

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



**News Flash** – The Centers for Medicare & Medicaid Services (CMS) has announced the expansion of the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program to include the Round 2 and National Mail Order competitions. If you want to bid, you need to prepare now! You must make sure that your correspondence address and your authorized officials' names, Social Security numbers, and birth dates are accurate in your enrollment file at the National Supplier Clearinghouse (NSC) before registration starts. Before you submit a bid for a product category in a Competitive Bidding Area (CBA), you must have all required state licenses for that product category for each state in that CBA. It is VERY IMPORTANT that you make sure that current versions of all required licenses are in your enrollment file with the NSC BEFORE you bid. If any required licenses are expired or missing from your enrollment file, we can reject your bid and you can't get a contract. For more information about the Medicare DMEPOS Competitive Bidding Program please visit the CMS Competitive Bidding Web site at <http://www.cms.gov/DMEPOSCompetitiveBid/> on the CMS website.

MLN Matters® Number: MM7635

Related Change Request (CR) #: CR 7635

Related CR Release Date: November 4, 2011

Effective Date: January 1, 2012

Related CR Transmittal #: R2340CP

Implementation Date: January 3, 2012

## **CY 2012 Fee Schedule Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS)**

### **Provider Types Affected**

Providers and suppliers submitting claims to Medicare contractors (carriers, DME Medicare Administrative Contractors (DME MACs), Fiscal Intermediaries (FIs), Medicare Administrative Contractors (MACs), and/or Regional Home Health Intermediaries (RHHIs)) for DMEPOS items or services paid under the DMEPOS fee schedule need to be aware of this article.

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## Provider Action Needed

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### **STOP – Impact to You**

Updates and information in CR 7635 can impact reimbursement for your claims for DMEPOS items or services.



### **CAUTION – What You Need to Know**

This article, based on Change Request (CR) 7635, advises you of the Calendar Year (CY) 2012 annual update for the Medicare DMEPOS fee schedule. The instructions include information on the data files, update factors, and other information related to the update of the DMEPOS fee schedule.

Key points about these changes are summarized in the Background section below. These changes are effective for DMEPOS provided on or after January 1, 2012.



### **GO – What You Need to Do**

You should make that sure your billing staffs are aware of these changes.

## Background and Key Points of CR 7635

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Payment on a fee schedule basis is required for durable medical equipment, prosthetic devices, orthotics, prosthetics, and surgical dressings (DMEPOS) by Sections 1834(a), (h), and (i) of the Social Security Act (the Act); and for parenteral and enteral nutrition (PEN) by 42 CFR, Section 414.102.

In accordance with these statutes and regulations, the DMEPOS fee schedules are updated annually; and the process for this update is documented in the "Medicare Claims Processing Manual", Chapter 23 Fee Schedule Administration and Coding Requirements), Section 60 (Durable Medical Equipment Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule at

<http://www.cms.gov/manuals/downloads/clm104c23.pdf> on the Centers for Medicare & Medicaid Services (CMS) website.

CR 7635, from which this article is taken, provides instructions regarding annual the DMEPOS fee schedule annual update for 2012.

### **Fee Schedule Files**

The DMEPOS fee schedule file will be available on or after November 16, 2011, for State Medicaid Agencies, managed care organizations, and other interested parties at <http://www.cms.hhs.gov/DMEPOSFeeSched/> on the CMS website.

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***HCPCS Codes Added***

The following new codes are effective as of January 1, 2012:

- A9272 which has no assigned payment category;
- A5056 and A5057 in the ostomy, tracheostomy, and urological supplies (OS) payment category;
- E0988 in the capped rental (CR) category;
- L5312, L6715, and L6880 in the prosthetics and orthotics category; and
- E2358, E2359, E2626, E2627, E2628, E2629, E2630, E2631, E2632, and E2633 in the inexpensive/routinely purchased (DME) payment category.

The fee schedule amounts for the above new codes will be established as part of the July 2012 DMEPOS Fee Schedule Update, when applicable. Also when applicable, DME MACs will establish local fee schedule amounts to pay claims for the new codes from January 1, 2012 through June 30, 2012. The new codes are not to be used for billing purposes until they are effective on January 1, 2012.

