

Program Memorandum Intermediaries/Carriers

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

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CHANGE REQUEST 1856

SUBJECT: Instructions for Implementing and Updating 2002 Payment Amounts for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)

This Program Memorandum (PM) forwards instructions for implementing and/or updating 2002 payment amounts for DMEPOS. Share this material with DMERCs, the Statistical Analysis Durable Medical Equipment Carrier (SADMERC), local carriers, and intermediaries.

2002 DMEPOS Fee Schedule File

The 2002 DMEPOS fee schedules have been calculated by the Division of Health Plan and Provider Data (DHPPD) in the Center for Beneficiary Choices (CBC). The DHPPD will electronically release the 2002 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T020101.V1106) to the SADMERC, DMERCs, and local Part B carriers via CMS's mainframe telecommunication system, formerly the Network Data Mover (NDM) on November 6, 2001. The DHPPD will release a separate 2002 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T020101.V1207.FI) to the intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on December 7, 2001. The fee schedule file will be available through the CMS homepage by December 7, 2001, for interested parties like the State Medicaid agencies and managed care organizations. The fee schedule for parenteral and enteral nutrition (PEN) will be released to the SADMERC and DMERCs in a separate file (filename: MU00.@BF12393.PEN.CY02.V1101) on November 1, 2001. These fee schedules are to be implemented on January 1, 2002, for service dates January 1, 2002 and after. Beginning January 1, 2002, contractors are to make payment based on these fee schedules for all claims with dates of service on or after January 1, 2002.

Gap-filling Instructions

Below is a list of new items that will be subject to the DME, prosthetics and orthotics, surgical dressings, or PEN fee schedules in 2002 for which carriers must gap-fill base fee schedule amounts.

<u>Code</u>	<u>Description of Item</u>	<u>Fee Schedule Category</u>
A4257	Replacement Lens Shield Cartridge For Use With Laser Skin Piercing Device, Each	DME Supplies
A6000	Non-Contact Wound Warming Wound Cover For Use With The Non-Contact Wound Warming Device And Warming Card	DME Supplies
A6010	Collagen based Wound Filler, Dry Form, Per Gram Of Collagen	Surgical Dressings
B4086	Gastrostomy/Jejunostomy Tube, Any Material, Any Type, (Standard Or Low Profile), Each	PEN
E0169	Commode Chair With Seat Lift Mechanism	Capped Rental DME
E0221	Infrared Heating Pad System	Inexpensive/Routinely Purchased DME
E0231	Non-Contact Wound Warming Device (Temperature Control Unit, AC Adapter And Power Card) For Use With Warming Card And Wound Cover	Capped Rental DME
E0232	Warming Card For Use With The Non-Contact Wound Warming Device And Non-Contact Wound Warming Wound Cover	DME Supplies

