

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 2341</b>	<b>Date: November 4, 2011</b>
	<b>Change Request 7632</b>

**SUBJECT: January 2012 Quarterly Update for the DMEPOS Competitive Bidding Program**

**I. SUMMARY OF CHANGES:** The DMEPOS Competitive Bidding Program files are updated on a quarterly basis in order to implement necessary changes to the HCPCS, Zip Code, Single Payment Amount and Supplier Files. These requirements provide specific instructions for implementing the 2011 DMEPOS Round One Rebid competitive bidding program files. This Recurring Update Notification applies to Chapter 36, Section 40.

**EFFECTIVE DATE: January 1, 2012**

**IMPLEMENTATION DATE: January 3, 2012**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revise information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
N/A	

**III. FUNDING:**

**For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

**For Medicare Administrative Contractors (MACs):**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

**IV. ATTACHMENT:**

**Recurring Update Notification**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 2341	Date: November 4, 2011	Change Request: 7632
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**SUBJECT:** January 2012 Quarterly Update for the DMEPOS Competitive Bidding Program

**Effective Date:** January 1, 2012

**Implementation Date:** January 3, 2012

## I. GENERAL INFORMATION

**A. Background:** The Medicare durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) competitive bidding program was mandated by the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The program's objectives include:

- Assuring beneficiary access to quality DMEPOS items;
- Reducing the amount Medicare pays for DMEPOS items; and
- Reducing the financial burden on beneficiaries by reducing the coinsurance they pay for DMEPOS items.

The competitive bidding program changes the way that Medicare determines the payment amounts for certain items under Part B of the Medicare program by replacing the current DMEPOS fee schedule payment amounts for selected items in certain areas with payment amounts based on bids submitted by DMEPOS suppliers.

Round One of the DMEPOS Competitive Bidding Program was implemented on July 1, 2008, in 10 competitive bidding areas, as mandated by the MMA. As part of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Congress enacted a temporary delay in the competitive bidding program for Round One Competitive Bidding Areas. The law required CMS to terminate the existing contracts that were awarded in Round One and re-compete the contracts in 2009 (the Round One Rebid). The MIPPA also excluded certain DMEPOS items and areas from competitive bidding and provided an exemption to the program for hospitals that furnish certain types of DMEPOS items to their own patients.

The Round One Rebid Competitive Bidding Program will be implemented on January 1, 2011, in competitive bidding areas (CBAs) defined by zip codes within nine of the largest Metropolitan Statistical Areas (MSAs). The CBAs in the Round One Rebid include: Charlotte-Gastonia-Concord, NC-SC; Cincinnati-Middletown, OH-KY-IN; Cleveland-Elyria-Mentor, OH; Dallas-Fort Worth-Arlington, TX; Kansas City, MO-KS; Miami-Fort Lauderdale-Pompano Beach, FL; Orlando- Kissimmee, FL; Pittsburgh, PA; and Riverside-San Bernardino-Ontario, CA.

The Round One Rebid competitive bidding product categories are: Oxygen Supplies and Equipment; Standard Power Wheelchairs, Scooters, and Related Accessories; Group 2 Complex Rehabilitative Power Wheelchairs and Related Accessories; Mail-Order Diabetic Supplies; Enteral Nutrients, Equipment and Supplies; Continuous Positive Airway Pressure (CPAP) Devices, Respiratory Assist Devices, and Related Supplies and Accessories; Hospital Beds and Related Accessories; Walkers and Related Accessories; and, in the Miami-Fort Lauderdale-Pompano Beach CBA only, Support Surfaces (Group 2 Mattresses and Overlays). A list of the HCPCS codes that are included in each of the Round One Rebid product categories can be accessed by visiting the Competitive Bidding Implementation Contractor's (CBIC) Website at [www.dmecompetitivebid.com/palmetto/cbic.nsf](http://www.dmecompetitivebid.com/palmetto/cbic.nsf).

**B. Policy:** This recurring update notification provides specific instructions for implementing and updating the 2011 DMEPOS Competitive bidding files. The single payment rates for the Round One Rebid of the DMEPOS Competitive Bidding Program will be implemented through this update notification and are effective January 1, 2011.

## **CB File Layouts**

The DMEPOS competitive bidding files are provided to the DME MACs and RHHIs via CMS' mainframe telecommunication system. There are four competitive bidding files –a CBA zip code file, a HCPCS file, a CBA pricing file and a supplier record file. Unlike the separate parenteral and enteral (PEN) file provided under the DMEPOS fee schedule, the competitive bidding enteral nutrition files will be included as part of the competitive bidding HCPCS and CBA pricing files. The four competitive bidding record file layouts are detailed in Pub.100-04, Medicare Claims Processing Manual, section 100, chapter 23. For competitive bidding, zip codes designated as mail order only are assigned a separate CBA number from the standard CBA. The competitive bidding CBA numbers and associated names are as follows:

16740 = Charlotte-Gastonia-Concord, NC-SC (non-mail order and mail order)  
16741 = Charlotte-Gastonia-Concord, NC-SC (mail order only)  
17140 = Cincinnati-Middletown, OH-KY-IN (non-mail order and mail order)  
17141 = Cincinnati-Middletown, OH-KY-IN (mail order only)  
17460 = Cleveland-Elyria-Mentor, OH (non-mail order and mail order)  
17461 = Cleveland-Elyria-Mentor, OH (mail order only)  
19100 = Dallas-Fort Worth-Arlington, TX (non-mail order and mail order)  
19101 = Dallas-Fort Worth-Arlington, TX (mail order only)  
28140 = Kansas City, MO-KS (non-mail order and mail order)  
28141 = Kansas City, MO-KS (mail order only)  
33100 = Miami-Fort Lauderdale-Pompano Beach, FL (non-mail order and mail order)  
33101 = Miami-Fort Lauderdale-Pompano Beach, FL (mail order only)  
36740 = Orlando- Kissimmee, FL (non-mail order and mail order)  
36741 = Orlando- Kissimmee, FL (mail order only)  
38300 = Pittsburgh, PA (non-mail order and mail order)  
38301 = Pittsburgh, PA (mail order only)  
40140 = Riverside-San Bernardino-Ontario, CA (non-mail order and mail order)  
40141 = Riverside-San Bernardino-Ontario, CA (mail order only)

The DME MACs must manually enter the CBA numbers in the VMAP/4D CBA Pricing Period Table.

