



## Update to the Medicare Claims Processing Manual, Chapter 23, Section 60.3

MLN Matters Number: MM10924

Related Change Request (CR) Number: 10924

Related CR Release Date: September 14, 2018

Effective Date: June 11, 2018

Related CR Transmittal Number: R4130CP

Implementation Date: October 15, 2018

### PROVIDER TYPE AFFECTED

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This MLN Matters® Article is intended for providers and suppliers submitting claims to Durable Medical Equipment Medicare Administrative Contractors (DME MACs) for DME, Prosthetics, Orthotics, and Supplies (DMEPOS) items or services paid under the DMEPOS fee schedule.

### PROVIDER ACTION NEEDED

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Change Request (CR) 10924 advises providers about changes to the Internet-Only-Manual (IOM 100-04, Chapter 23) relating to the methodology for gap-filling Durable Medical Equipment, Prosthetic, Orthotic and Supplies (DMEPOS) fee schedules is being updated to reflect the use of new sources of gap-fill pricing information announced June 11, 2018, on the CMS Spotlight section of the DME Center page (<https://www.cms.gov/Center/Provider-Type/Durable-Medical-Equipment-DME-Center.html>).

CR10924 updates the Medicare Claims Processing Manual, Chapter 23, Section 60.3 by adding language indicating that potential appropriate sources for gap-filling include verifiable information from supplier invoices and non-Medicare payer data. Please make sure your billing staffs are aware of these updates.

### BACKGROUND

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For newly covered DMEPOS items paid on a fee schedule basis where a Medicare fee does not exist, the Centers for Medicare & Medicaid Services (CMS) uses a process to establish fees called gap filling. This allows Medicare to establish a price that aligns with the statutory requirements for the DMEPOS fee schedule.

Sections 1834(a), (h), and (i) of the Social Security Act (the Act) mandate that the fee schedule amounts for DME, prosthetic devices, prosthetics and orthotics and surgical dressings, respectively, be calculated based on average reasonable charges paid for the item or device under Medicare from a past period (“the base year”). For example, the exclusive payment rule

for DME items requiring frequent and substantial servicing indicates that the fee schedule amounts must be based on the average reasonable charge in the state for the rental of the item or device for the 12-month period ending with June 1987.

Under current gap-filling guidelines outlined in Chapter 23, Section 60.3 of the Medicare Claims Processing Manual, Medicare establishes a new fee schedule amount based on:

1. The fee schedule amount for a comparable item in the DMEPOS fee schedule; or
2. Supplier price lists or retail price lists, such as mail-order catalogs, with prices in effect during the base year.

In establishing fees for newly covered DMEPOS, Medicare first looks to identify a comparable DMEPOS item for which a fee schedule amount already exists, as existing fee schedule amounts are based on average reasonable charges for items paid during the base year. CMS determines whether a comparable item exists based on the purpose and features of the device, nature of the technology, and other factors, and then applies that fee to the new item.

Supplier price lists include catalogs and other retail price lists (such as Internet retail prices) that provide information on commercial pricing for the item. Beginning June 11, 2018, potential appropriate sources for such commercial pricing information can also include verifiable information from supplier invoices and non-Medicare payer data (for example, fee schedule amounts comprised of the median of the commercial pricing information adjusted as described below).

If the only available commercial pricing is from a period other than the base year, CMS first deflates pricing data to the mid-point of the base year (for example, December 1986) using the percentage change in the Consumer Price Index for All Urban Consumers from the mid-point of the pricing year to the mid-point of the base year. CMS then inflates that amount to the payment year using the update factors required by law. This allows Medicare to establish a fee for the newly covered item consistent with the law.

## ADDITIONAL INFORMATION

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The official instruction, CR10924, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R4130CP.pdf>. The updated Chapter 23, Section 60.3 is included at the end of CR10924.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

## DOCUMENT HISTORY

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Date of Change	Description
September 14, 2018	Initial article released.

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