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<u>Code</u>	<u>Description of Item</u>	<u>Fee Schedule Category</u>
E0316	Safety Enclosure Frame/Canopy For Use With Hospital Bed, Any Type	Capped Rental DME
E0482	Cough Stimulating Device, Alternating Positive And Negative Airway Pressure	Capped Rental DME
E0602	Breast Pump, Manual, Any Type	Inexpensive/Routinely Purchased DME
E0620	Skin Piercing Device For Collection Of Capillary Blood, Laser, Each	Inexpensive/Routinely Purchased DME
E0752	<i>Implantable Neurostimulator Electrode, Each</i>	<i>Prosthetics and Orthotics</i>
E0754	<i>Patient Programmer (External) For Use With Implantable Programmable Neurostimulator Pulse Generator</i>	<i>Prosthetics and Orthotics</i>
E0759	<i>Radiofrequency Transmitter (External) For Use With Implantable Sacral Root Neurostimulator Receiver For Bowel And Bladder Management, Replacement</i>	<i>Prosthetics and Orthotics</i>
E1801	Bi-Directional Static Progressive Stretch Elbow Device With Range Of Motion Adjustment, Includes Cuffs	Capped Rental DME
E1806	Bi-Directional Static Progressive Stretch Wrist Device With Range Of Motion Adjustment, Includes Cuffs	Capped Rental DME
E1811	Bi-Directional Static Progressive Stretch Knee Device With Range Of Motion Adjustment, Includes Cuffs	Capped Rental DME
E1816	Bi-Directional Static Progressive Stretch Ankle Device With Range Of Motion Adjustment, Includes Cuffs	Capped Rental DME
E1818	Bi-Directional Static Progressive Stretch Forearm Pronation/Supination Device With Range Of Motion Adjustment, Includes Cuffs	Capped Rental DME
E1821	Replacement Soft Interface Material/Cuffs For Bi-Directional Static Progressive Stretch Device	Inexpensive/Routinely Purchased DME
E1840	Dynamic Adjustable Shoulder Flexion/Abduction/Rotation Device, Includes Soft Interface Material	Capped Rental DME
E2000	Gastric Suction Pump, Home Model, Portable Or Stationary, Electric	Capped Rental DME
E2101	Blood Glucose Monitor With Integrated Lancing/Blood Sample Collection	Inexpensive/Routinely Purchased DME
L0321	TLSO, Anterior-Posterior Control, With Rigid Or Semi-Rigid Posterior Panel, Prefabricated (Includes Fitting And Adjustment)	Prosthetics and Orthotics
L0331	TLSO, Anterior-Posterior-Lateral Control, With Rigid Or Semi-Rigid Posterior Panel, Prefabricated (Includes Fitting And Adjustment)	Prosthetics and Orthotics
L0391	TLSO, Anterior-Posterior-Lateral-Rotary Control, With Rigid Or Semi-Rigid Posterior Panel, Prefabricated (Includes Fitting And Adjustment)	Prosthetics and Orthotics
L0561	LSO, Anterior-Posterior-Lateral Control, With Rigid Or Semi-Rigid Posterior Panel, Prefabricated	Prosthetics and Orthotics
L0986	Addition To Spinal Orthosis, Rigid Or Semi-Rigid Abdominal Panel, Prefabricated	Prosthetics and Orthotics
L1005	Tension Based Scoliosis Orthosis And Accessory Pads, Includes Fitting And Adjustment	Prosthetics and Orthotics

L2768 Orthotic Side Bar Disconnect Device, Per Bar Prosthetics and Orthotics

<u>Code</u>	<u>Description of Item</u>	<u>Fee Schedule Category</u>
L5671	Addition To Lower Extremity, Below Knee/Above Knee Suspension Locking Mechanism (Shuttle, Lanyard Or Equal), Excludes Socket Insert	Prosthetics and Orthotics
L5847	Addition, Endoskeletal Knee-Shin System, Microprocessor Control Feature, Stance Phase	Prosthetics and Orthotics
L5989	Addition To Lower Extremity Prosthesis, Endoskeletal System, Pylon With Integrated Electronic Force Sensors	Prosthetics and Orthotics
L5990	Addition To Lower Extremity Prosthesis, User Adjustable Heel Height	Prosthetics and Orthotics
L6881	Automatic Grasp Feature, Addition To Upper Limb Prosthetic Terminal Device	Prosthetics and Orthotics
L6882	Microprocessor Control Feature, Addition To Upper Limb Prosthetic Terminal Device	Prosthetics and Orthotics
L8001	Breast Prosthesis, Mastectomy Bra, With Integrated Breast Prosthesis Form, Unilateral	Prosthetics and Orthotics
L8002	Breast Prosthesis, Mastectomy Bra, With Integrated Breast Prosthesis Form, Bilateral	Prosthetics and Orthotics
L8505	Artificial Larynx Replacement Battery/Accessory, Any Type	Prosthetics and Orthotics
L8507	Tracheo-Esophageal Voice Prosthesis, Patient Inserted, Any Type, Each	Prosthetics and Orthotics
L8509	Tracheo-Esophageal Voice Prosthesis, Inserted By A Licensed Health Care Provider, Any Type	Prosthetics and Orthotics
L8510	Voice Amplifier	Prosthetics and Orthotics

The DMERCs are to gap-fill base fee schedule amounts for each State in their Region for all of the codes listed above except B4086, E0752, E0754, and E0759 (in italics). The local carriers are to gap-fill base fee schedule amounts for each carrier service area for codes E0754 and E0759. CMS central office will gap-fill the base fee schedule amounts for code E0752 for the continental areas. The carriers for the non-continental areas of Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands should gap-fill the fee schedule amounts for code E0752 using 25 percent of the fee schedule amounts for code E0753 for Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands. Code B4086 replaces codes B4084 and B4085. CMS central office will establish the fee schedule amount for code B4086, which will be based on the weighted average of the fee schedule amounts for codes B4084 and B4085.

