

Medicare Bleeds Billions on Pricey Bandages, and Doctors Get a Cut

Medicare spending on “skin substitutes” made of dried placenta has soared as doctors pocket lucrative discounts from sellers.

Seniors across the country are wearing very expensive bandages.

Made of dried bits of placenta, the paper-thin patches cover stubborn wounds and can cost thousands of dollars per square inch.

Some research has found that such “skin substitutes” help certain wounds heal. But in the past few years, dozens of unstudied and costly products have flooded the market.

Bandage companies set ever-rising prices for new brands of the products, taking advantage of a loophole in Medicare rules, The New York Times found. Some doctors then buy the coverings at large discounts but charge Medicare the full sticker price, pocketing the difference.

Partly because of these financial incentives, many patients receive the bandages who do not need them. The result, experts said, is one of the largest examples of Medicare waste in history.

Private insurers rarely pay for skin substitutes, arguing that they are [unproven and unnecessary](#). But Medicare, the government insurance program for seniors, routinely covers them. Spending on skin substitutes exceeded \$10 billion in 2024, more than double the figure in 2023, according to an analysis of Medicare data done for The Times by Early Read, a firm that evaluates costs for large health companies.

Medicare now spends more on the bandages than on ambulance rides, anesthesia or CT scans, the analysis found.

Spending on skin substitutes has soared

\$10 billion

\$10 billion
last year

8
6
4
2
0

2011
2018
2022
2024

Note: Annual spending on skin substitutes includes both Medicare's contribution and expected patient payments, including co-payments, co-insurance and deductibles. The data does not include spending by Medicare Advantage plans

Source: Early Read

By The New York Times

A Biden-era plan to restrict Medicare's coverage of skin substitutes is scheduled to go into effect on April 13. Representatives for the White House and the Centers for Medicare and Medicaid Services declined to comment on if it would happen under President Trump, who received a large campaign donation from a leading bandage seller and skewered the plan on social media.

"C.M.S. is concerned with the trends it is seeing on Medicare spending on skin substitutes" and is reviewing its policies, Catherine Howden, a spokeswoman for the agency, said in a statement.

Skin substitute companies said that the spending could be explained by [Medicare's decision in 2020](#) to cover wound care in patients' homes, as well as the growing number of seniors, particularly those with diabetic sores, who need the bandages. "These products work, and there is a need for them," Preeya Noronha Pinto, a lawyer for the industry, said.

But experts in health care costs said the spike had been driven instead by sellers and doctors taking advantage of Medicare's pricing rules. The government will reimburse any price that a company sets for brand-new skin substitutes, even if it is far above the market average. The higher the price, the larger the doctors' cut.

And the bigger the bandage, the more they can charge. For one patient in Nevada, Medicare spent \$14 million on skin substitutes over the course of a year, according to billing records reviewed by The Times. The wound of a patient in Washington State persisted after Medicare paid \$6 million for the coverings. A man in Texas got \$1.3 million of bandages despite having no wound at all. Health executives trying to ferret out suspicious spending identified these patients and shared their stories with The Times.

As the Trump administration — and particularly the new Department of Government Efficiency run by Elon Musk — aims to shrink the federal purse, profligate Medicare spending is a ripe target, experts said.

[Have you seen examples of health care fraud, waste or abuse? Tell us about it.](#)

Companies have billed Medicare for hundreds of thousands of [urinary catheters that doctors never ordered](#). Other schemes have peddled urine tests and knee braces. In 2023, a federal watchdog agency [flagged](#) skin substitute spending as wasteful for both taxpayers and Medicare enrollees, who ultimately pay the costs with higher premiums.

“It’s the patients, it’s the taxpayers — unfortunately everyone is footing a part of the bill for this outsized spend,” said Dana Rye, an executive with Duly, a Chicago-based medical group where payments for skin substitutes have risen 1,400 percent since 2022.

But the bandage companies have found support from Mr. Trump.

