key Survey, 4th Quarter 2016

April 2017

Audit Key Background

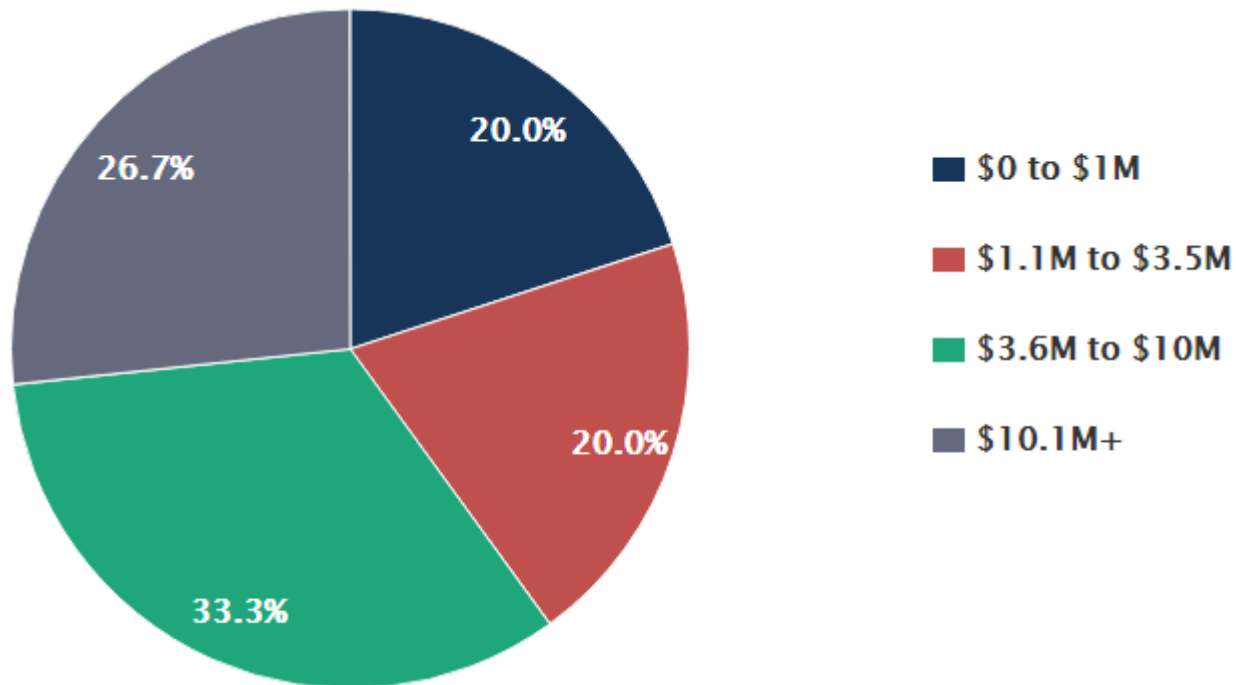
- AAHomecare created the Audit Key—a free, web-based survey to quantify the impacts of audits and appeals to present compelling data to encourage change.
 - Suppliers use AAHomecare’s online survey application, Audit Key (WWW.HMEAuditKey.org), to submit their data with audit and appeal experience.
 - Survey questions are designed to collect *cumulative* audit and appeal experience data going back as far as 10/1/15.
 - Survey registration information and Audit Key support can be accessed at support@HMEAuditKey.org or 1-844-HME A KEY.

Executive Summary

- This is the fifth quarter of data which includes audit and appeal information from 10/1/15 through 12/31/16.
- With 5 quarters of data now collected, the survey is gaining momentum.
- The industry **needs all suppliers to participate—regardless of the number of audits you are receiving.**
- With increased confidence levels in the data, the industry will be able to tell a compelling story about the audit and appeal experience of suppliers.
- Today's results show **more participation** is needed and, will yield critical data!
- Data analysis shows similarities between all sizes of suppliers, dispelling the myth that large or small suppliers experience more or less audits.
- **PARTICIPATE NOW!**

Participating Suppliers Represented a Cross Section of Net Revenue

Distribution of Audit Key Participating Suppliers by Net Revenue Range - Quarter 4, 2016



Note: Response Rates vary by Quarter

Note: Current results are based on a limited # of suppliers data and is not a true representation of the industry.