Medicare rental payments for DME include payment for any essential accessories. Therefore, the base fee schedule amounts for codes E1801, E1806, E1811, E1816, and E1818 should be established by adding 10 percent of the gap-filled purchase fee for the device and 10 percent of the gap-filled fee for the interface material/cuffs accessory (E1821). The base fee schedule amounts for code E1840 should be established by adding 10 percent of the gap-filled purchase fee for the device and 10 percent of the gap-filled fee for the interface material accessory (E1820). In addition, CMS central office will be revising the rental fee schedule amounts for codes E1800, E1805, E1810, E1815, E1825, and E1830 to include payment for the interface material accessory (E1820). Separate payment for the interface material (E1820 and E1821) used with this equipment can be made only for the replacement of interface material used with patient owned equipment.

All base fee schedule amounts are to be gap-filled in accordance with instructions located in MCM §5102.2. However, base fee schedule amounts submitted to CMS central office may not be updated by any covered item update factors other than the 1.7 percent (1989) update factor for DME and prosthetics and orthotics. The 2001 deflation factors for gap-filling purposes are:

- .619 for Capped Rental DME;
- .621 for Inexpensive/Routinely Purchased DME and Prosthetics and Orthotics;

.788 for Surgical Dressings; and
.857 for PEN

The carriers are to submit the base fees for these new codes to CMS central office by November 16, 2001. If carriers have already submitted base fees for any of the codes listed above, they do not have to resubmit those base fees. The fees are to be submitted in ASCII files via EMAIL to Mary Anne Stevenson (MSTEVENSON@CMS.HHS.GOV) and Joel Kaiser (JKAISER@CMS.HHS.GOV).

The 2002 gap-filled codes are contained in the 2002 DMEPOS Fee Schedule file and are identifiable by a gap-fill indicator of "1." These codes have associated pricing amounts of 0. After receiving the gap-filled base fees, DHPPD will develop national fee schedule floors and ceilings and 2002 fee schedule amounts for these codes and release an addendum file to contractors on December 14, 2001. Local Part B carriers should note that the DHPPD files will not contain fee schedule amounts for non-continental areas under local carrier jurisdiction. Local carriers must update their fee schedules using the appropriate covered item updates.

Upon successful receipt of the file(s), the contractors send notification of receipt via EMAIL to Mary Anne Stevenson (MSTEVENSON@CMS.HHS.GOV). This notification must state the name of the file received and the entities for which they were received (e.g., contractor name and FI/RHHI number).

DMEPOS Update Factors for 2002

As mandated by the Balanced Budget Refinement Act of 1999, the fee schedules for DME are to receive a temporary increase of 0.6 percent for 2002. In accordance with §1833(o)(2) of the Social Security Act, this 0.6 percent temporary increase for 2002 also applies to therapeutic shoes. Because this 0.6 percent increase applies only to 2002, it is not to be carried over into future years (e.g., 2003, 2004).

As mandated by the Balanced Budget Act of 1997, the fee schedules for surgical dressings, ostomy supplies, tracheostomy supplies, and urologicals are to be frozen for 2002. The fee schedules for prosthetic devices (excluding ostomy supplies, tracheostomy supplies, and urologicals) and prosthetics and orthotics are to be increased by 1 percent for 2002.

It is possible that the DMEPOS update factors described above could be changed through the legislative process.

Quarterly Update Schedule for 2002 DMEPOS Fee Schedule

The following are instructions for a scheduled process for making corrections to base-year amounts for the 2002 DMEPOS fee schedule.

The process is stated below:

1. The DMERCs and SADMERC will identify those instances where base year fees are incorrect and forward requests for revisions to their regional offices. The DMERCs will also identify those instances where fee schedule amounts are replaced by inherent reasonableness (IR) limits/payment amounts, should the authority for making IR adjustments be restored. Contractors must use the file layout in Attachment A to submit all revisions. Regional offices will review those requests and, upon concurrence, forward them to the Division of Health Plan and Provider Data (DHPPD) in CBC, Attention: Mary Anne Stevenson. (Those transmissions must occur within the dates provided in the schedule below.)

2. The requests for revisions must be accompanied by a narrative description. This narrative description must be forwarded via E-Mail to Mary Anne Stevenson (MSTEVENSON@CMS.HHS.GOV) in DHPPD and Joel Kaiser (JKAISER@CMS.HHS.GOV) in the Division of Community Post-Acute Care (DCPC) in the Center for Medicare Management.

