

# In Fight Against Fraud, Equipment Companies Face Scrutiny

BY LINDSAY WISE

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WASHINGTON — Dr. Charlotte Kennedy first became suspicious earlier this year when she received a fax from a medical supply company asking her to authorize a back brace for a 92-year-old patient.

The doctor from Chesterfield, Mo., had recently examined the patient, who'd never mentioned any back problems. In fact, the woman was an avid gardener. "She's picking up sweet gum balls in her yard every day," Kennedy said. But the fax said the woman had requested the brace, so Kennedy called her.

"Oh, Dr. Kennedy," the woman said. "They have been calling me every day for two weeks. I don't need it. I don't want it."

Kennedy soon began noticing more unsolicited faxes, for everything from diabetic testing materials to power scooters. When she checked with her patients, they said they hadn't requested any of the supplies. "I just don't think it's right," Kennedy said.

As it turns out, she'd stumbled on a problem that cost Medicare — and taxpayers — \$27 billion over the past four years. Now, thanks in part to the doctor's vigilance, companies that aggressively market pricey home medical supplies to senior citizens are facing increased scrutiny in Washington.

Kennedy fired off a letter to the Department of Health and Human Services, asking officials to investigate the companies that were sending the faxes. She sent a copy to U.S. Sen. Claire McCaskill, D-Mo., who opened a congressional investigation.

Within two weeks of a public query from the senator's office, more than 150 people complained about receiving harassing calls from medical equipment suppliers. One woman from southwest Missouri, Victoria Anderson, and her 87-year-old mother, Carroll Hughes, told McCaskill's staff that they get three or four calls a day from medical marketing companies even though they're on the National Do Not Call Registry.

Medical equipment suppliers are explicitly prohibited from cold-calling anyone enrolled in Medicare unless the beneficiary gave written permission or the supplier provided equipment to the beneficiary in the past.

From 2009 to 2012, Medicare paid \$43 billion for durable medical equipment such as back braces, sleep apnea monitors and power scooters. More than 60 percent of those payments — \$27 billion — may have been improper, according to research by staffers of a Senate subcommittee on financial oversight, which McCaskill leads. The federal government has been able to recover only about 3 percent of overpayments.

At a recent hearing on Capitol Hill, McCaskill said she was concerned that loopholes in the law and poor oversight allowed some unscrupulous companies to exploit Medicare. Taxpayers end up



DEBRA K. BIGGS/MCT

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footing the bill, the senator said.

"Most Americans have seen ads on TV or received calls or letters promising medical equipment 'at little or no cost to you,'" McCaskill said. "What is never made fully clear in these materials is that there is always a cost to you, because it is paid for by federal tax dollars."

To fight fraud and waste, the federal Centers for Medicare & Medicaid Services have introduced competitive bidding and a pilot program that requires approval before Medicare will pay for power wheelchairs and scooters for beneficiaries in seven states with high rates of fraud and errors: California, Illinois, Michigan, New York, North Carolina, Florida and Texas, CMS spokesman Tony Salter said in an email. For now, pre-approvals aren't required in most states for most equipment.

Medicare officials say the agency also is taking advantage of tools in the new health care law, the Patient Protection and Affordable Care Act, to better screen suppliers and claims using state-

of-the-art analytics to identify patterns of fraud.

In an interview after the hearing, McCaskill said those were positive steps but that they might not go far enough. "It may be that some legislation is necessary," she said, though she didn't detail specifics. "I want to make sure that Medicare has the tools to stop this problem to bring down these costs."

McCaskill asked two medical supply companies that had faxed prescriptions to Kennedy's office to testify before her subcommittee April 24, but no one from either company showed up. The senator is considering compelling testimony by subpoena.

"If your company exists and makes profit because of taxpayer money, then you have an obligation to provide information to the government," she said.

Together the two companies — Med-Care Diabetic and Medical Supplies Inc., based in Boca Raton, Fla., and U.S. Healthcare Supply, based in Milford, N.J. — have received \$168 million in payments from Medicare since 2009, accord-

ing to a report by subcommittee staff.

A recent review of Med-Care's claims showed that in a sample of 590, more than 400 were improper, or 68 percent, for a total of \$146,689 in overpayments, the report said. If the same error rate exists for all Med-Care's claims, the company could owe as much as \$57 million to the federal government.

