

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2632	Date: January 11, 2013
	Change Request 8133

Transmittal 2608, dated December 7, 2012, is being rescinded and replaced by Transmittal 2632 dated January 11, 2013, to revise the extension on the data file names in BRs 8133.1, 8133.2, and 8133.3 from V1129 to V1116. All other information remains the same.

SUBJECT: CY 2013 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

I. SUMMARY OF CHANGES: This recurring update notification (RUN) provides instructions on the CY 2013 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule. This Recurring Update Notification applies to chapter 23, section 60.3.

EFFECTIVE DATE: January 1, 2013

IMPLEMENTATION DATE: January 7, 2013

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
R	23/60.3/Gap-filling DMEPOS Fees

III. FUNDING:

For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:

No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

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:

**Recurring Update Notification
Manual Instruction**

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

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 2632	Date: January 11, 2013	Change Request: 8133
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SUBJECT: CY 2013 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

EFFECTIVE DATE: January 1, 2013

IMPLEMENTATION DATE: January 7, 2013

I. GENERAL INFORMATION

A. Background: This recurring update notification provides instructions regarding the 2013 annual update for the DMEPOS fee schedule. The DMEPOS fee schedules are updated on an annual basis in accordance with statute and regulations. The update process for the DMEPOS fee schedule is located in Pub.100-04, Medicare Claims Processing Manual, chapter 23, section 60.

Payment on a fee schedule basis is required for durable medical equipment (DME), prosthetic devices, orthotics, prosthetics, and surgical dressings by §1834(a), (h), and (i) of the Social Security Act. Also, payment on a fee schedule basis is a regulatory requirement at 42 CFR §414.102 for parenteral and enteral nutrition (PEN).

B. Policy: Fee Schedule Files

The CMS Division of Data Systems (DDS) is scheduled to electronically release the 2013 DMEPOS Fee Schedule Part B file (filename: MU00.@BF12393.DMEPOS.T130101.V1116) to the Pricing, Data Analysis and Coding (PDAC) Contractor, DME MACs, A/B MACs, and local Part B carriers via CMS's mainframe telecommunication system on November 16, 2012. The DDS is scheduled to release a separate 2013 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T130101.V1116.FI) to the A/B MACs, intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on November 16, 2012. The DMEPOS fee schedule file will also be available on or after November 16, 2012, for State Medicaid Agencies, managed care organizations, and other interested parties on the CMS Website at www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched The 2013 fee schedule for PEN is scheduled to be released to the PDAC and DME MACs in a separate file (filename: MU00.@BF12393.PEN.CY13.V1116) on November 16, 2012.

New Codes Added

New DMEPOS codes added to the Healthcare Common Procedure Coding System (HCPCS) file, effective January 1, 2013, where applicable, are listed in Business Requirement (BR) 8133.6 of this Change Request (CR). The DME MACs shall establish local fee schedule amounts to pay claims for the new codes listed in BR 8133.8 from January 1, 2013, through June 30, 2013 and the fee schedule amounts will be established as part of the July 2013 DMEPOS Fee Schedule Update. Please note that the HCPCS codes listed as new codes in this CR must be included in the CY 2013 HCPCS file. The new codes are not to be used for billing purposes until they are effective on January 1, 2013.

For gap-filling pricing purposes, the 2012 deflation factors by payment category are: 0.477 for Oxygen, 0.480 for Capped Rental, 0.482 for Prosthetics and Orthotics, 0.611 for Surgical Dressings, and 0.665 for Parenteral and Enteral Nutrition.

Codes Deleted

There are no codes being deleted from HCPCS effective January 1, 2013 which require removal from the DMEPOS fee schedule files.

Specific Coding and Pricing Issues

As part of the 2013 update, CMS is adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 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 2013, 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 2011. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2013.

Effective January 1, 2013, new code L8605 Injectable bulking agent, dextranomer/hyaluronic acid copolymer implant, anal canal, 1 ML is being added to the HCPCS code set. This code falls under the claims processing jurisdiction of local carriers rather than the DME MACs. Fee schedule amounts for this code are being added as part of this update.

CY 2013 Fee Schedule Update Factor of 0.8 Percent

For CY 2013, the update factor of 0.8 percent is applied to the applicable CY 2012 DMEPOS fee schedule amounts.