Last year, a leading seller called Extremity Care hired one of Mr. Trump’s [top fund-raisers](#), Brian Ballard, as a lobbyist and donated \$2 million to a [super PAC](#) that supported the Trump election campaign.

After he took office, President Trump [posted on social media](#) a flier of industry talking points criticizing President Joseph R. Biden Jr. and opposing the plan to curb Medicare’s coverage of the bandages.

“‘Crooked Joe’ rammed through a policy that would create more suffering and death for diabetic patients on Medicare,” the president’s post said.

Extremity Care said that it adhered to high ethical standards and that the planned restrictions would hurt patients.

“This policy will disrupt supply chains, eliminate recent innovation and inevitably increase costs for both providers and patients, including increased risks of amputations and death,” Stephanie Chomentowski, the company’s assistant general counsel, said in a statement.

The bandages’ long-term benefits, she added, save Medicare money.

Image



In 2023, Dr. Danielle Whitacre, chief medical officer of Bloom Healthcare in Colorado, complained to a Medicare claims processor about a baffling explosion in patients getting skin substitutes. Credit...Joanna Kulesza for The New York Times

The Placenta Business

The skin substitutes that cost Medicare billions are made from medical waste.

Tissue banks pay hospitals to collect placentas after childbirth and ship them to laboratories. There, the organs are cleaned, tested for disease, cut into tiny squares and dehydrated. Some firms source skin substitutes from pigs, fish or infant foreskin.

For decades, [doctors have experimented](#) with placental products for [burn treatment](#) and eye surgery, under the theory that the organ's proteins spur faster skin growth. But manufacturers don't have to prove that the coverings work because the government categorizes them like donated organs. Medicare will pay for skin substitutes as long as the tissue was obtained from a source that met safety standards.

The bandages are generally safe, doctors said. But at least one health system has complained to a Medicare operator about patients who developed severe infections after using them.

Over the years, some established manufacturers have sponsored [randomized clinical trials](#) to see if various skin substitutes heal deep [foot wounds](#), known as ulcers, which people with diabetes sometimes develop. This research has found that some coverings help chronic wounds heal faster than regular cloth or plastic bandages.

The evidence “is reasonably compelling, but it’s not perfect,” said Dr. Dennis Orgill, medical director of the wound care center at Brigham and Women’s Hospital in Boston. Skin substitutes have worked best, he said, in his patients whose foot ulcers have already begun to heal. (Dr. Orgill has been a paid consultant for two older skin substitute companies, MTF Biologics and Geistlich Pharma.)

Little research has supported using skin substitutes on other types of wounds, like bed sores or surgical incisions, he said.

Doctors at the Sacramento VA Medical Center recently found that even for diabetic foot ulcers, skin substitutes did not heal the wounds any better than regular bandages did. The study, a randomized trial that was reviewed by The Times and is scheduled for publication later this year, was federally funded and not paid for by skin substitute companies.

Dr. Roslyn Rivkah Isseroff, a dermatologist and a leader of the study, said that there’s no medical justification for federal spending on skin substitutes.

“It’s really a shame,” she said. “We keep saying, ‘If the DOGE could just look at that.’”

Price Games

Despite the mixed evidence, more than 100 new skin substitute products have come to market since 2023, The Times found. And their prices have ballooned.

Five years ago, the most expensive skin substitute cost \$1,042 per square inch, while some were as cheap as \$45. Today, the three most expensive products on the market each cost more than \$21,000. (Samaritan Biologics, a company in Memphis that sells the three products, did not answer questions about why they cost so much.)

One square inch of skin substitutes costs \$5,948 on average.

1 inch

Average of the 124 publicly reported prices for skin substitute products in April 2025
Source: Centers for Medicare and Medicaid Services ASP Pricing Files
By The New York Times

Companies can set such high prices because of a quirk in Medicare pricing rules, industry experts said. For the first six months of a new bandage product’s life, Medicare will set the reimbursement rate at whatever price a company chooses. After that, the agency adjusts the reimbursement to reflect the actual price paid by doctors after any discounts.

