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DME Fact Sheet -- January 2008

Annual \$2,000 Benefit Limits on Durable Medical Equipment (DME) Coverage by 194 of 214 Private Health Insurance Plans in California Create Personal and Financial Hardships for People with Disabilities

- **What is durable medical equipment and why is it important to people with disabilities?**

Durable medical equipment (DME) is assistive technology such as motorized wheelchairs and scooters, individualized wheelchair seating systems, oxygen and respiratory devices, adjustable height “hospital-type” beds, bathtub and shower seats, and mechanical lifts that make it possible for people with disabilities to live and function in their own homes, work, raise families, and participate in and contribute to their communities.¹

- **Does Medi-Cal and Medicare pay for durable medical equipment?**

Medi-Cal and Medicare pay for such durable medical equipment as canes, crutches, wheelchairs, bathroom equipment, hospital beds, traction devices, oxygen and respiratory equipment, and blood glucose monitors when such devices are deemed to be medically necessary and are prescribed by a physician or other licensed healthcare professional.

- **Does private health care insurance in California pay for durable medical equipment?**

Until recently, most private health care policies paid for durable medical equipment subject to standard co-payments and deductibles. While most private health care policies continue to cover durable medical equipment, in a relatively new trend, about 90% of 214 private health insurance plans operating in California now have established annual benefit limits of around \$2000 for durable medical equipment. The benefit must be expended within the coverage year and remaining balances cannot be carried forward into the next year.

¹ California Medi-Cal defines durable medical equipment as: serving a medical purpose, able to withstand repeated use, not useful to an individual in the absence of an illness, injury, functional impairment, or congenital abnormality, and appropriate for use in or out of the patient’s home. This can include canes, crutches, wheelchairs, bathroom equipment, hospital beds, traction devices, oxygen and respiratory equipment, and blood glucose monitors.

- **How do annual benefit limits on durable medical equipment imposed by private health care insurers affect people with disabilities in California?**

Low annual benefit limits on durable medical equipment present significant financial and personal hardships for people with disabilities and potentially prevent them from living independent, productive lives. For example:

- ▶ Motorized wheelchairs can cost between \$5000 and \$25,000 depending on the model and specific features, thus far exceeding most annual benefit limits and making it impossible for people who need such equipment to obtain it. Customized seating or positioning devices can add an additional \$2000 to \$5000 to the wheelchair's base cost.
- ▶ Breathing devices and many scooters each cost more than the average annual benefit limit of \$2000.
- ▶ For those who require several lower cost devices, the annual cumulative cost can exceed the limit, thus, in some cases forcing the person with a disability to choose among a group of necessary devices.
- ▶ Some people will be forced to leave their jobs in order to establish eligibility for public benefit programs that would pay for these costly devices.
- ▶ Others could face institutionalization because they cannot afford to pay privately for the devices, are ineligible for public benefits and cannot function in their homes or at work without the devices.
- ▶ Still others are experiencing an exacerbation of existing disabilities because new, appropriate equipment that meets their changing needs is not available to them.

- **Has research been conducted that reveals the impact of limited access to durable medical equipment on people with disabilities?**

In a 2003 nationally represented survey of adults with disabilities aged 18-64 conducted for the Kaiser Family Foundation, 21% of those who use equipment reported that they have serious difficulties paying for the equipment. Forty-six percent reported that they have gone without necessary items because of cost.

- **How many people with disabilities have private health care insurance in California and, therefore could potentially be affected by the benefit limits on durable medical equipment?**

According to a 2003 report issued by the Medi-Cal policy Institute, nearly half or 48% of California's approximately 3 million adults with disabilities have private health insurance.²

- **How much does durable medical equipment cost as a percentage of total health expenditures in California?**

In California durable medical equipment expenditures accounted for 1.5% of all health expenditures in 2004, whether health care was paid for by private health insurance, public health insurance, or out of pocket -- a very small percentage of total health expenditures. The growth rate of DME expenditure compared to 2003 was 3.6%; this rate was lower than the overall state healthcare expenditure growth rate of 6.8%.