In accordance with the statutory sections 1834(a)(14) and 1886(b)(3)(B)(II) of the Act, the DMEPOS fee schedule amounts are to be updated for 2013 by the percentage increase in the consumer price index for all urban consumers (United States city average), CPI-U, for the 12-month period ending with June of 2012, 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 0.9 percent and the CPI-U percentage increase is 1.7 percent. Thus, the 1.7 percentage increase in the CPI-U is reduced by the 0.9 percent MFP adjustment resulting in a net increase of 0.8 percent for the 2013 MFP-adjusted update factor.

2013 Update to the Labor Payment Rates

Included in Attachment A are the CY 2013 allowed payment amounts for HCPCS labor payment codes K0739, L4205 and L7520. Since the percentage increase in the Consumer Price Index for all urban consumers (CPI- U) for the twelve month period ending with June 30, 2012 is 1.7%, this change is applied to the 2012 labor payment amounts to update the rates for CY 2013. The 2013 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, 2013 through December 31, 2013.

2013 National Monthly Payment Amounts for Stationary Oxygen Equipment

As part of this update, we are implementing the 2013 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, 2013. We include the updated national 2013 monthly payment amount of \$177.36 for stationary oxygen equipment codes in the DMEPOS fee schedule. As required by statute, the payment amount must be adjusted on an annual basis, as necessary, to ensure budget neutrality of the payment class for oxygen generating portable equipment (OGPE). Also, the updated 2013 monthly payment amount of \$177.36 includes the 0.8 percent update factor for the 2013 DMEPOS fee schedule. Thus, the

2012 rate changed from \$176.06 to the 2013 rate of \$177.36.

When updating the stationary oxygen equipment fees, 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.

2013 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

Also updated for 2013 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, Change Request (CR) 6792, dated February 5, 2010 and Transmittal 717, Change Request (CR) 6990, 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 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 §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 §1834(a)(14) of the Act. Thus, the 2012 maintenance and servicing fee is adjusted by the 0.8 percent MFP-adjusted covered item update factor to yield a CY 2013 maintenance and servicing fee of \$68.05 for oxygen concentrators and transfilling equipment.

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement.

Number	Requirement	Responsibility										
		A/B MAC		D M E M A C	F I	C A R R I E R	R H H I	Shared- System Maintainers				Other
		P a r t A	P a r t B					F I S S	M C S	V M S	C W F	
8133.1	The DME MACs, A/B MACs, carriers and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T130101.V1116). The file is available for download on or after November 16, 2012.		X	X		X						EDC
8133.1.1	Upon successful receipt of each file the contractor shall send notification of receipt via EMAIL to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity receiving the file (e.g., contractor name and number).		X	X		X						EDC
8133.2	The A/B MACs, FIs, RHHIs and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T130101.V1116.FI). The	X			X	X						EDC

Number	Requirement	Responsibility										
		A/B MAC		D M E M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				Other
		P a r t A	P a r t B					F I S S	M C S	V M S	C W F	
8133.7.1	If pricing information is not readily available for one or more codes and the DME MACs are not able to establish base local fees for the codes listed in 8133.8, the DME MACs shall consult with CMS central office to determine how pricing should be established for these codes.			X								
8133.8	In accordance with the schedule noted below, base fees for the following codes shall be submitted to DDS/CMS by April 5, 2013, for inclusion in the July DMEPOS fee schedule update: <u>Inexpensive/Routinely Purchased (IN)</u> E2378 <u>Prosthetics and Orthotics (PO)</u> L5859 L7902			X								
8133.9	Contractors shall use 2013 allowed payment amounts for code K0739 in Attachment A to pay claims for DME items with dates of service from January 1, 2013, through December 31, 2013.		X	X		X	X					
8133.10	Contractors shall use the 2013 allowed payment amounts for codes L4205 and L7520 in Attachment A to pay claims for orthotic and prosthetic items with dates of service from January 1, 2013, through December 31, 2013.	X	X	X	X	X	X					
8133.11	The maintenance and servicing fee for certain oxygen equipment shall be \$68.05 for claims with dates of service January 1, 2013 thru December 31, 2013. Payment is based on the lower of the supplier's actual charge or the maintenance and servicing fee.			X			X			HH&H MAC (J14)		
8133.12	Contractors shall implement changes to the 2013 DMEPOS fee schedules for the codes listed in 8133.8 or other changes in accordance with the schedule outlined below. Changes to DDS*: April 5, 2013; Sept 6, 2013			X								