3. For inherent reasonableness (IR) changes, the effective date of the revised payment amount must also be provided. Attachment A provides a field for those dates.

4. DHPPD will recalculate the current year fee schedule amounts as appropriate.

5. DHPPD will transmit the entire DMEPOS file to the DMERCs, SADMERC, and local carriers using the file layout described in Attachment B. An indicator in the record field will identify those instances where pricing amounts have changed. (These transmissions must occur within the dates provided in the schedule below. DCPC (Joel Kaiser) must also receive a copy of the corrected fees.

6. Concurrently, DCPC will issue instructions for implementing the revised fee schedule amounts.

7. The DMERCs and local carriers should give providers 30 days notification before revised payment amounts are implemented. Dates for implementation are provided in the schedule below.

8. In terms of handling adjustments, carriers should make adjustments on those claims that were processed incorrectly if brought to their attention. Adjustments may be made retroactively to January 1 of 2002 unless otherwise specified.

NOTE: This PM will apply in all instances unless the situation requires special consideration. In those instances, instructions on handling adjustments will be provided on a case by case basis.

9. Separate instructions will be issued describing the data exchange for fiscal intermediaries (FIs). In summary, FIs will receive the revised payment amounts 2 to 3 weeks after the carriers receive the data from DHPPD. FIs may not implement the revised payment amounts prior to the carriers' implementation date.

10. DHPPD will furnish the revised payment amounts to RRB, Indian Health Service and United Mine Workers. DMERCs and local Part B carriers must provide the data to the State Medicaid Agencies.

11. Fee Schedule Disclaimer: Whenever the carriers publish the DMEPOS fee schedule in their bulletins/notices, a disclaimer must be added. The disclaimer is, "Inclusion or exclusion of a fee schedule amount for an item or service does not imply any health insurance coverage."

12. Schedule for changes for 2002 DMEPOS Fees:

<u>Changes to DHPPD*</u> <u>(Mary Anne Stevenson)</u>	<u>DHPPD Transmit Files</u>	<u>Carriers Implement</u>
January 29	February 12	April **
April 10	May 4	July **
July 17	August 10	October **
September 14	November 5 ***	January 1, 2003

* DMERCs or local carriers will forward changes to the RO. ROs will forward requests to DHPPD/Mary Anne Stevenson.

** Carriers must implement by mid-month after providing 30 days notice. If necessary, adjustments may be made retroactive to January 1 of the current year.

*** Estimated date because the 2003 process is not finalized.

The *effective date* for this PM is January 1, 2002.

The *implementation date* for this PM is January 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after July 1, 2002.

Any questions regarding these instructions should be directed to Joel Kaiser on (410) 786-4499. Questions regarding the transmission of the file, file layout, and submission of base fees to CMS central office should be directed to Mary Anne Stevenson on (410) 786-1818.

**PROCESS FOR SUBMITTING REVISIONS TO DMEPOS FEE SCHEDULE TO
DHPPD (Mary Anne Stevenson)**

Revisions to DMEPOS fees should be contained in an ASCII file with the following file specifications:

DATA SET NAME: DMEREV1A.TXT -- First Quarter Submission
 DMEREV1B.TXT -- Second Quarter Submission
 DMEREV1C.TXT -- Third Quarter Submission
 DMEREV1D.TXT -- Fourth Quarter Submission

<u>FIELD NAME</u>	<u>PIC</u>	<u>POSITION</u>	<u>COMMENT</u>
HCPCS CODE	X(5)	1-5	
FILLER	X(1)	6-6	Set to Spaces
FIRST MODIFIER	X(2)	7-8	
FILLER	X(1)	9	Set to Spaces
SECOND MODIFIER	X(2)	10-11	
FILLER	X(2)	12-13	Set to Spaces
STATE	X(3)	14-16	
FILLER	X(1)	17	Set to Spaces
REVISED BASE FEE	S9(5).99	18-26	1992 level for surgical dressings; 1989 for all other categories
FILLER	X(1)	27	Set to Spaces
CAPPED RENTAL INHERENT REASONABLENESS (IR) INDICATOR	X(1)	28	For Capped Rental Services Only: 0--IR not applied to original base fee, base fee is subject to rebasing adjustment 1--IR applied to original base fee, base fee is exempted from rebasing adjustment
FILLER	X(1)	29	Set to Spaces
NATURE OF FEE REVISION	X(1)	30	0--Correction 1--IR Revision 2--Other--Please submit supporting documentation
FILLER	X(1)	31	Set to Spaces
IR-EFFECTIVE DATE	9(8)	32-39	Field is applicable only to those records where the fee has changed due to an inherent reasonableness decision and the previous field contains a value of "1". Format is YYYYMMDD