Please note that the HCPCS codes listed as new codes in this CR may not be final and are subject to change pending release of the CY 2012 HCPCS file.

For gap-filling purposes, the 2011 deflation factors by payment category are listed in the following table:

Factor	Category
0.485	Oxygen
0.488	Capped Rental
0.490	Prosthetics and Orthotics
0.621	Surgical Dressings
0.676	Parenteral and Enteral Nutrition

***HCPCS Codes Deleted***

The following codes are being deleted from the HCPCS effective January 1, 2012, and are therefore being removed from the DMEPOS fee schedule files:

- E0571
- L1500, L1510, L1520, L3964, L3965, L3966, L3968, L3969, L3970, L3972, L3974, L4380, L5311, L7266, L7272, L7274, and L7500.

***Specific Coding and Pricing Issues***

CMS has learned that the current language in the "Medicare Claims Processing Manual", Chapter 23 (Fee Schedule Administration and Coding Requirements),

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Section 60.3(Gap-filling DMEPOS Fees), that describes the longstanding methodology for calculating gap-filled fee schedule amounts, can be misinterpreted.

For this reason, CR 7635 revises the first paragraph of this section by replacing the phrase “previous data base period” with “fee schedule data base year,” and later in the same sentence replacing the phrase “database year” with “fee schedule database year.” These revisions closely approximate the original gap-fill instructions as they appeared in the “Medicare Carriers Manual”, Part 3 (Claims Process), Section 5102 (Fee Schedules For Durable Medical Equipment and Orthotic/Prosthetic Devices). In addition, CR 7635 revises this section to include the addition of the 2011 deflation factors, as noted above.

CR 7635 also announces other coding and pricing changes, effective January 1, 2012:

1. New HCPCS codes: E2626, E2627, E26268, E 2629, E2630, E2631, E2632, and E2633 (for wheelchair accessories for shoulder elbow arm supports) are re-designated from codes L3964-L3974 and the fee schedule amounts will be directly assigned from the deleted codes to the new codes.
2. The fee schedule amounts for shoe modification HCPCS codes A5503 through A5507 are being adjusted to reflect more current allowed service data. Section 1833(o)(2)(C) of the Act required that the payment amounts for shoe modification codes A5503 through A5507 be established in a manner that prevented a net increase in expenditures when substituting these items for therapeutic shoe insert codes (A5512 or A5513). To establish the original fee schedule amounts for the shoe modification codes, the base fees for codes A5512 and A5513 were weighted based on the approximated total allowed services for each code for items furnished during the second quarter of calendar year 2004. For 2012, the base fees for A5512 and A5513 will be weighted based on the approximated total allowed services for each code for items furnished during the calendar year 2010 and the fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change.

### *KE Modifier Update*

To ensure appropriate modifier processing when submitting claims for HCPCS code E0776 (IV Pole), suppliers should bill using the following modifiers depending upon the type of pump that the IV pole is used with:

- For use with infusion pumps – submit E0776RR, E0776NU, or E0776UE;
- For use with parenteral pumps – submit E0776RRBAKE, E0776NUBAKE, or E0776UEBAKE;
- For use with enteral pumps – submit E0776RRBA, E0776NUBA or E0776UEBA;  
or

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- For use with enteral pumps by beneficiaries that permanently reside in Round I Rebid competitively bid areas - submit E0776RRBAKG, E0776NUBAKG or E0776UEBAKG.

Similarly, when submitting claims for a replacement HCPCS code E2373 (POWER WHEELCHAIR ACCESSORY, HAND OR CHIN CONTROL INTERFACE, COMPACT REMOTE JOYSTICK) suppliers should bill using the following modifiers depending upon the associated base wheelchair:

- For use with a power wheelchair HCPCS code that was bid in Round I of the DMEPOS Competitive Bidding Program – submit E2373KCRR, E2373KCNU or E2373KCUE;
- For use with a power wheelchair HCPCS code that was not bid in Round I of the DMEPOS Competitive Bidding Program – submit E2373KCRRKE, E2373KCNUKE or E2373KCUEKE; or
- For beneficiaries that permanently reside in Round I Rebid competitively bid areas when used with a power wheelchair HCPCS code that was bid in the Round I Rebid of the DMEPOS Competitive Bidding Program – submit E2373KCRRKK, E2373KCNUKK or E2373KCUEKK.

