DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

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CY 2017 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

Provider Types Affected

This MLN Matters® Article is intended for providers and suppliers submitting claims to Medicare Administrative Contractors (MACs) for DMEPOS items or services paid under the DMEPOS fee schedule.

What You Need to Know

Change Request (CR) 9854 provides the calendar year (CY) 2017 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 fee schedule. Make sure your billing staffs are aware of these updates.

Background

The Centers for Medicare & Medicaid Services (CMS) updates the DMEPOS fee schedule on an annual basis in accordance with statute and regulations. The update process for the DMEPOS fee schedule is located in **Chapter 23 Section 60** in the "Medicare Claims Processing Manual."

Payment on a fee schedule basis is required for certain durable medical equipment (DME), prosthetic devices, orthotics, prosthetics, and surgical dressings by the Social Security Act (the Act). Also, payment on a fee schedule basis is a regulatory requirement at 42 CFR Section 414.102 for parenteral and enteral nutrition (PEN), splints, casts and intraocular lenses (IOLs) inserted in a physician's office.

The Act mandates adjustments to the fee schedule amounts for certain items furnished on or after January 1, 2016, in areas that are not competitive bid areas, based on information from competitive bidding programs (CBPs) for DME. The Act provides authority for making adjustments to the fee schedule amounts for enteral nutrients, equipment, and supplies (enteral nutrition) based on information from CBPs. The methodologies for adjusting DMEPOS fee schedule amounts using information from CBPs are established in regulations at 42 CFR Section 414.210(g). Also, program instructions on these changes are available in Transmittal 3551, CR 9642 (MLN Matters article **MM9642**), dated June 23, 2016, and Transmittal 3416, CR 9431 (**MM9431**), dated November 23, 2015.

The DMEPOS and PEN fee schedule files contain Healthcare Common Procedure Coding System (HCPCS) codes that are subject to the adjusted fee schedule amounts as well as codes that are not subject to the fee schedule CBP adjustments. Fee schedule amounts that are adjusted using information from CBPs will not be subject to the annual DMEPOS covered item update, but will be updated pursuant to 42 CFR 414.210(g)(8) when information from the CBPs is updated. This update to the adjusted fees includes information from the CBPs that takes effect on January 1, 2017 (Round 1 2017). Pursuant to 42 CFR Section 414.210(g)(4), for items where the single payment amounts (SPAs) from CBPs no longer in effect are used to adjust fee schedule amounts, the SPAs will be increased by an inflation adjustment factor that corresponds to the year in which the adjustment would go into effect (for example, 2017 for this update) and for each subsequent year such as 2018 and 2019.

The ZIP code associated with the address used for pricing a DMEPOS claim determines the rural fee schedule payment applicability for codes with rural and non-rural adjusted fee schedule amounts. ZIP codes for non-continental Metropolitan Statistical Areas (MSA) are not included in the DMEPOS Rural ZIP code file. The DMEPOS Rural ZIP code file is updated on a quarterly basis as necessary. Regulations at Section 414.202 define rural areas to be a geographical area represented by a postal ZIP code where at least 50 percent of the total geographical area of the ZIP code is estimated to be outside any MSA. A rural area also includes any ZIP Code within an MSA that is excluded from a competitive bidding area established for that MSA.

Policy: Fee Schedule and Rural Zip Code Files

The DMEPOS fee schedule file contains fee schedule amounts for non-rural and rural areas. Also, the PEN fee schedule file includes state fee schedule amounts for both enteral nutrition items and national non-rural fee schedule amounts for parenteral nutrition items.

The DMEPOS and PEN fee schedules and the rural ZIP code public use files (PUFs) will be available for State Medicaid Agencies, managed care organizations, and other interested parties on the CMS DMEPOS fee schedule website after November 18, 2016.

New Codes Added

The new codes are not to be used for billing purposes until they are effective on January 1, 2017. For gap-filling pricing purposes, deflation factors are applied before updating to the current year. The deflation factors for 2016 by payment category are in the table below.

0.454 for Oxygen	0.457 for Capped Rental	0.458 for Prosthetics and Orthotics
0.582 for Surgical Dressings	0.633 for Parental and Enteral Nutrition	0.969 for Splints and Casts
0.952 for Intraocular Lenses.		

Codes Deleted

Codes deleted from the DMEPOS fee schedule files effective January 1, 2017, are:

- B9000 - Enteral nutrition infusion pump - without alarm (Enter infusion pump w/o alrm)
- B9000MS - Enteral nutrition infusion pump - without alarm
- E0628 - Separate seat lift mechanism for use with patient owned furniture-electric (Seat lift for pt furn-electr)
- K0901 - Knee orthosis (ko), single upright, thigh and calf, with adjustable flexion and extension joint (unicentric or polycentric), medial-lateral and rotation control, with or without varus/valgus adjustment, prefabricated, off-the-shelf (Ko single upright pre ots)
- K0902 - Knee orthosis (ko), double upright, thigh and calf, with adjustable flexion and extension joint (unicentric or polycentric), medial-lateral and rotation control, with or without varus/valgus adjustment, prefabricated, off-the-shelf (Ko double upright pre ots)

Effective January 1, 2017, codes B9000 and E0628 will crosswalk to codes B9002 and E0627 respectively. Payment for necessary maintenance and servicing of B9000 pumps will also crosswalk to B9002MS.

