

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



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R3196CP

Implementation Date: July 6, 2015

Payment Repairs to Capped Rental Equipment Prior to the End of the 13-Month Cap

Note: This article was revised on July 27, 2016, to add a link to a related MLN Matters® Article, [MM8822](#). That article provides instructions on the payment procedures that will be applied to certain Durable Medical Equipment codes that are being reclassified (July 2016) as capped rental equipment. All other information is unchanged.

Provider Types Affected

This MLN Matters® Article is intended for DMEPOS suppliers submitting claims to Durable Medical Equipment Medicare Administrative Contractors (DME MACs) for DME repairs provided for Medicare beneficiary-owned equipment.

What You Need to Know

Change Request (CR) 9062 alerts suppliers and DME MACs that reasonable and necessary charges for maintenance and servicing of beneficiary-owned DME will be made for parts and labor not otherwise covered under a manufacturer's or supplier's warranty and where the supplier transfers title to the beneficiary prior to the end of the 13 month period of continuous use. CR9062 supplements CR7212 that did not account for situations in which the title of the item is transferred to the beneficiary prior to the end of the 13 month rental period. Make sure your billing staffs are aware of these changes.

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Background

CR9062 instructs the DME MACs to ensure editing occurs on all payments for reasonable and necessary maintenance and servicing of capped rental items in cases where one or more rental payments have been made for a capped rental item and the supplier transfers the title to the equipment to the beneficiary prior to the end of a 13 month period of continuous use.

Transmittal 901, CR7212 issued on May 27, 2011 “Edit to Deny Claims for Repairs to Capped Rental Durable Medical Equipment (DME)” established billing procedures for payment for all maintenance, servicing and repairs of capped rental DME included in the allowed rental payment amounts. For equipment furnished on a rental basis no separate payment may be made for these services prior to the end of the 13-month capped rental period.

Medicare payment can be made for repairs of the equipment after the transfer of title if the DME MAC determines that the repairs are reasonable and necessary in accordance with Medicare regulations and program instructions.

Key Points of CR9062

Your DME MAC will:

1. Process claims for replacement parts furnished in conjunction with the repair of a capped rental items that are billed with the RB modifier, including claims for the parts that are billed during the capped rental period if there is evidence that the supplier has transferred the title of the capped rental item to the beneficiary;
2. Process and pay claims for reasonable and necessary repairs that are billed with the HCPCS code K0739 for the labor associated with the repairs to capped rentals items if there is evidence that the supplier has transferred the title of the capped rental item to the beneficiary.

Note that an attestation of warranty transfer (be it a copy of the warranty or a signed/dated statement from the beneficiary verifying transfer) must be kept on file at the supplier submitting the claim, and available to be submitted upon request.

In cases where one or more monthly rental payments have been made in accordance with 42 CFR 414.229 for a capped rental DME item, medical necessity for the equipment has been established. In cases where one or more rental payments have been made for an item classified as capped rental DME, and the supplier transfers the title of the equipment prior to the end of a 13 month period of continuous use per 42 CFR 414.230, Medicare payment is made for reasonable and necessary maintenance and servicing of the beneficiary-owned DME.

Under the regulations at 42 CFR 414.210(e)(1), reasonable and necessary charges for maintenance and servicing are those made for parts and labor not otherwise covered under a manufacturer’s or supplier’s warranty. Charges for routine maintenance and servicing would not be covered. Charges for maintenance and servicing that exceed the purchase price of the

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equipment (i.e., the capped rental monthly fee multiplied by 10) would not be reasonable and necessary and should be denied.

In the case of a manufacturer or supplier warranty, if the DME MAC can confirm that the manufacturer or supplier is no longer in business and the warranty that the manufacturer or supplier previously offered is no longer in effect for the item of capped rental equipment, DME MACs will allow the charges for replacement parts and labor related to maintenance and servicing of beneficiary-owned equipment, if otherwise reasonable and necessary, in accordance with the above requirements.

In the case of a manufacturer or supplier warranty, if the DME MAC can confirm that the manufacturer or supplier is still in business and there is a warranty in effect for the capped rental item, then the DME MAC will deny claims for replacement parts and labor furnished in conjunction with the repair of a capped rental item. Your DME MAC will use the following group code and messages, when denying claims for replacement parts and labor:

- Group Code – Contractual Obligation (CO) 97: The benefit for this service is included in the payment/allowance for another service/procedure that has already been adjudicated. NOTE: refer to the 835 healthcare policy identification segment (loop 2110 service payment information ref), if present.
- MA 13: Alert: You may be subject to penalties if you bill the patient for amounts not reported with the PR (patient responsibility) group code.
- N211 Alert: You may not appeal this decision.

In addition, the DME MACs will close the Certificate of Medical Necessity (CMN) as a purchase when there is evidence that the supplier has transferred the title of a capped rental item to a beneficiary.

Additional Information

CR9062 consists of two transmittals. The first updates the “Medicare Benefit Policy Manual” and it is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R203BP.pdf> on the CMS website. The second updated the “Medicare Claims Processing Manual” and it is available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3196CP.pdf> on the CMS website.

To review MM7212 Edit to Deny Claims for Repairs to Capped Rental Durable Medical Equipment (DME) go to: <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/downloads/MM7212.pdf> on the CMS website.

If you have questions please contact your DME MAC at their toll-free number. The number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work?

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Document History

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