**Note:** The above billing instructions supersede the E0776 and E2373 KC billing instructions furnished in Transmittal 1630, CR6270, dated November 7, 2008.

Attachment B to CR 7635 contains a list of the HCPCS codes that were selected in 2008 for Round I of the DMEPOS Competitive Bidding Program. For beneficiaries who permanently reside in Round I Rebid competitively bid areas, a list of the Round 1 Rebid competitively bid items is available in the single payment amount charts located at

<http://www.dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Single%20Payment%20Amounts> on the Competitive Bidding Implementation Contractor (CBIC) website.

### ***CY 2012 Fee Schedule Update Factor***

For CY 2012, the update factor of 2.4 percent is applied to the applicable CY 2011 DMEPOS fee schedule amounts.

In accordance with section 1834(a)(14) of the Act, the DMEPOS fee schedule amounts are to be updated for 2012 by the percentage increase in the consumer price index for all urban consumers (United States city average) or CPI-U for the 12-month period ending with June of 2011, adjusted by the change in the economy-wide productivity equal to the 10-year moving average of changes in annual economy-wide private non-farm business multi-factor productivity (MFP).

The MFP adjustment is 1.2 percent and the CPI-U percentage increase is 3.6 percent. Thus, the 3.6 percentage increase in the CPI-U is reduced by the 1.2

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percentage increase in the MFP resulting in a net increase of 2.4 percent for the MFP-adjusted update factor.

### *2012 Update to Labor Payment Rates*

2012 Fees for Healthcare Common Procedure Coding System (HCPCS) labor payment codes K0739, L4205, L7520 are increased by 3.6 percent effective for dates of service on or after January 1, 2012 through December 31, 2012, and those rates are as follows:

STATE	K0739	L4205	L7520	STATE	K0739	L4205	L7520
AK	\$26.47	\$30.16	\$35.48	NC	\$14.05	\$20.94	\$28.43
AL	14.05	20.94	28.43	ND	17.51	30.10	35.48
AR	14.05	20.94	28.43	NE	14.05	20.92	39.64
AZ	17.37	20.92	34.98	NH	15.08	20.92	28.43
CA	21.56	34.38	40.07	NJ	18.96	20.92	28.43
CO	14.05	20.94	28.43	NM	14.05	20.94	28.43
CT	23.47	21.41	28.43	NV	22.39	20.92	38.75
DC	14.05	20.92	28.43	NY	25.88	20.94	28.43
DE	25.88	20.92	28.43	OH	14.05	20.92	28.43
FL	14.05	20.94	28.43	OK	14.05	20.94	28.43
GA	14.05	20.94	28.43	OR	14.05	20.92	40.88
HI	17.37	30.16	35.48	PA	15.08	21.54	28.43
IA	14.05	20.92	34.03	PR	14.05	20.94	28.43
ID	14.05	20.92	28.43	RI	16.75	21.56	28.43
IL	14.05	20.92	28.43	SC	14.05	20.94	28.43
IN	14.05	20.92	28.43	SD	15.70	20.92	38.00
KS	14.05	20.92	35.48	TN	14.05	20.94	28.43
KY	14.05	26.81	36.35	TX	14.05	20.94	28.43
LA	14.05	20.94	28.43	UT	14.09	20.92	44.27
MA	23.47	20.92	28.43	VA	14.05	20.92	28.43
MD	14.05	20.92	28.43	VI	14.05	20.94	28.43
ME	23.47	20.92	28.43	VT	15.08	20.92	28.43
MI	14.05	20.92	28.43	WA	22.39	30.69	36.45
MN	14.05	20.92	28.43	WI	14.05	20.92	28.43
MO	14.05	20.92	28.43	WV	14.05	20.92	28.43
MS	14.05	20.94	28.43	WY	19.59	27.91	39.64
MT	14.05	20.92	35.48				

### *2012 National Monthly Payment Amounts for Stationary Oxygen Equipment*

CR 7635 implements the 2012 national monthly payment amount for stationary oxygen equipment (HCPCS codes E0424, E0439, E1390 and E1391), effective for claims with dates of service on or after January 1, 2012. As required by statute, the

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payment amount must be adjusted annually, as necessary, to ensure budget neutrality of the new payment class for oxygen generating portable equipment (OGPE).

