

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



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Effective Date: : July 1, 2016 - except in Round 1 Re-  
compete CBP areas where effective date is January 1, 2017

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Implementation Date: July 5, 2016 - except for A/B and  
HHH MACs where implementation is 10/3/2016

**Reclassification of Certain Durable Medical Equipment HCPCS Codes Included  
in Competitive Bidding Programs (CBP) from the Inexpensive and Routinely  
Purchased Payment Category to the Capped Rental Payment Category**

**Note:** This article was revised on April 29, 2016, due to a revised CR8822. In the article, the transmittal number, CR issue date, and the Web address for accessing CR8822 are revised. All other information is unchanged.

**Provider Types Affected**

This MLN Matters® Article is intended for suppliers and Home Health Agencies (HHAs) submitting claims to Durable Medical Equipment Medicare Administrative Contractors (DME MACs) or Home Health & Hospice MACs for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) provided to Medicare beneficiaries.

**What You Need to Know**

CR 8822 provides instructions for the upcoming reclassification of certain Durable Medical Equipment (DME) Healthcare Common Procedure Coding System (HCPCS) codes, that are included in Round 2 and Round 1 Re-compete DMEPOS CBPs, from the inexpensive and routinely purchased DME payment category to the capped rental DME payment category.

CR 8822 follows CR 8566, Rescind and Replace of CR 8409: Reclassification of Certain Durable Medical Equipment from the Inexpensive and Routinely Purchased Payment Category to the Capped Rental Payment Category, which was released on March 25, 2014.

You can find the associated MLN Matters article at <http://www.cms.gov/Outreach-and->

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[Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM8566.pdf](#). Make sure your billing staffs are aware of these changes.

## Background

Medicare defines routinely purchased DME (set forth at 42 CFR §414.220(a)(2)) as equipment that was acquired by purchase on a national basis at least 75 percent of the time during the period July 1986 through June 1987. A review of expensive items that have been classified as routinely purchased equipment since 1989 (that is, new codes added to the HCPCS after 1989 for items costing more than \$150) showed inconsistencies in applying the definition.

As a result, a review of the definition of routinely purchased DME was published in the Federal Register (CMS-1526-F) along with notice of DME items (codes) requiring a revised payment category. Also in that rule, the Centers for Medicare & Medicaid Services (CMS) established that DME wheelchair accessories that are capped rental items furnished for use as part of a complex rehabilitative power wheelchair (wheelchair base codes K0835 – K0864), will be paid under the associated lump sum purchase option set forth at 42 CFR § 414.229(a)(5) and Section 1834(a)(7)(A)(iii) of the Social Security Act. If the beneficiary declines the purchase option, the supplier must furnish the items on a capped rental basis and payment will be made on a monthly rental basis in accordance with the capped rental payment rules.

In order to align the payment category with the required regulatory definition, the HCPCS codes in the table below will reclassify to the capped rental payment category effective:

- July 1, 2016: Items furnished in all areas except the nine Round 1 Re-compete CBAs; and
- January 1, 2017: Items furnished in the nine Round 1 Re-compete CBAs.

### HCPCS Codes for Items Reclassified to Capped Rental DME Category

HCPCS Code	Description
E0197	Support Surfaces
E0140, E0149	Walkers
E0985, E1020, E1028, E2228, E2368, E2369, E2370, E2375, K0015, K0070	Wheelchairs Options/Accessories
E0955	Wheelchair Seating

### **Further Details from CR8822:**

1. In Round 1 Re-compete CBAs, payment for HCPCS codes shown in the above table will be made under the inexpensive and routinely purchased (IN) payment category for dates of service July 1, 2016 through December 31, 2016. Your MAC will recognize that the capped payment category requires payment of 10 percent of the purchase price for the first three months and 7.5 percent for each of the remaining rental months 4 through 13. You should also be aware that payment amounts will be based on the lower of the

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- supplier's actual charge and the fee schedule amount. Your MAC will return as unprocessable claims for the inexpensive and routinely purchased codes described above that are billed with the KH, KI and KJ modifiers. Such unprocessable claims will be returned with Claim Adjustment Reason Code (CARC) 4 (The procedure code is inconsistent with the modifier used or a required modifier is missing. Note: Refer to the 835 Healthcare Policy Identification Segment (loop 2110 Service Payment Information REF), if present.), Remittance Advice Remark Code (RARC) N519 (Invalid combination of HCPCS modifiers) and Group Code CO (Contractual Obligation).
2. Effective for claims with dates of service on or after July 1, 2016, for items furnished in Round 2 CBAs, your MAC will cease any IN category rental payments for the codes in the above table and start payment under the Capped Rental (CR) payment category; applying a determination of the number of rental months paid (which cannot exceed 13 rental months combined from dates of service before and after the effective date (July 1, 2016)).
  3. Effective for claims with dates of service on or after January 1, 2017, for items furnished in Round 1 Re-compete CBAs, your MAC will cease any IN rental payments for these codes, and start payment under the Capped Rental (CR) payment category; applying a determination of the number of rental months paid (which cannot exceed 13 rental months combined from dates of service before and after the effective date (January 1, 2017)).
  4. Effective July 1, 2016, in all areas except the nine Round 1 CBAs, your MACs will process and pay claims for wheelchair base codes K0835 – K0864): E1020, E1028, E2368, E2369, E2370, E2375, K0015, and E0955 (when applicable) on a lump sum purchase basis when used with complex rehabilitative power wheelchairs.
  5. Effective January 1, 2017 in all areas including the Round 1 Re-compete CBAs, your MACs will process and pay claims for the codes K0835 – K0864): E1020, E1028, E2368, E2369, E2370, E2375, K0015, and E0955 (when applicable) on a lump sum purchase basis when used with complex rehabilitative power wheelchairs.
  6. When Home Health/Hospice (HHHs) providers bill codes E0197, E0140, E0149, E0985, E1020, E1028, E2228, E2368, E2369, E2370, E2375, K0015, K0070 and E0955 for services outside a competitive bid area on or after July 1, 2016, payment will be made on a capped rental basis.
  7. When HHHs bill E1020, E1028, E2368, E2369, E2370, E2375, K0015, and E0955 for services outside a competitive bid area on or after July 1, 2016, MACs will process such claims on a lump sum purchase basis, where applicable, when used with a complex rehabilitative wheelchair base (K0835-K0864). **Note that for this requirement, MACs will calculate the fee for the lump sum purchase basis (NU modifier - Purchase of new equipment) for these items as the rental price times ten. The fee for a used item lump sum purchase basis (UE modifier - Purchase of used equipment) will be 75 percent of the purchase fee.**

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**Note:** Contractors will not search their files but will adjust claims brought to their attention between July 1, 2016, and October 3, 2016, for previously processed claims that meet the requirements stated in 6 and 7 above.

## Additional Information

The official instruction, CR 8822 issued to your MAC regarding this change is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R1644OTN.pdf>.

If you have any questions, please contact your MAC at their toll-free number, which is available at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html>.

## Document History

Date of Change	Description
April 29, 2016	The article was changed due to a revised CR8822. Only the CR release date, transmittal number, and the Web address for the CR were changed in the article. All other information remains the same.
March 24, 2016	The article was revised due to a revised Change Request. The revised CR adds business requirements 8822.6.2, 8822.6.3 and 8822.7 (bottom of page 7 and top of page 8 of this article), which provides instructions to the MACs for calculating the lump sum purchases. In the article, the transmittal number, CR issue date, and the Web address for accessing CR8822 are revised. All other information is unchanged.

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