

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 3196</b>	<b>Date: February 13, 2015</b>
	<b>Change Request 9062</b>

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

**I. SUMMARY OF CHANGES:** This Change Request instructs the contractors to ensure editing occurs to all payment 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.

**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

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
<b>R</b>	20/Table of Contents
<b>R</b>	20/40/Payment for Maintenance and Service of Equipment
<b>R</b>	20/40.1/General
<b>R</b>	20/40.2/Maintenance and Service of Capped Rental Items

**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 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.

**IV. ATTACHMENTS:**

**Business Requirements  
Manual Instruction**

# Attachment - Business Requirements

Pub. 100-04	Transmittal: 3196	Date: February 13, 2015	Change Request: 9062
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**SUBJECT: Payment Repairs to Capped Rental Equipment Prior to the End of the 13-Month Cap**

**EFFECTIVE DATE: July 1, 2015**

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## I. GENERAL INFORMATION

**A. Background:** Payment for reasonable and necessary maintenance and servicing of capped rental items that are owned by the beneficiary following the 13 months of continuous use, or in the case of complex rehabilitative power wheelchairs, are acquired on a lump sum purchase basis. In cases where one or more rental payments have been made for capped rental item, and the supplier transfers title to the equipment prior to the end of a 13 month period of continuous use, contractors can pay for reasonable and necessary maintenance and servicing of the beneficiary owned equipment.

Transmittal 901, Change Request (CR), 7212, 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. Effective October 1, 2011, editing was put in place in the ViPS Medicare System (VMS) to prohibit separate payment for maintenance, servicing, and repair of capped rental items during the rental period. However, this instruction 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.

Medicare payment can be made for repairs of the equipment after the transfer of title if the contractor determines that the repairs are reasonable and necessary in accordance with Medicare regulations and program instructions. GDIT, the VMS maintainer, has implemented the systems changes needed to allow contractors to bypass the VMS edits to process and pay these claims. Contractors are instructed in accordance with the policy to pay claims for reasonable and necessary repair of capped rental items furnished to beneficiaries in these circumstances after the transfer of title. Repairs requiring a labor component are billed using HCPCS code K0739. Contractors are also instructed to manually close any Certificates of Medical Necessity (CMNs) that are open for any such supplier claims pending for repairs, to allow payment of these claims.

**B. Policy:** 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 can be 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 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 contractor can confirm that the manufacturer or supplier is no longer in business, then any warranty the manufacturer or supplier previously offered is no longer in effect since it can no longer be honored. If the contractor can confirm that this is the case for a particular

item of equipment, then the charges for parts and labor related to maintenance and servicing of beneficiary-owned equipment would not need to be considered not reasonable and necessary as a result of the specific Medicare rule related to warranty coverage. In these situations, any warranty that may have existed in the past for the equipment can no longer be honored and therefore the expense for parts and labor are no longer covered by the warranty.

## II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								Other
		A/B MAC		H H H	D M E M A C	Shared- System Maintainers				
		A	B			F I S S	M C S	V M S	C W F	
9062 - 04.1	Contractors shall process claims for replacement parts furnished in conjunction with the repair of 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.				X					
9062 - 04.2	Contractors shall process and pay claims for reasonable and necessary repairs that are billed with 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.				X					
9062 - 04.3	Contractors shall implement a bypass/work around for claims that contain the RB modifier and the DMEPOS item shows as a capped rental item where there is evidence (narrative or documentation) that the date of service for the repair is after the supplier has transferred title of the capped rental item to the beneficiary.				X					
9062 - 04.4	In the case of a manufacturer or supplier warranty, if the contractor 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, contractors shall 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 business requirements 9062-04.1-2 above.				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	C W F		
9062 - 04.4.1	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.				X						
9062 - 04.5	In the case of a manufacturer or supplier warranty, if the contractor 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 contractor shall deny claims for replacement parts and labor furnished in conjunction with the repair of a capped rental item.				X						
9062 - 04.6	Contractors shall use the following group code and messages, when denying claims for replacement parts and labor, per 9062-04.5:  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.  MSN 16.35: You do not have to pay for this amount.  MSN 16.35: Usted no tiene que pagar esta cantidad.				X						
9062 - 04.7	Contractors shall 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.				X						