Effective January 1, 2017, the fees for wheelchair accessories and seat and back cushions denoted with the HCPCS modifier 'KU' are deleted from the DMEPOS fee schedule file.

The fee schedule amounts associated with the KU modifier were mandated by Section 2 of Patient Access and Medicare Protection Act (PAMPA) effective for dates of service January 1, 2016 through December 31, 2016. The list of HCPCS codes to which this statutory section applied is available in Transmittal 3535, CR 9520 **Transmittal 3535, CR 9520** , dated June 7, 2016.

Specific Coding and Pricing Issues

Effective January 1, 2017, existing off-the-shelf orthotic (OTS) codes K0901 and K0902 are re-designated as codes L1851 and L1852 respectively. The fee schedule amounts for codes K0901 and K0902 will be applied to the corresponding new codes L1851 and L1852 as part of this update. Attachment B in CR 9854 updates the list of orthotic codes that are

designated as OTS on the CMS **orthotics website** to reflect the addition of the two renumbered codes (L1851 and L1852).

As part of the this update, the adjusted fee schedule amounts for the following groups of similar items are adjusted in accordance with 42 CFR Section 414.210 (g)(6) to limit the single payment amounts (SPAs) for items without certain features to the weighted average of the SPAs for the items both with and without the features prior to using the SPAs in adjusting the fee schedule amounts:

1. Hospital beds (HCPCS codes E0250, E0251, E0255, E0256, E0260, E0261, E0290, E0291, E0292, E0293, E0294, E0295, E0301, E0302, E0303 and E0304)
2. Mattress and overlays (HCPCS codes E0277, E0371, E0372, and E0373)
3. Power wheelchairs (HCPCS codes K0813, K0814, K0815, K0816, K0820, K0821, K0822, and K0823)
4. Seat lift mechanisms (HCPCS codes E0627and E0629)
5. TENS devices (HCPCS codes E0720 and E0730)
6. Walkers (HCPCS codes E0130, E0135, E0141 and E0143)

CMS is also adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 as part of this update in order 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 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 2017, CMS is updating the weighted average insert fees used to establish the fee schedule amounts for the shoe modification codes with more current allowed service data for each insert code. 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 2015. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2017.

Diabetic Testing Supplies

The fee schedule amounts for non-mail order diabetic testing supplies (DTS) (without KL modifier) for codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, A4259 are not updated by the covered item update. In accordance with Section 636(a) of the American Taxpayer Relief Act of 2012, the fee schedule amounts for these codes were adjusted in CY 2013 so that they are equal to the single payment amounts for mail order DTS established in implementing the national mail order CBP under Section 1847 of the Act.

The non-mail order payment amounts on the fee schedule file will be updated each time the single payment amounts are updated. This can happen no less often than every time the mail

order CBP contracts are re-competed. The CBP for mail order diabetic supplies is effective July 1, 2016, to December 31, 2018. The program instructions reviewing these changes are Transmittal 2709, CR 8325 (**MM8325**), dated May 17, 2013, and Transmittal 2661, CR 8204 (**MM8204**), dated February 22, 2013. Note that the mail order DTS (KL) fee schedule amounts for all states and territories were removed from the DMEPOS fee schedule file as part of the July 1, 2016, update.

2017 Fee Schedule Update Factor of 0.7 Percent

For CY 2017, an update factor of 0.7 percent is applied to certain DMEPOS fee schedule amounts.

In accordance with the statutory Sections 1834(a)(14) of the Act, certain DMEPOS fee schedule amounts are updated for 2017 by the percentage increase in the consumer price index for all urban consumers (United States city average) or urban consumers (CPI- U) for the 12-month period ending with June of 2016, 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 0.3 percent and the CPI-U percentage increase is 1 percent. Therefore, the 1 percentage increase in the CPI-U is reduced by the 0.3 percentage increase in the MFP resulting in a net increase of 0.7 percent for the update factor.

2017 Update to the Labor Payment Rates

Included below and in Attachment A in CR9854 are the CY 2017 allowed payment amounts for HCPCS labor payment codes K0739, L4205 and L7520. Since the percentage increase in the CPI- U for the twelve month period ending with June 30, 2016, is 1 percent, this change is applied to the 2016 labor payment amounts to update the rates for CY 2017. The 2017 labor payment amounts in Attachment A are effective for claims submitted using HCPCS codes K0739, L4205 and L7520 with dates of service from January 1, 2017, through December 31, 2017.