The Average Percent of Medicare Revenue is Less for Smaller and Larger Suppliers

Distribution of Audit Key Participating Suppliers by Average Percent of Net Revenue from Medicare - Quarter 4, 2016

Net Revenue Range	Average Medicare Percent
\$0 to \$1M	28%
\$1.1M to \$3.5M	33%
\$3.6M to \$10M	40%
\$10.1M+	30%

Note: Response Rates vary by Quarter

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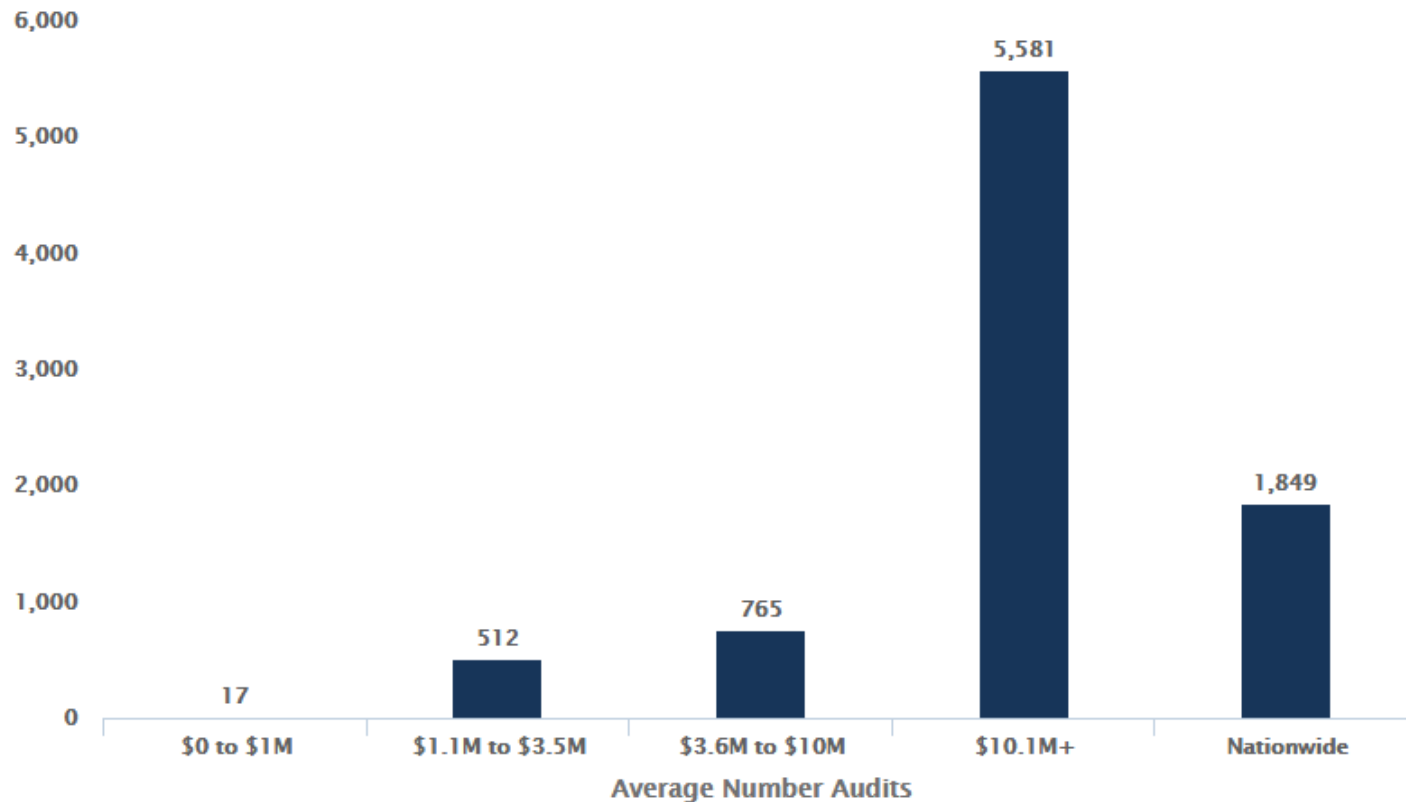




Medicare (FFS) Prepayment Audit Activity Analysis

Suppliers with Net Revenue of \$10.1M and Over Averaged Over 5,500 Audits

Average Number of DME MAC Prepayment Audits Received By Participating Supplier Net Revenue Range - through Quarter 4, 2016



Note: Response Rates vary by Quarter

Note: Current results are based on a limited # of suppliers data and is not a true representation of the industry.

