

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-20 One-Time Notification	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1470	Date: February 13, 2015
	Change Request 9060

SUBJECT: Durable Medical Equipment Prosthetics Orthotics and Supplies (DMEPOS) Competitive Bidding Program (CBP): Additional Instructions for Grandfathered Items Subject to CBP

I. SUMMARY OF CHANGES: The intent of this Change Request (CR) is to instruct the claims processing DME MAC contractors and the VMS Shared System maintainer to adjust their systems as necessary so as to process and pay claims for grandfathered DME items subject to CBP, rental items, and oxygen supply items according to the various payment policies included in the CR.

EFFECTIVE DATE: July 1, 2015

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: July 6, 2015

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC statement of Work. The contractor is not obliged to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

One Time Notification

Attachment - One-Time Notification

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I. GENERAL INFORMATION

A. Background: The Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bidding Program (CBP) was mandated by Congress through the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). The statute requires that Medicare replace the current fee schedule payment methodology for selected DMEPOS items with a competitive bid process. The intent is to improve the effectiveness of the Medicare methodology for setting DMEPOS payment amounts, which will reduce beneficiary out-of-pocket expenses and save the Medicare program money while ensuring beneficiary access to quality items and services.

Under the program, a competition among suppliers who operate in a particular competitive bidding area is conducted. Suppliers are required to submit a bid for selected products. Not all products or items are subject to competitive bidding. Bids are submitted electronically through a web-based application process and required documents are mailed. Bids are evaluated based on the supplier's eligibility, its financial stability and the bid price. Contracts are awarded to the Medicare suppliers who offer the best price and meet applicable quality and financial standards. Contract suppliers must agree to accept assignment on all claims for bid items and will be paid the bid price amount. The amount is derived from the median of all winning bids for an item.

B. Policy: Accessories for Capped Rental Items

A grandfathered supplier with claims for accessories and or supplies with a date of service during the rental period of the grandfathered equipment is entitled to payment at the single payment amount regardless of the status of the Certificate of Medical Necessity (CMN) when the claim is submitted (provided timely filing requirements are met). Contractors shall make changes in order to pay in accordance with this policy.

Advanced Beneficiary Notice (ABN)

If an Original Medicare beneficiary that lives in a competitive bidding area (CBA) opts to receive their competitively bid items and supplies from a non-contract supplier, they can indicate that preference by signing an ABN. The system should allow the claims to process and deny with a patient responsibility code so the beneficiary is financially responsible for the claim.

Grandfathering: Changing Locations

Medicare allows a new 13-month capped rental period when a beneficiary receiving a capped rental item from a grandfathered supplier elects to transition to a contract supplier prior to the 13th month of rental. Medicare also allows a contract supplier to receive 10 monthly rental payments if a beneficiary receiving oxygen items from a grandfathered supplier elects to transition to a contract supplier prior to the 36th month of rental but after the 27th month of rental. If the 10 monthly rental payments are not complete prior to the end of the round and the beneficiary elects to switch again to a new contract supplier for the subsequent round, the new contract supplier

will be paid the remainder of the 10 monthly rental payments. The additional payments are not payable if a beneficiary switches from a contract supplier to another contract supplier. The additional payments are payable if a beneficiary switches from a non-contract supplier (grandfathered) to a contract supplier even if it occurs between rounds.

Contract suppliers may designate certain locations as contract supplier locations and other locations that serve as a non-contract grandfather location. In any grandfathering situation, when a beneficiary switches from a grandfathered supplier (non-contract) location to a contracted location of the same or related supplier that contract supplier is not entitled to the additional payments. Simply changing the location that was furnishing the grandfathered item to a contracted location of a related supplier does not entitle the contracted supplier to additional payments.

Processing grandfathering Claims at the 6-Digit Provider Transaction Access Number (PTAN) Level

Currently, if a non-contracted supplier provides a competitive bid item to a competitive bid beneficiary as a grandfathered supplier and then transitions the beneficiary to another related non-contracted location (i.e., both locations share the same Employee Identification number and the first six-digit of their PTAN), the new location would be eligible for payment as a grandfathered supplier. The claims processing system needs to allow for payment if there is a match between the billing supplier and the supplier on the CMN at the six-digit PTAN level as opposed to the 10-digit PTAN. Once the system is updated, a related location of the grandfathered supplier can receive payment for the equipment’s remaining rental months in place of the original grandfathered supplier.