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E	C E D I
		A	B	H H H		
9062 - 04.8	MLN Article: A provider education article related to this instruction will be available at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/</a> 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):** Teira Canty, [teira.canty@cms.hhs.gov](mailto:teira.canty@cms.hhs.gov), Diana Motsiopoulos, [diana.motsiopoulos@cms.hhs.gov](mailto:diana.motsiopoulos@cms.hhs.gov), Anita Greenberg, [anita.greenberg@cms.hhs.gov](mailto:anita.greenberg@cms.hhs.gov) (Policy Contact)

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

### VI. FUNDING

**Section A: 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 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.

**ATTACHMENTS: 0**

# **Medicare Claims Processing Manual**

## **Chapter 20 - Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)**

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*(Rev. 3196, Issued: 02-13-15)*

40 – Payment for Maintenance and Service *of* Equipment

## **40 - Payment for Maintenance and Service of Equipment**

*(Rev. 3196, Issued: 02-13-15, Effective: 07-01-15, Implementation: 07-06-15)*

### **40.1 - General**

*(Rev. 3196, Issued: 02-13-15, Effective: 07-01-15, Implementation: 07-06-15)*

Contractors pay for *reasonable and necessary* maintenance and servicing of purchased equipment in the following classes:

- inexpensive or frequently purchased,
- customized items, other prosthetic and orthotic devices, and
- capped rental items purchased in accordance with §30.5.2 and §30.5.3, *or in situations where rental claims have been paid but title to the equipment is transferred to the beneficiary during a period of continuous use of less than 13 months.*

Do not pay for maintenance and servicing of purchased items that require frequent and substantial servicing, or *purchased* oxygen equipment. (Maintenance and servicing may be paid for purchased items in these two classes if they were purchased prior to June 1, 1989). Reasonable and necessary charges include only those made for parts and labor that are not otherwise covered under a manufacturer's or supplier's warranty. Contractors pay on a lump-sum, as needed basis based on their individual consideration for each item. Payment may not be made for maintenance and servicing of rented equipment other than maintenance and servicing for PEN pumps (under the conditions of §40.3), the maintenance and servicing fee established for capped rental items in §40.2, *or the maintenance and servicing fee established for certain oxygen equipment in [42 CFR 414.210\(e\)\(2\)](#).*

Servicing of equipment that a beneficiary is purchasing or already owns is covered when necessary to make the equipment serviceable. The service charge may include the use of "loaner" equipment where this is required. If the expense for servicing exceeds the estimated expense of purchasing or renting another item of equipment for the remaining period of medical need, no payment can be made for the amount of the excess. Contractors investigate and deny cases suggesting malicious damage, culpable neglect or wrongful disposition of equipment as discussed in *Pub.100-02, Medicare Benefit Policy Manual*, chapter 15 where they determine that it is unreasonable to make program payment under the circumstances. Such cases are referred to the program integrity specialist in the RO.

### **40.2 - Maintenance and Service of Capped Rental Items**

*(Rev. 3196, Issued: 02-13-15, Effective: 07-01-15, Implementation: 07-06-15)*

For capped rental items *furnished before January 1, 2006*, which have reached the *13*-month rental cap, contractors pay claims for maintenance and servicing fees after 6 months have passed from the end of the final paid rental month or from the end of the period the item is no longer covered under the supplier's or manufacturer's warranty, whichever is later.

The maintenance and servicing fee for capped rental items *furnished before January 1, 2006*, may be paid only once every 6 months. However, in the event the beneficiary elected to purchase the equipment, maintenance and servicing are paid in accordance with the instructions in §40.1.

*For capped rental items furnished on or after January 1, 2006, contractors shall pay for reasonable and necessary maintenance and servicing of beneficiary-owned equipment following 13 months of continuous use or, in the case of complex rehabilitative power wheelchairs, are acquired on a lump sum purchase basis. In addition, in cases where one or more rental payments have been made for a capped rental item, and the supplier transfers title to the equipment prior to the end of a 13 month period of continuous use, contractors can pay for reasonable and necessary maintenance and servicing of the beneficiary-owned equipment.*