STATE	K0739	L4205	L7520	STATE	K0739	L4205	L7520
AK	$28.29	$32.23	$37.92	**NC**	$15.02	$22.38	$30.38
AL	$15.02	$22.38	$30.38	**ND**	$18.72	$32.16	$37.92
AR	$15.02	$22.38	$30.38	**NE**	$15.02	$22.35	$42.36
AZ	$18.57	$22.35	$37.38	**NH**	$16.13	$22.35	$30.38
CA	$23.04	$36.74	$42.81	**NJ**	$20.26	$22.35	$30.38
CO	$15.02	$22.38	$30.38	**NM**	$15.02	$22.38	$30.38
CT	$25.08	$22.88	$30.38	**NV**	$23.93	$22.35	$41.41
DC	$15.02	$22.35	$30.38	**NY**	$27.65	$22.38	$30.38
DE	$27.65	$22.35	$30.38	**OH**	$15.02	$22.35	$30.38
FL	$15.02	$22.38	$30.38	**OK**	$15.02	$22.38	$30.38

STATE	K0739	L4205	L7520	STATE	K0739	L4205	L7520
GA	$15.02	$22.38	$30.38	OR	$15.02	$22.35	$43.68
HI	$18.57	$32.23	$37.92	PA	$16.13	$23.02	$30.38
IA	$15.02	$22.35	$36.37	PR	$15.02	$22.38	$30.38
ID	$15.02	$22.35	$30.38	RI	$17.90	$23.04	$30.38
IL	$15.02	$22.35	$30.38	SC	$15.02	$22.38	$30.38
IN	$15.02	$22.35	$30.38	SD	$16.79	$22.35	$40.62
KS	$15.02	$22.35	$37.92	TN	$15.02	$22.38	$30.38
KY	$15.02	$28.65	$38.85	TX	$15.02	$22.38	$30.38
LA	$15.02	$22.38	$30.38	UT	$15.06	$22.35	$47.31
MA	$25.08	$22.35	$30.38	VA	$15.02	$22.35	$30.38
MD	$15.02	$22.35	$30.38	VI	$15.02	$22.38	$30.38
ME	$25.08	$22.35	$30.38	VT	$16.13	$22.35	$30.38
MI	$15.02	$22.35	$30.38	WA	$23.93	$32.79	$38.96
MN	$15.02	$22.35	$30.38	WI	$15.02	$22.35	$30.38
MO	$15.02	$22.35	$30.38	WV	$15.02	$22.35	$30.38
MS	$15.02	$22.38	$30.38	WY	$20.94	$29.83	$42.36
MT	$15.02	$22.35	$37.92				

2017 National Monthly Fee Schedule Amounts for Stationary Oxygen Equipment

As part of this update, CMS is implementing the 2017 monthly fee schedule payment amounts for stationary oxygen equipment (HCPCS codes E0424, E0439, E1390 and E1391), effective for claims with dates of service from January 1, 2017, through December 31, 2017. As required by statute, the addition of the separate payment classes for oxygen generating portable equipment (OGPE) and stationary and portable oxygen contents must be annually budget neutral. Medicare expenditures must account for these separate oxygen payment classes. Therefore, the fee schedule amounts for stationary oxygen equipment are reduced by a certain percentage each year to balance the increase in payments made for the additional separate oxygen payment classes. For dates of service January 1, 2017, through December 31, 2017, the 2017 monthly fee schedule payment amounts for stationary oxygen equipment range from approximately $67 to $77, incorporating the budget neutrality adjustment factor..

When updating the stationary oxygen equipment amounts, 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 payment amounts 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.

2017 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

Also updated for 2017 is the payment amount for maintenance and servicing for certain oxygen equipment. Payment for claims for maintenance and servicing of oxygen equipment was instructed in Transmittal 635, CR 6972 (**MM6972**), dated February 5, 2010 and Transmittal 717, CR6990 (**MM6990**), dated June 8, 2010. To summarize, payment for maintenance and servicing of certain oxygen equipment can occur every 6 months, beginning 6 months after the end of the 36th month of continuous use or end of the supplier's or manufacturer's warranty, whichever is later for HCPCS codes 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. Therefore, the 2016 maintenance and servicing fee is adjusted by the 0.7 percent MFP-adjusted covered item update factor to yield CY 2017 maintenance and servicing fee of $69.97 for oxygen concentrators and transfilling equipment.

Additional Information

The official instruction, CR 9854 issued to your MAC regarding this change is available at **https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3671CP.pdf** on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at **MAC Toll-Free Number** under - How Does It Work.

For more information regarding the Competitive Bidding Implementation Contractor website refer to the **CBIC website**.