Med-Care didn't respond to a request for comment. A sample of U.S. Healthcare claims showed an even higher error rate, 92 percent. More than 5,600 of the 6,100 U.S. Healthcare claims auditors reviewed were improper, the report said. Applying the same error rate to the rest of U.S. Healthcare's claims suggests that the company could owe up to \$50 million in overpayments to Medicare.

U.S. Healthcare questioned the report's findings, saying the data don't match information it provided to the subcommittee or any audits of which it was aware.

Industry groups have followed the latest developments in Washington with alarm.

"Please don't convict the entire industry," said Rose Schafhauser, the executive director of the Midwest Association for Medical Equipment Services, a trade association that represents more than 300 members in seven states.

Schafhauser said the vast majority of medical equipment companies saved money by helping people stay in their homes. Now some suppliers will have to get out of the business because of increased audit activities and competitive bidding, she said.

"Durable medical equipment expenditures make up just 1.4 percent of the Medicare budget," Schafhauser said. "You're just attacking us like we were 50 percent of the Medicare budget, but in reality even if we went away we won't solve the Medicare problem."

McCaskill said honest companies had no reason to fear greater supervision.

"If you're a medical supply company and you're doing it right, you've got nothing to worry about," she said.

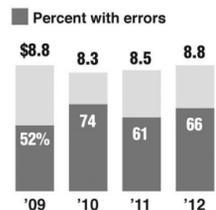
Medicare officials couldn't say what proportion of improper payments for medical equipment result from fraud as opposed to simple paperwork errors, but in Florida, where people older than 65 make up more than 17 percent of the population, medical equipment fraud is so prevalent that it prompted the U.S. Department of Justice to create a Medicare Fraud Strike Force in Miami in 2007. The strike force has since expanded to eight other cities: Los Angeles, Houston, Dallas, Detroit, Chicago, Tampa, Fla., Brooklyn, N.Y., and Baton Rouge, La.

A quarter of the fraudulent billings to Medicare are tied to durable medical equipment, said Mythili Raman, acting assistant attorney general for the Justice Department's criminal division.

"It remains a very significant problem," Raman said. "We're talking about things like power wheelchairs and braces that are expensive, and you can see why fraudsters see those as an area

## Medicare payments

Medicare payments for durable medical equipment, such as neck and back braces and power scooters, are being examined because of high error rates; total payments in billions



NOTE: Errors from fraud, paperwork mistakes or other types of waste

Source: U.S. Senate Subcommittee on Financial and Contracting Oversight  
Graphic: Judy Treible © 2013 MCT

where they can profit."

Last month, the owner of Las Tunas Medical Equipment Inc., in San Gabriel, Calif., pleaded guilty to conspiring with others to defraud Medicare. Tigran Aklyan admitted that he'd paid the owners of fraudulent medical clinics to write prescriptions and provide documentation for power wheelchairs and other durable medical equipment. He submitted \$910,377 in fraudulent claims to Medicare, which paid \$653,461.

Another recent scheme in Southern California reportedly lured Medicare beneficiaries to clinics with the promise of free vitamins and juice, only to sign them up for power wheelchairs that weren't medically necessary. An employee for a medical equipment company, Godwin Oneyeabor, reportedly had paid cash to a doctor, Sri J. Wijegunaratne, and a health care professional, Heidi Morishita, to provide fraudulent prescriptions for \$1.5 million worth of claims. A federal jury in Los Angeles found all three guilty April 24 for their roles in the scam.

In one of the most high-profile cases involving durable medical equipment this year, the FBI raided the headquarters of the Scooter Store in New Braunfels, Texas, after a federal audit found the company had overbilled Medicare by as much as \$87 million from 2009 to 2011. Known for its TV ads informing Medicare recipients, "You may qualify for a power chair or scooter at little or no cost to you," the Scooter Store was the largest scooter seller in the country.

The company filed for bankruptcy last month. Court papers say the company had \$1 million to \$10 million in assets, and up to \$100 million in debt, including \$19.5 million owed to Medicare, the Scooter Store's largest creditor.

# Palestinians Chose Their New President As Part Of Reality TV Program

BY MOHAMMED DARAGHMEH

Associated Press

BETHLEHEM, West Bank — The Palestinians haven't elected a president since 2005, but now they are finally getting a chance to do so — virtually — thanks to a hit reality TV show.