The Average Percent of Audits Denied Nationwide Increased 6% Between Q4 2015 and Q4 2016

Distribution of Average Percent of DME MAC Prepayment Audits Denied Among Participating Suppliers – through Quarter 4, 2016

Participating Supplier Net Revenue Range	Average % Audits Denied
\$0 to \$1M	29%
\$1.1M to \$3.5M	13%
\$3.6M to \$10M	38%
\$10.1M+	23%
Nationwide	25%

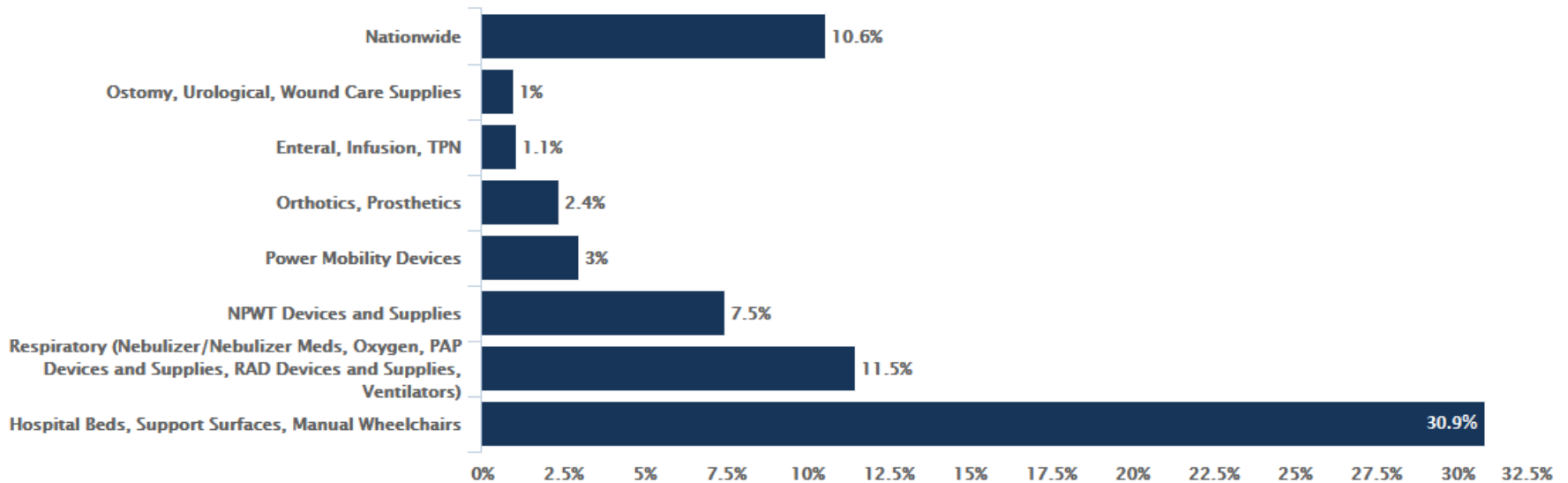
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DME MAC Prepay Audits: 31% of Hospital Beds, Support Surfaces and Manual Wheelchair New Patients Were Subject to MAC Prepayment Audit

Cumulative Percent of Medicare New Patients Subject to MAC Prepayment Audit Among Participating Suppliers By Product Category and Nationwide – through Quarter 4, 2016



* Excludes product category new patients for suppliers not reporting audits for respective category in top 3 product categories.