The updated national 2012 monthly payment amount of \$176.06 for stationary oxygen equipment codes is included in the DMEPOS fee schedule.

Please note that when the stationary oxygen equipment fees are updated, corresponding updates are made to the fee schedule amounts for HCPCS codes E1405 and E1406 for oxygen and water vapor enriching systems. Since 1989, the fees for codes E1405 and E1406 have been established based on a combination of the Medicare payment amounts for stationary oxygen equipment and nebulizer codes E0585 and E0570, respectively.

### ***2012 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment***

CR 7635 also updates the 2012 payment amount for maintenance and servicing for certain oxygen equipment.

You can read more about payment for claims for maintenance and servicing of oxygen equipment in MLN Matters® Articles, MM6792 [Maintenance and Servicing Payments for Certain Oxygen Equipment](#), which you can find at

<http://www.cms.gov/MLN MattersArticles/downloads/MM6792.pdf> and MM6990

[Clarification of the Date of Service for Maintenance and Servicing Payments for Certain Oxygen Equipment after July 1, 2010](#), which you can find at

<https://www.cms.gov/MLN MattersArticles/downloads/MM6990.pdf> on the CMS website.

To summarize, payment for maintenance and servicing of certain oxygen equipment can occur every 6 months beginning 6 months after the end of the 36<sup>th</sup> month of continuous use or end of the supplier's or manufacturer's warranty, whichever is later for either HCPCS code E1390, E1391, E0433 or K0738, billed with the "MS" modifier. Payment cannot occur more than once per beneficiary, regardless of the combination of oxygen concentrator equipment and/or transfilling equipment used by the beneficiary, for any 6-month period.

Per 42 CFR Section 414.210(5)(iii), the 2010 maintenance and servicing fee for certain oxygen equipment was based on 10 percent of the average price of an oxygen concentrator. For CY 2011 and subsequent years, the maintenance and servicing fee is adjusted by the covered item update for DME as set forth in Section 1834(a)(14) of the Act. Thus, the 2011 maintenance and servicing fee is adjusted by the 2.4 percent MFP-adjusted covered item update factor to yield a CY 2012 maintenance and servicing fee of \$67.51 for oxygen concentrators and transfilling equipment.

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## Additional Information

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You can find the official instruction, CR 7635, issued to your carrier, DME MAC, FI, A/B MAC, or RHHI by visiting <http://www.cms.gov/Transmittals/downloads/R2340CP.pdf> on the CMS website. You will find the updated "Medicare Claims Processing Manual", Chapter 23 (Fee Schedule Administration and Coding Requirements, Section 60.3 (Gap-filling DMEPOS Fees) as an attachment to that CR.

If you have any questions, please contact your carrier, DME MAC, FI, A/B MAC, or RHHI at their toll-free number, which may be found at <http://www.cms.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

**News Flash - Protect Your Patients. Protect Your Family. Protect Yourself.** Flu seasons are unpredictable and can be severe. Each year, approximately 90 percent of seasonal flu-related deaths and more than 60 percent of seasonal flu-related hospitalizations occur in people 65 years and older. Please encourage your Medicare patients to get an annual flu shot. A flu shot is important for healthcare workers too, who may spread the flu to high risk patients. The flu vaccine plus its administration are covered Part B benefits. The flu vaccine is NOT a Part D-covered drug. For more information on coverage and billing of the flu vaccine and its administration, and related educational provider resources, visit the following CMS webpages [Medicare Learning Network® Preventive Services](#) and [Immunizations](#).  
**Get the Flu Vaccine -- Not the Flu.**

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