- **What is the relationship between durable medical equipment and changes in medical practice?**

Expenditures for durable medical equipment are not independent of changes in medical practice. Assessment of acceptable levels of DME expenditure should be viewed in this wider context. Increases in DME expenditures may actually contribute to overall healthcare cost-saving. For example:

- ▶ Patients quickly discharged to home (rather than a more extensive hospital stay), may need to have durable medical equipment provided to enable them to safely remain home and continue recovery
- ▶ DME that is not properly fitted to the patient may result in expensive medical procedures that could have been avoided. Examples include pressure sores, corrections for health problems caused by a lack of proper positioning, and injury from accidents due to equipment that breaks or is of the wrong size.³

² Medi-Cal Policy Institute, The California Working Disabled Program: Lessons Learned, Looking Ahead, 10-13 (April 2003).

³ The Massachusetts Governor's Commission on Mental Retardation (1999) heard testimony about expensive care for health problems and injuries caused when the state insisted on purchasing the least expensive or "off the shelf" equipment instead of more durable (but slightly more expensive) equipment or individually configured equipment. In the long run, more money was spent on healthcare and the individual paid a personal price in pain and additional medical procedures (p. 31-33).

- **How much do policies to restrict durable medical equipment expenditures restrain increases in overall health care costs and insurance premiums?**

Policies to restrict DME expenditures through limitations on allowable items, increased cost-sharing, or dollar caps as a means of restraining increases in overall healthcare costs and insurance premiums will have a minimal impact on these expenditures. However, these policies have a life-changing impact on individuals who depend upon durable medical equipment. For example:

- ▶ A 2002 study by Lee and Tollen modeled the impact of reducing or cutting DME benefits altogether on private insurance premiums. They found that paring down the DME benefit reduced insurance premiums by .7%. Excluding DME as a covered benefit had an equivalent impact, reducing the premium by .7%.
- ▶ A 2003 study by Kapur, Gresenz, and Studdert found that for two large California medical groups (more than 100,000 enrollees and several hundred physicians), the highest rate of denial for service requests was for durable medical equipment. The reason given for a large portion of these denials (86%) was that the service was not contractually covered.

was used to calculate these numbers (disabled adults are in the workforce. A population of nearly 1.5 million people Anecdotal evidence suggests that

Many with disabilities simply cannot afford to pay the high cost of this essential equipment, which historically has been covered by private insurers after a deductible is met but without an annual or lifetime cap, as well as by public payers such as Medicaid and Medicare.

It is likely that insurers have established the DME caps to thwart the purchase of scooters by the rapidly growing group of aging baby-boomers who are developing mobility disabilities and now require mobility devices. Improved mobility technology taken together with increased community accessibility stemming from implementation of the 1990 Americans with Disabilities Act have likely either increased or will increase the demand for access to mobility devices and thus, methods for payment.

MEDICARE DME LIST 2007

- Air fluidized beds*
 - Blood glucose monitors
 - Bone growth (or osteogenesis) stimulators*
 - Canes (except white canes for the blind)
 - Commode chairs
 - Crutches
 - Home oxygen equipment and supplies*
 - Hospital beds*
 - Infusion pumps and some medicines used in them
- (if reasonable and necessary)*
- Lymphedema pumps/pneumatic compression devices*
 - Nebulizers and some medicines used in them

(if reasonable and necessary)

- Patient lifts*
- Power Operated Vehicles (POVs) or scooters*
- Suction pumps
- Traction equipment
- Transcutaneous electronic nerve stimulators (TENS)*
- Ventilators or respiratory assist devices
- Walkers
- Wheelchairs*
- Arm, leg, back, and neck braces
- Artificial limbs and eyes
- Breast prostheses (including a surgical brassiere)

after a mastectomy.

- Ostomy supplies for people who have had a colostomy, ileostomy, or urinary ostomy.

Medicare covers the amount of supplies your doctor says you need based on your condition.

- Prosthetic devices needed to replace an internal body part or function.

- Therapeutic shoes or inserts for people with diabetes who have severe diabetic foot disease.

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