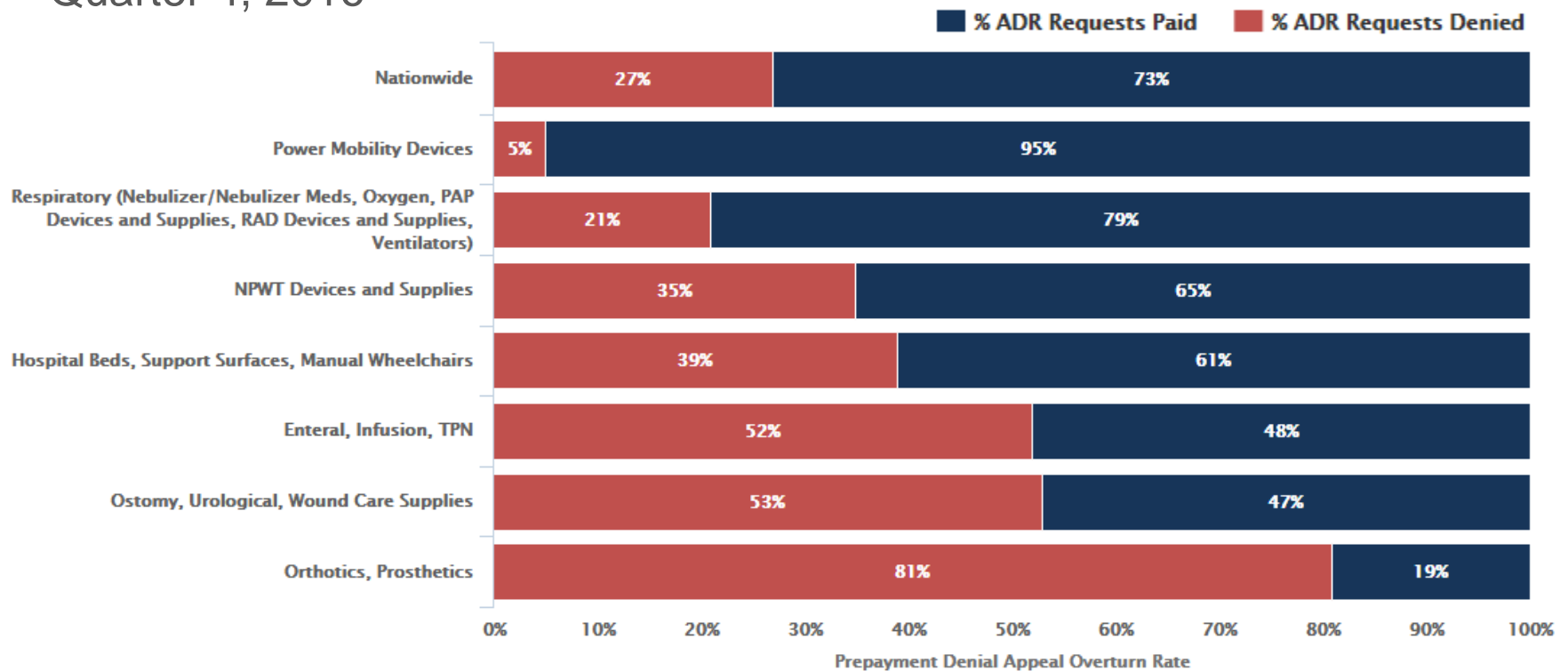
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73% Of Completed MAC Prepayment Audits Nationwide Were Paid Upon Review

Cumulative Percent of Completed MAC Prepayment Audits Denied Versus Paid Among Participating Suppliers by Product Category - through Quarter 4, 2016



Note: Response Rates vary by Quarter

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Supplier Appeal Activity

Supplier Appeal Rate of MAC Prepayment Denials of Respiratory Products Decreased 9% Nationwide Between 2016 Q3 and 2016 Q4

Summary of Appeal Rate by Product Category for MAC Prepayment Denials Among Participating Suppliers - through Quarter 4, 2016

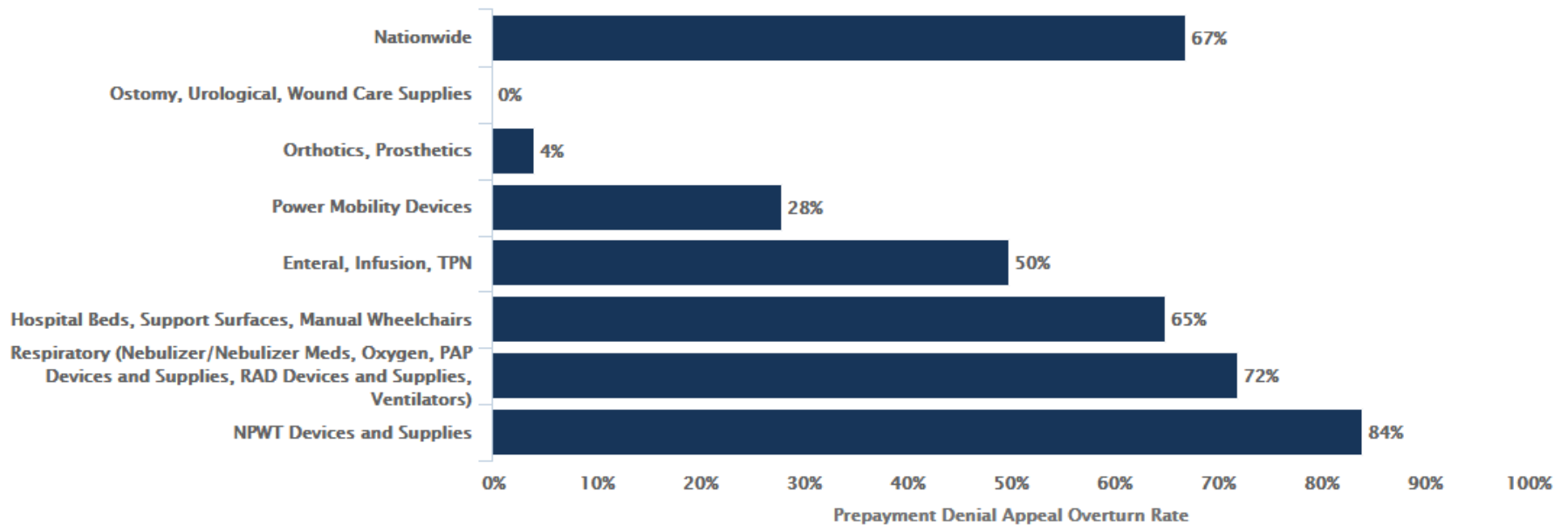
Product Category	MAC Prepayment Denials	% MAC Prepayment Denials Appealed
Orthotics, Prosthetics	608	96%
Hospital Beds, Support Surfaces, Manual Wheelchairs	2,348	91%
Power Mobility Devices	31	58%
Enteral, Infusion, TPN	22	55%
Respiratory (Nebulizer/Nebulizer Meds, Oxygen, PAP Devices and Supplies, RAD Devices and Supplies, Ventilators)	3,732	41%
NPWT Devices and Supplies	76	34%
Ostomy, Urological, Wound Care Supplies	8	0%
Nationwide	6,825	63%

