CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-20 One-Time Notification	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 590	**Date: November 6, 2009**
	Change Request 6677

Subject: Round One Rebid of the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program - Phase 8A: Hospital Exception

I. SUMMARY OF CHANGES: Under the DMEPOS Competitve Bidding Program, hospitals may furnish certain competitively bid DME items to their patients on the date of discharge without submitting a bid and being awarded a contract. For the Competitive Bidding Program Round 1 Rebid, the DME competitive bid items that a hospital may furnish upon discharge as part of this exception are walkers and related accessories. This transmittal provides instructions to the contractors on processing competitive bid claims submitted by hospitals acting as DME suppliers.

New / Revised Material
Effective Date: April 1, 2010
Implementation Date: April 5, 2010

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/revised 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-*Only One Per Row.*

R/N/D	Chapter / Section / Subsection / Title
N/A	

III. FUNDING:
SECTION A: For Fiscal Intermediaries and 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.

IV. ATTACHMENTS:
One-Time Notification
**Unless otherwise specified, the effective date is the date of service.*

Attachment – One Time Notification

Pub. 100-20	Transmittal: 590	Date: November 6, 2009	Change Request: 6677

SUBJECT: Round One Rebid of the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program – Phase 8A: Hospital Exception

Effective Date: April 1, 2010

Implementation Date: April 5, 2010

I. GENERAL INFORMATION

A. Background: This transmittal instructs the shared system maintainers for the Durable Medical Equipment Medicare Administrative Contractors (DME MACs) and the ViPS Medicare System (VMS), to develop programming to address the issue of hospitals, on the date of discharge, furnishing certain DME to beneficiaries residing in a competitive bidding area (CBA).

Exception for Hospitals from the Competitive Bidding Program

Section 302(b)(1) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) (Pub. L. 108-173) amended section 1847 of the Social Security Act (the Act) to require the Secretary to establish and implement programs under which CBAs are established throughout the United States for contract award purposes for the furnishing of certain competitively priced items and services for which payment is made under Part B (the "Medicare DMEPOS Competitive Bidding Program").

On July, 15, 2008, section 154 of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) amended the MMA and mandated certain changes to the competitive bidding program. One of these changes established an exception for hospitals from the competitive bidding program when they are furnishing certain items to their own patients during an admission or on the date of discharge. This exception allows hospitals to furnish certain types of competitively bid DMEto their patients without submitting a bid and being awarded a contract under the DMEPOS Competitive Bidding Program. The DME items that a hospital may furnish as part of the exception are limited to: crutches, canes, walkers, folding manual wheelchairs, blood glucose monitors, and infusion pumps. This exception includes only DME paid for under Part B of the Medicare program because section 1847 of the Act does not apply to items that are paid for under Part A. Payment for items furnished under this exception will be made based on the single payment amount for the item for the CBA where the beneficiary resides.

Definition of a Hospital

A hospital under this exception does not include a hospital-owned DME supplier. Instead, a hospital is defined in accordance with section 1861(e) of the Social Security Act. A DME supplier that furnishes the DME item to the hospital, which then furnishes the item to the patient on the date of discharge, must be a contract supplier in the competitive bidding program.

B. Policy: Under the DMEPOS Competitive Bidding Program, hospitals may furnish certain competitively bid DME items to their patients on the date of discharge without submitting a bid and being awarded a contract. For the Competitive Bidding Program Round I Rebid, the DME competitive bid items that a hospital may furnish upon discharge as part of this exception are walkers and related accessories. Separate payment is not

made for walkers and related accessories furnished by a hospital on the date of admission because payment for these items are included in the Part A payment for inpatient facility services.

Hospitals as defined above may furnish walkers and related accessories to their patients for use in the home on the date of discharge and receive payment at the applicable single payment amount, regardless of whether the hospital is a contract supplier.

Contractors shall implement the changes specified in this CR in preparation for the implementation of DMEPOS Competitive Bidding Program Round One implementation. The target implementation date for the Round One Rebid implementation is January 1, 2011 and is subject to change. CMS will notify the contractors of the actual start date for the Round One Rebid in a separate instruction.