Determining the Appropriate Payment Amount for a Grandfathered Item

Payment for grandfathered items is dependent upon whether or not the item was previously included in a competitive bidding round. In order to correctly determine the payment amount for grandfathered items, the claims processing system needs to identify grandfathered claims using a combination of ZIP Code and HCPCS code. Currently, the system identifies grandfathered claims by CBA, HCPCS code, and HCPCS modifier which can cause processing errors if the identifier used for the CBA changes [from one round to another] or if a HCPCS modifier requirements change.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility								
		A/B MAC		H H H	D M E M A C	Shared- System Maintainers				Other
		A	B			F I S S	M C S	V M S	C W F	
9060.1	Contractors shall pay claims from a grandfathered supplier for capped rental accessories and or supplies at the single payment amount when the date of service is within a rental period, regardless of the status of the beneficiary’s Certificate of Medical Necessity (CMN).				X			X		
9060.2	Contractors shall adjust their systems as necessary to				X			X		

Number	Requirement	Responsibility							
		A/B MAC		D M E M A C	Shared- System Maintainers				Other
		A	B		H H H	F I S S	M C S	V M S	
	<p>allow claims for competitive bid items and supplies furnished by a non-contract supplier to a beneficiary residing in a CBA to process through to a denial, when submitted with the GA modifier.</p> <p>Note: The GA modifier indicates that the beneficiary has signed an ABN for the item or supply.</p>								
9060.2.1	<p>Contractors shall use the following group code, MSN message, CARC and RARC when denying a claim for a competitive bid item obtained from a non-contract supplier, when the supplier has obtained an ABN:</p> <p>Group Code: PR – Patient Responsibility</p> <p>MSN 8.74: You signed an Advanced Beneficiary Notice (ABN) saying that you wanted to get this item from a non-winning supplier under the DMEPOS Competitive Bidding Program. Therefore, Medicare will not pay for this item. You must pay the supplier in full.</p> <p>Spanish: Usted firmó una Notificación Previa al Beneficiario (ABN en inglés) diciendo que quería recibir este artículo de un “suplidor sin contrato” bajo el Programa de Oferta Competitiva (DMEPOS). Por lo tanto, Medicare no pagará por este artículo. Usted debe pagarle al suplidor la cantidad total.</p> <p>CARC 96-Non-covered charge(s). At least one Remark Code must be provided (may be comprised of either the NCPDP Reject Reason Code, or Remittance Advice Remark Code that is not an ALERT.) Note: Refer to the 835 Healthcare Policy Identification Segment (loop 2110 Service Payment Information REF), if present.</p> <p>M115: This item is denied when provided to this patient by a non-contract or non-demonstration supplier.</p> <p>M38: The patient is liable for the charges for this service as you informed the patient in writing before</p>			X					

Number	Requirement	Responsibility								Other
		A/B MAC			D M E M A C	Shared- System Maintainers				
		A	B	H H H		F I S S	M C S	V M S	C W F	
	the service was furnished that we would not pay for it, and the patient agreed to pay N211: Alert: You may not appeal this decision.									
9060.3	Contractors shall adjust their systems as necessary to allow for payment whenever a grandfathering supplier switches a beneficiary from one non-contracted location of a supplier to another non-contract location of the same or a related supplier. When there is a match on the six-digit PTAN, contractors shall allow the related non-contract location to receive payment for the remaining rental months. Note: For purposes of this business requirement, same or related suppliers are identified through a match in the six-digit PTAN.				X			X		
9060.3.1	Contractors shall not allow additional payments if in a grandfathering situation, a beneficiary switches from a grandfathered supplier (non-contract) location to a contracted location of the same or related supplier. Simply changing the location that was furnishing the grandfathered item to a contracted location of a related supplier does not entitle the contracted supplier to bonus payments.				X			X		
9060.3.2	Contractors shall allow for an edit bypass to identify related non-contract suppliers if the first 6 digits of the supplier PTAN are not the same. Other uses of this edit bypass may only be used with CMS approval.				X			X		

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
9060.4	MLN Article : A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.				X	

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Jessica Slater, Jessica.Slater@cms.hhs.gov (for DMEPOS claims processing policy questions) , Teira Canty, Teira.Canty@cms.hhs.gov (for DMEPOS claims processing policy questions) , Eric Coulson, Eric.Coulson@cms.hhs.gov (for DMEPOS claims processing policy questions)

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

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immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 0