Note: Response Rates vary by Quarter

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72% of Completed Appeal Determinations For Respiratory Products Were in Favor of Suppliers.

Summary of Completed Appeal Determinations in Favor of Suppliers* by Product Category for MAC Prepayment Denials Among Participating Suppliers - through Quarter 4, 2016



* Includes favorable determinations at any level of appeal.

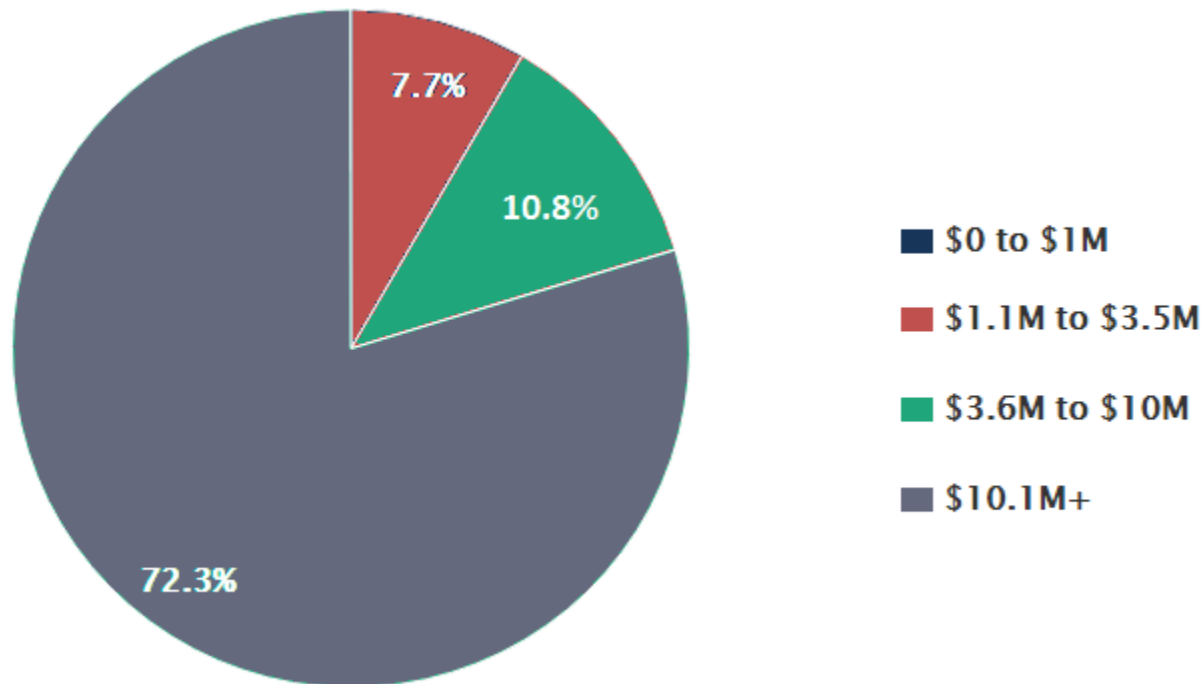
Note: Response Rates vary by Quarter



Medicare (FFS) Post Payment SMRC Audit Activity Analysis

SMRC Audits Targeted Respiratory Products for Larger Suppliers

Distribution of SMRC Respiratory Post Payment Audits Received By Participating Supplier Net Revenue Range - through Quarter 4, 2016



Note: Response Rates vary by Quarter

Note: Current results are based on a limited # of suppliers data and is not a true representation of the industry.



1-844-HME A KEY (844-463-2539)

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