



# AON

## O&P Risk Advisor

RISK MANAGEMENT NEWSLETTER FOR THE ORTHOTICS & PROSTHETICS BUSINESS OWNER

## Surety bond basics

As an owner of an orthotics and prosthetics (O&P) business, you need to meet regulatory and licensing requirements to be successful. Since 2009, that includes having a surety bond, which the Centers for Medicare & Medicaid Services (CMS) requires for suppliers of durable medical equipment, prosthetics, and orthotics and supplies (DMEPOS) who participate in Medicare. Suppliers who don't comply will have their Medicare Part B billing privileges revoked.

### What is a surety bond?

A surety bond involves three parties: an *entity* (the "surety") issues a bond guaranteeing that a *business* will fulfill its obligations to a *third party* (in this case, Medicare).

The surety bond was mandated under The Balanced Budget Act of 1997 (although CMS issued the final ruling in January 2009) as a way to protect Medicare from improper and potentially fraudulent payments to suppliers. The bond allows Medicare to recoup losses from erroneous payments.

A surety bond is separate from your general insurance requirements such as professional liability, workers' compensation, general liability, and health insurance.

### Who needs a surety bond?

Any O&P business enrolling in a Medicare program and applying for a National Provider Identifier (NPI) number, responding to a revalidation or reenrolling request, or changing ownership must submit a surety bond to the National Supplier Clearinghouse with its application.

Existing O&P businesses had to obtain a

### Obtaining a surety bond

Here are the general steps for obtaining a bond.

1. Contact an insurance agent, preferably one who specializes in surety bonds. For help securing your surety bond, contact Justin King at 312-381-3912 or visit [www.insurance4op.com](http://www.insurance4op.com) to download an application.
2. The agent requests information related to the supplier's financial and operational abilities to meet its obligations:
  - corporate and personal financial statement
  - tax returns
  - application for National Provider Identifier number
  - surety application
  - agreement of indemnity
3. The supplier will usually have to provide the following information for the application:
  - name and location of business
  - ownership information
  - nature of business: description of equipment supplied
  - number of years in business
  - annual Medicare billings
  - information regarding accreditation, audit, and disciplinary history
4. The surety then decides whether to issue the bond. The agent generally signs the bond on behalf of the surety. The supplier signs the bond and submits a copy to the National Supplier Clearinghouse.

Source: Surety Bond Requirement for Suppliers of Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS). [http://www.palmettogba.com/Palmetto/Providers.nsf/files/suretybondfaqs09102009.pdf/\\$File/suretybondfaqs09102009.pdf](http://www.palmettogba.com/Palmetto/Providers.nsf/files/suretybondfaqs09102009.pdf/$File/suretybondfaqs09102009.pdf).

surety bond as of October 2009. Each supplier with an NPI number must have at least \$50,000 of coverage—for example, if you have two locations, you need either two \$50,000 bonds or one \$100,000 bond.

CMS requires higher coverage levels for each "final adverse action"—for example, a felony conviction, suspension of a license to provide healthcare, revocation of Medicare billing privileges, or revocation or suspension of accreditation—against a supplier within the 10 years before enrollment, revalidation, or reenrollment.

Exemptions to the surety bond requirement include government-owned suppli-

ers, certain state-licensed O&P personnel in private practice who make custom devices, and physicians and non-physician practitioners who supply orthotics and prosthetics only to their own patients.

### Act now!

Aon can help you obtain a surety bond. Our dedicated representative, Justin King, is happy to answer any questions you may have. He can be reached at 312-381-3912. Don't run afoul of CMS regulations by not having a surety bond. Act now to be sure your business is protected.

Cynthia Saver, MS, RN, President, CLS Development, Columbia, Maryland



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