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**Apria Brings to Light New OIG Report Highlighting Concerns Surrounding CMS
Competitive Bidding Program for Home Medical Equipment
- Findings Indicate Inaccuracies in CMS Licensure Database -**

June 6, 2016, Lake Forest, CA – The Office of the Inspector General (OIG) for the Department of Health & Human Services has published report findings that the Centers for Medicare & Medicaid Services’ (CMS) competitive bidding program has incorrectly awarded numerous supplier contracts to parties who were in fact ineligible due to deficiencies in the CMS licensure database. Apria Healthcare, a national leader in home healthcare shares growing concern over OIG report findings.

The OIG examined 146 unique contract suppliers in Round 2 of the bidding program that may not have secured proper licenses for providing home medical equipment across various states. This research was conducted in direct response to complaints that the OIG received from the supplier community and congressional inquiries.

Report findings show that more than 40% of the 146 suppliers examined did not meet licensure requirements and were incorrectly awarded contracts by CMS due to database inaccuracies. An additional 14 of the examined suppliers still require further research by CMS to determine whether they have met the necessary licensure requirements. These database deficiencies and inaccuracies were attributed to complex variations in state licensure requirements and the challenges that CMS has faced in maintaining a current and accurate database.

“This report furthers our concerns surrounding the CMS competitive bidding program,” said Dan Starck, CEO of Apria Healthcare. “While Apria remains fully-certified and was not excluded from bidding opportunities, the database errors had an immense impact on our industry in that supplier prices appear to have been driven downward artificially due to the inclusion of bids by

these ineligible providers. The inappropriately low pricing and incorrect awarding of contracts resulted in the elimination of legitimate companies from the Medicare panel of available providers, lower quality of service for Medicare beneficiaries and thousands of business failures and job losses across the industry.”

“The Round 2 pricing is also being used by CMS in 2016 to establish pricing for rural areas which were not subject to competitive bidding. The fact that the pricing was inappropriately low, may now jeopardize the quality and availability of service to Medicare beneficiaries in those areas.”

“While the OIG report addressed the initial Round 2 bidding process that took place in 2013 and affected contracts for the 100 largest metropolitan areas throughout the country, which are scheduled to expire on June 30, 2016, the report also made clear that CMS had not yet remedied the flaws in the database, which has been used in the most recent round of bidding for contracts commencing on July 1, 2016. The recent round of bidding was completed and contracts were awarded at substantially reduced rates. We hope CMS will take these results seriously, consider implementing stronger processes to ensure an accurate and complete licensure database moving forward and take steps to avoid exacerbating the adverse impact of these improperly derived prices.”

Thus far, the OIG has provided several recommendations to CMS in order to address these challenges, including the completion of the research required to assess the licensing status of the remaining 14 suppliers, as well as the identification and recording of all applicable state licensure requirements for future rounds of the competitive bidding program. CMS is currently evaluating next steps surrounding these recommendations.

For more information, please visit oig.hhs.gov, or click [here](#) to view the full OIG report.

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About Apria Healthcare Group Inc.

Apria is a privately held company owned by a group of investment limited partnerships managed by affiliates of Blackstone (NYSE:BX). Through its Apria Healthcare LLC operating unit, Apria provides home respiratory therapy, negative pressure wound therapy, home enteral nutrition

therapy and support, and home medical equipment through more than 370 locations throughout the continental United States and Hawaii and serves more than 1.8 million patients each year. As one of the nation's largest and leading home healthcare companies, Apria was the first company of its type to obtain voluntary accreditation from The Joint Commission and has been continuously accredited for more than 25 years. For more information, visit www.apria.com