## **File Updates**

In implementing the DMEPOS competitive bidding program, CMS will be issuing recurring update notifications on a quarterly basis. Instructions for updating the DMEPOS competitive bidding files will be included in these transmittals. The competitive bidding files will be provided to the DME MACs and the Pricing, Data Analysis & Coding (PDAC) contractor via CMS' mainframe telecommunication system on a quarterly basis. At the start of a competitive bidding round, the DME MACs & RHHIs will load all four of the aforementioned files using a load request job. Manual entry of the file additions, updates or deletions will be done on a quarterly basis by the DME MACs & RHHIs using files containing only that quarter's changes, for the following three files: the CBA zip code file, the HCPCS file, and the CBA pricing file. These quarterly change files will be provided by CMS through program instruction.

## Public Use Files

The competitive bidding zip codes and single payment amounts per product category and CBA are also available on the Competitive Bidding Implementation Contract (CBIC) Website for interested parties like DMEPOS suppliers, State Medicaid agencies and managed care organizations. The CBIC Website can be accessed at [www.dmecompetitivebid.com/palmetto/cbic.nsf](http://www.dmecompetitivebid.com/palmetto/cbic.nsf) or by visiting the following Website: [www.cms.gov/DMEPOSCompetitiveBid/01\\_overview.asp](http://www.cms.gov/DMEPOSCompetitiveBid/01_overview.asp). These files can be used to identify when a specific item furnished to a beneficiary is subject to the DMEPOS competitive bidding program.

## Single Payment Amount

Currently, Medicare payment for most DMEPOS items is based on fee schedules. However, section 1847 of the Act mandates that competitive bidding single payment amounts replace the current DMEPOS fee schedule payment amounts for competitive bidding items in CBAs. Under the program, the single payment amount will become the Medicare allowed payment amount for competitive bidding items for beneficiaries who reside in CBAs. Consistent with current CMS practice, Medicare will pay contract suppliers 80 percent of the single payment amount for each competitively bid item. The beneficiaries will be responsible for the remaining 20 percent of the single payment amount. Payment for all claims is on an assignment-related basis. In no case can a beneficiary be charged more than the 20 percent coinsurance payment for medically necessary items.

In the CBA pricing file and the single payment amount public use file, the rental single payment amounts for capped rental DME and rented enteral nutrition equipment are 10 percent of the purchase single payment amount. This payment amount is for rental months one through three. The rental single payment amounts for months 4 through 13 for capped rental DME and for months 4 through 15 for rented enteral nutrition equipment are equal to 75 percent of the single payment amounts paid in the first three rental months. The changes to the power wheelchair payment rules made by section 3136 of the Affordable care Act of 2010 (ACA) do not apply to payment made for items furnished pursuant to competitive bidding contracts entered into prior to January 1, 2011 or for power wheelchairs in which the first rental month occurred before January 1, 2011. Therefore, under the Round One Rebid Competitive Bidding Program, contract and grandfathered suppliers furnishing rented power wheelchairs will continue to be paid under the capped rental payment methodology using 10 percent of the single payment amount for the first three months and 75 percent of the single payment amounts paid in the first three rental months for months 4 through 13. Similarly, the elimination of the lump sum purchase option for standard power wheelchairs, as required by the section 3136 of the ACA, does not apply to standard power wheelchairs furnished by contract suppliers under the Round One Rebid Program. Payment for standard power wheelchairs will continue to be made to Round One Rebid contract suppliers on either a lump sum purchase or rental basis.

For inexpensive and/or routinely purchased DME items, the recorded single payment amount for rental is 10 percent of the purchase single payment amount.

For all equipment furnished on a purchase basis, the recorded single payment amount for purchased used equipment is 75 percent of the purchase single payment amount.

Also included in the CBA pricing file and the single payment amount file is the maintenance and servicing single payment amounts for rented enteral nutrition infusion pumps described by HCPCS code B9000 and B9002, made in accordance with Pub.100-04, Medicare Claims Processing Manual, section 40.3, chapter 20. The maintenance and servicing single payment amounts are equal to 5 percent of the single payment amount purchase price for the infusion pump.

## II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)
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### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I   I E R	C A R R I E R	R H H I  S S	Shared-System Maintainers				OTH ER
					F I S S	M C S	V M S	C W F			
7632.6	<p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLNMattersArticles/">http://www.cms.hhs.gov/MLNMattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>		X			X					

### IV. SUPPORTING INFORMATION

**Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A**

X-Ref Requirement Number	Recommendations or other supporting information:

**Section B: For all other recommendations and supporting information, use this space: N/A**

### V. CONTACTS

**Pre-Implementation Contact(s):** Janae James, 410-786-0801, [janae.james@cms.hhs.gov](mailto:janae.james@cms.hhs.gov)

**Post-Implementation Contact(s):** Contact your Contracting Officer's Technical Representative (COTR) or Contractor Manager, as applicable.

### VI. FUNDING

**Section A: For *Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:***

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

**Section B: For *Medicare Administrative Contractors (MACs):***

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.