To circumvent the reimbursement drop, some companies simply roll out new products.

In April 2023, Medicare began reimbursing \$6,497 for every square inch of a bandage called Zenith, sold by Legacy Medical Consultants, a company in Fort Worth, Texas. Six months later, Zenith's reimbursement fell to \$2,746.

That month, October 2023, Medicare began reimbursing \$6,490 for a new Legacy product, a "dual layer" bandage called Impax.

Marketing materials for the two products use identical photographs and similar language. The company describes both products as providing "optimal wound covering and protection during the treatment of wounds."

Since 2022, spending on Zenith and Impax has exceeded \$2.6 billion, according to Early Read's analysis.

Legacy Medical Consultants did not answer questions about the marketing and pricing of those products. "Legacy is following the law, not taking advantage of the system," Dan Childs, a company spokesman, said in a statement.

Doctor Discounts

A cottage industry of doctors and nurses make house calls to treat wounds. Some skin substitute companies pitch themselves to wound care doctors by offering a cut of the rising bandage prices.

Dr. Caroline Fife, a wound care doctor from Texas who often writes about industry excesses, shared on her blog last year an [email](#) she received from an undisclosed skin substitute company. The company boasted that other doctors had developed "a healthy revenue stream" from its bandages and that a patch smaller than a credit card "would generate a little over \$20,000 for your practice."

Some companies offer doctors a "bulk discount" of up to 45 percent, according to doctor interviews and contracts reviewed by The Times. But doctors then collect a Medicare reimbursement for the full price of the product.

Anti-kickback [laws](#) prohibit doctors from receiving financial rewards from drug companies or medical suppliers. And although Medicare does allow bulk discounts, experts said that the bandage rebates could have violated federal law because they didn't actually require high-volume purchases. In some Legacy contracts reviewed by The Times, doctors had to buy only three products to qualify for a 40 or 45 percent discount.

"That is not a volume discount," said Reuben Guttman, a lawyer in Washington, D.C., who has represented many Medicare whistle-blowers. Mr. Guttman said that such labeling could be used to conceal a kickback.

In 2024, at least nine medical practices billed Medicare more than \$50 million for skin substitutes, according to an analysis done for The Times by the National Association of Accountable Care Organizations, which represents medical groups that are incentivized to curb Medicare spending.

One of those nine practices was Compassionate Concierge Physicians, which provides in-home wound care across Colorado and Wyoming. Dr. Kirk Mitchell, the owner, told The Times that skin substitutes had prevented foot amputations in many of his patients.

“These things work when you use them on the right people at the right time,” Dr. Mitchell said. “The problem with the industry is we’ve got people who are not caring and who are greedy.”

Dr. Mitchell said that Extremity Care gives him a discount on bulk purchases, though he declined to say how much.

“I don’t think it’s bad for someone to be rewarded for volume,” Dr. Mitchell said.

Extremity Care and Legacy Medical Consultants did not respond to questions about the discounts.

The doctor who earned the most for skin substitutes last year was Dr. Aaron Jeng of Southern California, according to Early Read’s analysis. Medicare paid him \$117 million. (Dr. Jeng declined to comment.)

Another high earner, Dr. Stephen Dubin of Las Vegas, was paid \$17 million by Medicare for skin substitutes in 2024. (He estimated that after expenses, he took home roughly \$4 million.)

Dr. Dubin told The Times that he purchased bandages from Legacy with a large discount. “They float out a percentage, it’s usually 60/40 — they’re getting 60, you’re getting 40,” he said, referring to the portion of the Medicare reimbursement.

Dr. Dubin said he placed bandages only on wounds that hadn’t healed with the standard of care. But he said that many unqualified doctors were using bandages inappropriately to reap the easy money.