II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
6677.1	Contractors shall process DMEPOS Competitive Bidding Program claims for hospitals acting as DME suppliers.		X						X	X	
6677.1.1	For hospital submitted DMEPOS Competitive Bidding Program claims as referenced in 6677.1 above, contractors shall make payment for the claims even if the hospital did not win a contract under the DMEPOS Competitive Bidding Program, when the modifier "J4" and the NCB indicator are present on the claim line in combination with the following HCPCS codes: A4636, A4637, E0130, E0135, E0140, E0141, E0143, E0144, E0147, E0148, E0149, E0154, E0155, E0156, E0157, E0158, and E0159.		X						X	X	
6677.1.2	For hospital submitted claims as referenced in 6677.1 above, contractors shall pay the bid amount.		X						X		
6677.2	For claims submitted by hospitals acting as DMEPOS Competitive Bidding Program suppliers, contractors shall implement and apply edits to ensure that there is a discharge date from the hospital for the beneficiary receiving the DMEPOS Competitive Bidding Program item, whether paid or denied, within 2 days of the date of service (DOS) on the DMEPOS Competitive Bidding Program claim.		X						X	X	
6677.2.1	The Common Working File (CWF) shall create an edit that will search beneficiary history for a paid or denied hospital discharge date within 2 days of the DOS on the DMEPOS Competitive Bidding Program line item, for all DMEPOS Competitive Bidding Program line items with a combination of the "J4" modifier and the DMEPOS Competitive Bidding Program indicator.									X	
6677.2.1.1	The CWF edit shall reject DMEPOS Competitive									X	

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	Bidding Program line items with the "J4" modifier and the DMEPOS Competitive Bidding Program indicator when no matching date of discharge is found in claims history.										
6677.2.2	The VMS shared system shall recycle claims rejected by CWF under requirement 6677.2 back to CWF.								X		
6677.2.2.1	The VMS shared system shall recycle claims referenced in 6677.2.2 once every 5 business days.								X		
6677.2.2.2	The VMS shared system shall recycle claims referenced in 6677.2.2 a maximum of 3 times.								X		
6677.2.3	Contractors shall deny hospital submitted DMEPOS Competitive Bidding Program claims when no matching date of discharge is found during the recycling period.		X						X		
6677.2.3.1	Medicare contractors shall assign group code CO (Contractual Obligation).		X						X		
6677.2.3.2	Contractors shall use the following messages when denying claims for hospitals acting as DMEPOS suppliers when no matching date of discharge is found in claims history: B15: Payment adjusted because this service/procedure requires that a qualifying service/procedure be received and covered. The qualifying other service/procedure had not been received/adjudicated. M114: This service was processed in accordance with rules and guidelines under the DMEPOS Competitive Bidding Program or other Demonstration Project. For more information regarding these projects, contact your local contractor. MA13: Alert: you may be subject to penalties if you bill the patient for amounts not reported with the PR (patient responsibility) group code. MSN 16.26: Medicare does not pay for services or items related to a procedure that has not been approved or billed. MSN 16.26 - Medicare no paga por servicios o artículos relacionados con procedimientos que no han sido aprobados ni facturados.		X								
6677. 2.4	Contractors shall create and use an override to the edit described in 6677.2.1 for use in cases where the FISS		X						X	X	

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	or CWF system cannot post the date of discharge.										
6677.3	Contractors shall split hospital-submitted DMEPOS Competitive Bidding Program claims when some lines have the "J4" modifier and some do not.		X						X		
6677.3.1	For claim lines split per requirement 6677.3, contractors shall process the line items that do not contain a "J4" modifier under normal Medicare rules.		X						X		
6677.3.2	For claim lines split per requirement 6677.3, contractors shall process the line items that do contain a "J4" modifier under the DMEPOS Competitive Bidding Program rules described in this instruction.		X						X		

II. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
6677.4	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. 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.	X	X	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:

V. CONTACTS

Pre-Implementation Contact(s): For policy questions, Karen Jacobs at Karen.jacobs@cms.hhs.gov or (410)786-2173. For claims processing questions, Angie Costello at angela.costello@cms.hhs.gov or (410)786-1554.

Post-Implementation Contact(s): For policy questions, Karen Jacobs at Karen.jacobs@cms.hhs.gov or (410)786-2173. For claims processing questions, Angie Costello at angela.costello@cms.hhs.gov or (410)786-1554.

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 carved out within their operating budgets.

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

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