Providers fear continued financial hits as the Trump administration cracks down on wound care fraud

Providers that first identified the billion-dollar fraud ask not to be penalized for spending they say they can't control.

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CMS Administrator Mehmet Oz has made tackling waste, fraud and abuse a major priority and announced a proposal to slash spending on potentially fraudulent wound care spending. Kevin Dietsch/Getty Images

Some providers are applauding the Trump administration's crackdown on billions in wound care Medicare fraud — but want regulators to do more to ensure they won't continue to be dinged financially.

The Centers for Medicare and Medicaid Services proposed on Monday slashing spending on pricey wound care treatments by nearly 90 percent. Accountable care organizations, which include doctors and hospitals responsible for managing Medicare costs, lauded the plan, which is not finalized and won't take effect till 2026. But they want CMS to do more to shield them from being held responsible for fraudulent spending by bad actors.

"Ultimately, we're advocating for fair accountability," said Nicole Bradberry, CEO of the advocacy group Florida Association of ACOs and Texas Association of ACOs. "The financial consequences of fraud should rest with those responsible for it, not with ACOs striving to uphold the integrity of value-based care."

How Trump's CMS handles this problem could impact the agency's massive priority of tackling waste, fraud and abuse. The agency has relied on ACOs to detect patterns of out-of-control and likely fraudulent claims to Medicare and the organizations need to be incentivized to continue to do this.

CMS said in a statement Thursday that it is taking the ACO concerns seriously.

ACOs agree to meet spending and quality targets and get a share of any savings. However, they must repay Medicare for going over — even when it's not their fault.

"We want to make sure that whatever the route, the ACOs are not responsible for fraudulent spending," said Aisha Pittman, senior vice president of government affairs for the National Association of ACOs.

Behind the numbers: Some ACOs started in late 2022 to see big spikes in use of skin substitutes, which mimic human skin and can be used to treat burn victims and diabetic ulcers.

ACOs investigated why some patients suddenly racked up more than $1 million in wound care claims.

CMS reported skin substitute spending ballooned from $256 million in 2019 to more than $10 billion last year.

The problem was patients got treatment at mobile wound care clinics or at home without the supervision of their regular physicians, several ACOs told POLITICO in 2024.

An ACO is responsible for all Medicare spending even if a patient gets care from another clinic.

CMS took a major step to address skin substitute fraud in a proposed physician payment rule released earlier this week. It currently treats reimbursement for skin substitutes as a biologic.

That has encouraged fraudsters to apply too much of the treatment to patients even if they do not need it. The more treatments applied, the higher the reimbursement.

CMS proposed to change the classification, which will cause reimbursement to plummet by 90 percent. Currently a skin substitute could cost as much as $3,660 a square centimeter, but that would go down to about $125 if the rule is finalized, said Mara McDermott, CEO of Accountable for Health, a group that lobbies Congress and CMS on ACO issues.

“That will be enormously helpful to patients and providers,” she said. Some ACOs are concerned that patients could get unnecessary and unsafe treatments.

CMS in its statement said it does not comment on potential regulations. However, the agency said it understands “the concerns raised by ACOs and remain committed to working across the program to ensure benchmarks and financial methodologies reflect accurate, appropriate care delivery.”
The agency has stepped in before to help ACOs hurt by fraud.
It released a rule last year that changed benchmarks to reflect billions of dollars in urinary catheter fraud found in 2023.

The Department of Justice recently announced it indicted15 people in an alleged scheme that it said billed more than $10.6 billion to Medicare.

McDermott said a more long-term solution is also needed to ensure ACOs aren’t harmed for helping the administration find a new source of fraud.

“We still need a fix for the ACOs that are being harmed by outlier billing practices and a long-term solution for more quickly addressing these issues, which seem to be popping up more frequently,” she said.