"The President" is broadcast weekly on Maan TV, a popular independent Palestinian TV station. It offers contestants a chance to address the Palestinian people on what they would do on a variety of subjects if elected president. They are grilled by a panel of politicians, professors and businesspeople who, with input from the audience, vote them off — something they can't do in the real world, where their president is still in office several years after his term was supposed to expire.

Thousands of young Palestinians who applied to take part in the show have been whittled down to 15. A winner will be crowned in the finale scheduled for late June and get to travel the world as a mock Palestinian ambassador — and perhaps win a car as well.

"We are building a new generation of politicians. They are gaining skills from practice," said Kholoud Idabis, a former Cabinet minister and member of the

panel. Other judges include Palestinian official Hanan Ashrawi and Arab-Israeli lawmaker Ahmad Tibi.

In their 20 years of limited self-rule, the Palestinians have had just two presidential elections. In 1996, longtime Palestinian leader Yasser Arafat was elected for a five-year term. He ruled without another election until he died in 2004. The following year, Mahmoud Abbas was elected for a four-year term. He's been in power ever since with no elections in sight. Critics accuse Abbas of planning on following Arafat's example, planning to rule until he dies. Abbas has no deputy, and his popular prime minister, Salam Fayyad, recently resigned in a power struggle with the president.

Abbas says he is willing to conduct elections, but first he needs to end the internal split between his government, based in the West Bank, and the Islamic militant Hamas, which rules the Gaza Strip. Talks have been going on for years without any significant progress. Abbas hopes to establish an independent state that includes both territories.

The original 1,200 participants selected to compete were all between the ages of 20-35, held a university degree and were born in the Palestinian ter-

ritories. For each episode, they are given questions from the panel on issues such as Israeli settlements, the death penalty and how to revive the struggling economy.

Hussein al-Deik, 31, for example, said he would oppose the type of violence espoused by Palestinians last decade when they carried out hundreds of suicide bombings and other attacks against Israeli civilians. He said he would promote peaceful demonstrations against Israel's occupation of the West Bank and even oppose stone throwing at Israeli soldiers and settlers — a common Palestinian practice. "Stones can prompt violence and can cause us to be victims," he said, though he said he supported international legal action against Israeli "war crimes."

Other candidates echoed his support for nonviolence, a contrast to wider Palestinian society where support for "armed struggle" remains a common sentiment.

A survey released Thursday by the Pew Research Center's Global Attitudes Project found that 45 percent of Palestinian respondents believe "armed struggle" is the best way to achieve independence from Israel, compared to 15 percent who supported negotiations and another

15 percent who supported "non-violent resistance." The survey questioned 810 people and had a margin of error of 4.4 percentage points. The center noted that roughly 5 percent of the Palestinian population was excluded because of nomadic Bedouin lifestyles or lack of access caused by Israeli military restrictions.

The show's producer says that if there are no elections in practice, at least there should be on TV.

"We wanted to create a new spin on reality TV — reality TV with a purpose," said Seema Rasool. "For decades, Palestine has only had two presidents, Abu Amar (Yasser Arafat) and Abu Mazen (Mahmoud Abbas), thus we hope this show drives the Palestinian people to truly have a democratic state. This show in itself models democracy in practice."

There are no exact rating figures, but the show seems to be a popular topic of conversation among Palestinians.

The show is funded by an American organization called Search for Common Ground. According to Suheir Rasul, co-director of the organization in Jerusalem, the "idea is for a new generation of Palestinian voices to be heard."

"We are looking to strengthen public engagement among Palestinians — especially the emerging leaders," Suheir said.

Raed Othman, Maan's director, said the show is popular because it has tapped into the larger sense of civic involvement in politics following the upheavals taking place across the Arab world. He said entertainment shows often backfire, since viewers dealing with hardships do not want to be merely entertained.

"We found this show fits our conditions," he said. "We need elections, and there are no elections. We need an Arab Spring, and the show is our spring."

Mass protests have removed longtime leaders in Egypt, Libya, Tunisia and Yemen. Syria is engulfed in a civil war.