**PROCESS FOR SUBMITTING REVISIONS TO DMEPOS FEE SCHEDULE TO
DHPPD (Mary Anne Stevenson)**

These ASCII files must be forwarded to DHPPD. If sent electronically, send to Mary Anne Stevenson (MSTEVENSON or MSTEVENSON@CMS.HHS.GOV). If the files are mailed, please use the following address:

Mary Anne Stevenson
Centers for Medicare and Medicaid Management
Division of Health Plans and Provider Data/CBC
C4-14-21 7500 Security Blvd.
Baltimore, MD 21244-1850

REVISED RECORD LAYOUT FOR 2002 DMEPOS FEE SCHEDULE DATA

SORT SEQUENCE: Category, HCPCS , 1st Mod, 2nd Mod, State

<u>FIELD NAME</u>	<u>PIC</u>	<u>POSITION</u>	<u>COMMENT</u>
YEAR	X(4)	1-4	Applicable Update Year
HCPCS CODE	X(5)	5-9	All current year active and deleted codes subject to DMEPOS floors and ceilings
1ST MODIFIER	X(2)	10-11	
2ND MODIFIER	X(2)	12-13	
JURISDICTION	X	14	D--DMERC jurisdiction L--Local Part B Carrier jurisdiction J--Joint DMERC/Local Carrier jurisdiction
CATEGORY	X(2)	15-16	IN--Inexpensive/Routinely Purchased FS--Frequently Serviced CR--Capped Rental OX--Oxygen & Oxygen Equipment OS--Ostomy, Tracheostomy & Urologicals SD--Surgical Dressings PO--Prosthetics & Orthotics SU--Supplies TE--TENS
HCPCS ACTION	X	17	Indicates active/delete status in HCPCS file A--Active Code D--Deleted Code, price provided for grace period processing only
REGION	X(2)	18-19	This amount is not used for pricing claims. It is on file for informational purposes. 00--For all non Prosthetic and Orthotic Services 01-10--For Prosthetic and Orthotic Services Only. This field denotes the applicable regional fee schedule
STATE	X(2)	20-21	
ORIGINAL BASE FEE	9(5)V99	22-28	This amount is not used for pricing claims. It is on file for informational purposes. For capped rental services this amount represents the base fee after adjustments for rebasing and statewide conversions. The base year for E0607 and L8603 is 1995. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they do not have a true base fee. For these codes, this field will be filled with zeros.

REVISED RECORD LAYOUT FOR 2002 DMEPOS FEE SCHEDULE DATA

SORT SEQUENCE: Category, HCPCS , 1st Mod, 2nd Mod, State

<u>FIELD NAME</u>	<u>PIC</u>	<u>POSITION</u>	<u>COMMENT</u>
CEILING	9(5)V99	29-35	This amount is not used for pricing claims. It is on file for informational purposes, and could be integrated into other processes (i.e., IR review, validation, inquiries). Note that since E0607 is priced via national IR, it is not priced using floors and ceilings. For E0607, this field will be filled with zeros. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they are not subject to ceilings and floors. For these codes, this field will be filled with zeros.
FLOOR	9(5)V99	36-42	This amount is not used for pricing claims. It is on file for informational purposes, and could be integrated into other processes (i.e., IR review, validation, inquiries). Note that since E0607 is priced via national IR, it is not priced using floors and ceilings. For E0607, this field will be filled with zeros. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they are not subject to ceilings and floors. For these codes, this field will be filled with zeros.
UPDATED FEE SCHEDULE AMOUNT	9(5)V99	43-49	Amount used for pricing
GAP-FILL INDICATOR	X	50	0--No Gap-filling Required. 1--Carrier Needs to Gap-fill Original Base Year Amount.
PRICING CHANGE INDICATOR	X	51	0--No change to the updated fee schedule amount since previous release. 1--A change has occurred to the updated fee schedule amount since the previous release.
FILLER	X(9)	52-60	Set to Spaces