Number	Requirement	Responsibility										
		A/B MAC		D M E M A C	F I	C A R R I E R	R H I	Shared- System Maintainers				Other
		P a r t A	P a r t B					F I S S	M C S	V M S	C W F	
	<p>DDS Transmit Files:May 10, 2013; Nov 15, 2013</p> <p>Implement:July 1, 2013; Jan 1, 2014</p> <p>*DME MACs or local carriers will forward changes to CMS/Division Data Systems: Laura.Ashbaugh@cms.hhs.gov.</p>											

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility						
		A/B MAC		D M E M A C	F I	C A R R I E R	R H I	Other
		P a r t A	P a r t B					
8133.13	<p>MLN Article : A provider education article related to this instruction will be available at http://www.cms.hhs.gov/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.</p>	X	X	X	X	X	X	

IV. SUPPORTING INFORMATION

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

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
8133.7, 8133.8	Instructions for gap-filling DMEPOS fees are located in section 60.3 of chapter 23 of the Medicare Claims Processing Manual.
8133.11	Instructions on payment for maintenance and servicing of certain oxygen equipment are located in CRs 6792 and 6990.
8133.8	Gap-filled base fees should be submitted using the record format described in section 60.4 of chapter 23 of the Medicare Claims Processing Manual. Base fee schedule amounts submitted to CMS shall not be updated by any update factors other than the 1.7% (1989) update factor for DME and prosthetics and orthotics.

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

V. CONTACTS

Pre-Implementation Contact(s): Anita Greenberg, Anita.Greenberg@cms.hhs.gov , Karen Jacobs, Karen.Jacobs@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR) or Contractor Manager, as applicable.

VI. FUNDING

Section A: For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:

No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

Section B: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS do not construe this as a change to the MAC Statement of Work. The contractor is not obligated 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.

Attachment (1)

Attachment A

2013 Fees for Codes K0739, L4205, L7520

STATE	K0739	L4205	L7520
AK	\$26.92	\$30.67	\$36.08
AL	14.29	21.30	28.91
AR	14.29	21.30	28.91
AZ	17.67	21.28	35.57
CA	21.93	34.96	40.75
CO	14.29	21.30	28.91
CT	23.87	21.77	28.91
DC	14.29	21.28	28.91
DE	26.32	21.28	28.91
FL	14.29	21.30	28.91
GA	14.29	21.30	28.91
HI	17.67	30.67	36.08
IA	14.29	21.28	34.61
ID	14.29	21.28	28.91
IL	14.29	21.28	28.91
IN	14.29	21.28	28.91
KS	14.29	21.28	36.08
KY	14.29	27.27	36.97
LA	14.29	21.30	28.91
MA	23.87	21.28	28.91
MD	14.29	21.28	28.91
ME	23.87	21.28	28.91
MI	14.29	21.28	28.91
MN	14.29	21.28	28.91
MO	14.29	21.28	28.91
MS	14.29	21.30	28.91
MT	14.29	21.28	36.08
NC	14.29	21.30	28.91
ND	17.81	30.61	36.08
NE	14.29	21.28	40.31
NH	15.34	21.28	28.91
NJ	19.28	21.28	28.91
NM	14.29	21.30	28.91
NV	22.77	21.28	39.41
NY	26.32	21.30	28.91
OH	14.29	21.28	28.91
OK	14.29	21.30	28.91
OR	14.29	21.28	41.57
PA	15.34	21.91	28.91
PR	14.29	21.30	28.91
RI	17.03	21.93	28.91

STATE	K0739	L4205	L7520
SC	\$14.29	21.30	28.91
SD	15.97	21.28	38.65
TN	14.29	21.30	28.91
TX	14.29	21.30	28.91
UT	14.33	21.28	45.02
VA	14.29	21.28	28.91
VI	14.29	21.30	28.91
VT	15.34	21.28	28.91
WA	22.77	31.21	37.07
WI	14.29	21.28	28.91
WV	14.29	21.28	28.91
WY	19.92	28.38	40.31