In contrast, the traditional Palestinian leadership has not been challenged, despite years of failed peace efforts with Israel and the bitter internal divide with Hamas. The show provides a rare outlet to take public shots at the 78-year-old Abbas.

"We don't see President Abbas in town. He spends most of his time flying when we really need his presence here," said Waad Farajeh, a 21-year-old journalism student from Al-Quds University in east Jerusalem, one

of three women remaining on the show. "If I become a president, I will focus on the economy. Our economy is bad, and there are no real efforts to revive it."

Three of the finalists are from Gaza, participating by videoconference, since travel between Gaza and the West Bank is virtually impossible.

Abbas, for his part, is taking the show in stride, said Sabri Saydam, an adviser to the president who also served as a jury member for some of the episodes.

"President Abbas is aware of the show, and he was happy, because he is interested in seeing new faces, youthful faces, in the political arena," he said. "The show is exciting, and people are interested because it presents different characters. Each one behaves differently toward the various issues."

Last decade, Israel had a similarly successful show, "The Ambassador," in which young Israelis competed to demonstrate who best represented their country against hostile criticism.

The Palestinian show has dispatched the candidates to get real life experience in government ministries, local municipalities, human rights organizations, schools and hospitals.

# States Begin To Struggle To Find Ways To Fix Gun Background Check Backlog

BY SUSAN HAIGH

Associated Press

HARTFORD, Conn. — Connecticut officials are setting aside millions of dollars to address backlogs in background checks that have soared into the thousands since the December school shooting in the state, which is one of several struggling with bottlenecks as people rush to buy guns ahead of new restrictions.

Since the Dec. 14 massacre of 20 children and six educators at Sandy Hook Elementary in Newtown reignited the debate over gun laws in the U.S., a host of factors have strained state background check systems, including a spike in gun purchases. Tougher gun laws have also been passed in

Connecticut and Colorado that include additional background check requirements, and states must hire more workers to do the checks. Outdated technology used to take fingerprints has also contributed to the backlog.

"These states are saddled with a huge increase in volume, and with the increase in volume they just can't handle it," said Jake McGuigan, director of government relations and state affairs at the National Shooting Sports Foundation, an advocacy group based in Newtown.

About 9,300 people were waiting for background checks to be completed as of Friday in Connecticut, said Michael Varney of the state's emergency services department. The figure includes

both pistol permit applicants and people who need checks for employment.

"Right after Sandy Hook, it spiked," said Varney, adding that the backlog was much smaller before the shooting.

The state also needs to complete another 62,000 gun registrations received from gun dealers and private parties that are transferring firearms. Reuben Bradford, the state's public safety commissioner, confirmed in a May 8 letter. He said those transfers all had cleared the necessary background checks, but the information has not been entered into the agency's system for firearms tracking. He attributed the backlog in data entry to "an unprecedented number of weapons

purchases that were made in anticipation of a change in law."

Gun rights advocates fear that the delays could grow even longer once additional requirements for background checks take effect, such as Connecticut's requirement for a check on any sale or transfer of a long gun, which begins in January.

Connecticut Gov. Dannel P. Malloy's administration is working with lawmakers to come up with \$3 million to \$5 million in the new state budget to make technology improvements and fill as many as 39 jobs to help address the backlog, said Michael Lawlor, undersecretary for criminal justice and planning in Democratic administration.

The logjam for completing

background checks will probably last for the rest of the year, Lawlor predicted, but once the new staffing should alleviate that. He said those new workers, ranging from basic clerical to more skilled staff, will likely become permanent.

"In the future, more and more effort will be focused on very carefully regulating firearms," he said. "There are a lot of tools available to make sure guns are kept out of the hands of criminals and irresponsible people, but it takes a lot of time and a lot of effort."

In Maryland, state police increased processing hours from eight to 21 a day to address a backlog of more than 47,000 applications, Sgt. Marc Black said. New

state gun laws take effect in October, and the state police licensing division added more personnel and spent money on overtime and additional computers to address the accumulation.

"We're just not going to sacrifice safety for speed," Black said. "We're going to give each application the time that is needed."

The office that handles federal background checks has not encountered any delays despite an increase in requests since the Newtown shooting, said Stephen Fischer, a spokesman for the FBI, but senators backing gun control are discussing ways to revive legislation that extend federal background check requirements to more buyers.