“It’s lucrative, and it’s low risk,” he said. “You’re not going to get sued for putting a membrane on somebody.”

Dr. Dubin retired at the end of last year, in part, he said, because of increased competition for wound patients. Sometimes he would show up at a patient’s home only to find that someone from a different clinic had placed a new skin substitute the day before.

Cutting Coverage

Image

Michelle Livingston, daughter of Patricia Sheffey, who received nine grafts from a wound care doctor over three months.Credit...Joanna Kulesza for The New York Times

Many accountable care organizations, which track Medicare spending for large groups of patients, have alerted the government about overuse of skin substitutes.

In March 2023, Dr. Danielle Whitacre, the chief medical officer of Bloom Healthcare in Colorado, and her colleagues complained to a Medicare claims processor about a baffling explosion in patients getting skin substitutes from mobile wound care clinics.

Skin substitutes are typically not harmful. But in the complaint, Dr. Whitacre wrote that some wound care companies were indiscriminately and hastily applying the products, failing to follow standard practices for treating wounds.

“Some of our patients are suffering devastating outcomes,” she wrote. One reported that her wound began to smell like “rotten meat.” Others ended up with infections leading to “sepsis, amputation and death.”

One of them was Patricia Sheffey, who at 82 had a years-old surgical wound on her abdomen. In late 2022, a wound care doctor applied nine grafts on Ms. Sheffey over three months, costing Medicare \$324,000, according to medical and billing records shared with The Times. Days after the final graft, Ms. Sheffey’s wound was infected, and within a week, she died of sepsis.

The doctor who gave Ms. Sheffey the skin substitutes declined to comment on the case through a lawyer, citing privacy laws.

In Washington State, Melanie Matthews, chief executive of Physicians of Southwest Washington, told Medicare officials that bandage spending for her patients had jumped to \$7.9 million in 2023, up 400 percent from the year before. In 2024, spending soared to \$18.4 million.

One patient in her system, Ms. Matthews said, received \$6 million worth of skin substitutes.

In September, health executives in Nevada complained to Medicare that spending for one patient’s bandages had exceeded \$14 million over the course of a year. The billing included up to seven treatments in a single day.

“Nothing has been done to address this specific case of likely fraud, or the broader spike in Medicare spend for skin substitutes,” said John Dickey, the chief executive of Intrinsic Health, who filed one of the complaints.

Dr. Zenobia Brown, chief clinical officer at VillageMD, a company that runs accountable care organizations, told The Times about a patient in Texas who received \$1.3 million of

bandages despite having no wound at all. The patient “was mystified,” Dr. Brown said, “which is why he brought it to our attention.”

The government has taken some steps to curb overuse. Last year, the Justice Department charged the owners of a wound care company in Arizona with billing \$1.2 billion in fraudulent claims over three years. The owners [pleaded guilty](#).

In April 2024, Medicare claims processors [suggested a broader solution](#): a policy to address the plethora of skin substitutes with scant scientific backing. Under the proposed new rules, Medicare would cover a skin substitute for certain leg and foot ulcers only if high-quality research had shown that the product worked.

Extremity Care, the company that donated to Mr. Trump, and Legacy, which sells Zenith and Impax, formed a [group](#) focused on stopping such coverage restrictions.

The new policy “would be terrible for patients,” Mr. Childs, the Legacy spokesman, said.

By June 2024, when Mr. Trump was running for president, he [criticized](#) the plan, saying on social media that the Biden administration was “abandoning” people with diabetic wounds.

The policy was supposed to go into effect in February, but Mr. Trump delayed it shortly after taking office as part of a blanket freeze on new regulations. In March, he [defended](#) the products again on social media.

The restricted coverage is scheduled to begin on April 13. But Ms. Pinto, the coalition’s lawyer, said she was hopeful that the new administration would preserve access to the products.

“It is definitely a new day,” she said.

Susan Campbell Beachy contributed research, and Robert Gebeloff contributed reporting.