Medicare Claims Processing Manual

Chapter 23 - Fee Schedule Administration and Coding Requirements

60.3 - Gap-filling DMEPOS Fees

(Rev.2632, Issued: 01-11-13, Effective: 01-01-13, Implementation: 01-07-13)

The DME MACs and local carriers must gap-fill the DMEPOS fee schedule for items for which charge data were unavailable during the fee schedule data base year using the fee schedule amounts for comparable equipment, using properly calculated fee schedule amounts from a neighboring carrier, or using supplier price lists with prices in effect during the fee schedule data base year. Data base “year” refers to the time period mandated by the statute and/or regulations from which Medicare allowed charge data is to be extracted in order to compute the fee schedule amounts for the various DMEPOS payment categories. For example, the fee schedule base year for inexpensive or routinely purchased durable medical equipment is the 12 month period ending June 30, 1987. Mail order catalogs are particularly suitable sources of price information for items such as urological and ostomy supplies which require constant replacement. DME MACs will gap-fill based on current instructions released each year for implementing and updating the new year’s payment amounts.

If the only available price information is from a period other than the base period, apply the deflation factors that are included in the current year implementation instructions against current pricing in order to approximate the base year price for gap-filling purposes.

The deflation factors for gap-filling purposes are:

Year*	OX	CR	PO	SD	PE
1987	0.965	0.971	0.974	n/a	n/a
1988	0.928	0.934	0.936	n/a	n/a
1989	0.882	0.888	0.890	n/a	n/a
1990	0.843	0.848	0.851	n/a	n/a
1991	0.805	0.810	0.813	n/a	n/a
1992	0.781	0.786	0.788	n/a	n/a
1993	0.758	0.763	0.765	0.971	n/a
1994	0.740	0.745	0.747	0.947	n/a
1995	0.718	0.723	0.725	0.919	n/a
1996	0.699	0.703	0.705	0.895	0.973
1997	0.683	0.687	0.689	0.875	0.951
1998	0.672	0.676	0.678	0.860	0.936
1999	0.659	0.663	0.665	0.844	0.918
2000	0.635	0.639	0.641	0.813	0.885
2001	0.615	0.619	0.621	0.788	0.857
2002	0.609	0.613	0.614	0.779	0.848
2003	0.596	0.600	0.602	0.763	0.830
2004	0.577	0.581	0.582	0.739	0.804
2005	0.563	0.567	0.568	0.721	0.784
2006	0.540	0.543	0.545	0.691	0.752
2007	0.525	0.529	0.530	0.673	0.732
2008	0.500	0.504	0.505	0.641	0.697
2009	0.508	0.511	0.512	0.650	0.707
2010	0.502	0.506	0.507	0.643	0.700
2011	0.485	0.488	0.490	0.621	0.676

2012	0.477	0.480	0.482	0.611	0.665
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* Year price in effect

Payment Category Key:

OX	Oxygen & oxygen equipment (DME)
CR	Capped rental (DME)
IN	Inexpensive/routinely purchased (DME)
FS	Frequently serviced (DME)
SU	DME supplies
PO	Prosthetics & orthotics
SD	Surgical dressings
OS	Ostomy, tracheostomy, and urological supplies
PE	Parental and enteral nutrition
TS	Therapeutic Shoes

After deflation, the result must be increased by 1.7 percent and by the cumulative covered item update to complete the gap-filling (e.g., an additional .6 percent for a 2002 DME fee).

Note that when gap-filling for capped rental items, it is necessary to first gap-fill the purchase price then compute the base period fee schedule at 10 percent of the base period purchase price.

For used equipment, establish fee schedule amounts at 75 percent of the fee schedule amount for new equipment.

When gap-filling, for those carrier areas where a sales tax was imposed in the base period, add the applicable sales tax, e.g., five percent, to the gap-filled amount where the gap-filled amount does not take into account the sales tax, e.g., where the gap-filled amount is computed from pre-tax price lists or from another carrier area without a sales tax. Likewise, if the gap-filled amount is calculated from another carrier's fees where a sales tax is imposed, adjust the gap-filled amount to reflect the applicable local sales tax circumstances.

DME MACs and local carriers send their gap-fill information to CMS. After receiving the gap-filled base fees each year, CMS develops national fee schedule floors and ceilings and new fee schedule amounts for these codes and releases them as part of the July update file each year and during the quarterly updates.