

US Fraud Watchdogs Sound Alarm Over Spending on Skin Treatments

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Summary by Bloomberg AI

Medicare Part B spending on skin substitutes rose by over 600% since 2022, according to a report by the US Department of Health and Human Services Office of Inspector General.

- The report attributes this rise partly to traditional Medicare's fee-for-service payment system, which creates an incentive for providers to use more expensive products.
- The Office of Inspector General is calling for payment reforms to address fraud, waste, and abuse in Medicare skin substitute billing, and the Centers for Medicare & Medicaid Services plans to address these concerns through its calendar year 2026 physician fee schedule proposed rule.

The meteoric rise in Medicare's reimbursement of specialty wound treatments is prompting a rare call to action from federal fraud and abuse watchdogs.

A [report](#) released Monday by the US Department of Health and Human Services Office of Inspector General found that Medicare Part B spending on skin substitutes—which are artificial or biological materials used to repair damaged skin—rose by over 600% since 2022. This rise in spending, however, was not seen in Medicare Advantage, even though both programs have similar demographics.

The OIG claims this rise is partly attributed to traditional Medicare's fee-for-service payment system, which often pays providers for skin substitutes at amounts much higher than the providers' purchase prices, creating an incentive for them to shift to more expensive products to pocket the "spread."

The report noted these incentives were absent in Medicare Advantage because of its use of management tools like prior authorization and value-based contracts that reimburse based on a larger set of services instead of individually.

Skin substitutes were also noted for their vulnerability to questionable billing and fraud.

For example, in January, an Arizona couple pleaded guilty to instructing a team of sales representatives to target hospice patients and order grafts larger than their wounds to maximize reimbursement, the OIG said. The scheme resulted in over \$1.2 billion in false claims to Medicare and private insurance companies.

The OIG called upon policymakers to consider whether Medicare should look for alternative payment methods for skin substitutes.

“The findings presented in this data snapshot illustrate the critical need for payment reforms that address fraud, waste, and abuse in Medicare skin substitute billing,” the OIG wrote.

“As policymakers consider options, any solutions should ensure that Medicare enrollees who need treatment continue to receive appropriate care while removing incentives for inappropriate and even fraudulent billing,” the watchdogs added.

The Centers for Medicare & Medicaid Services told the OIG it plans to address these concerns through its calendar year 2026 physician fee schedule [proposed rule](#), which [introduces changes](#) to Part B payments for skin substitutes.

The agency also said it “plans to implement a new 6-year model that uses utilization management and artificial intelligence technologies to implement and streamline prior authorization for potentially fraudulent, wasteful, or harmful high-cost services in Medicare Part B.”

Among the services included in the [model](#), announced in [June](#), are skin and tissue substitutes.