

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1853	Date: November 13, 2009
	Change Request 6720

Subject: CY 2010 Fee Schedule Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

I. SUMMARY OF CHANGES: This recurring update notification provides instructions on the CY 2010 annual update for the Medicare DMEPOS fee schedule. The instructions include information on the data files, update factors, and other information to implement the DMEPOS fee schedule. The annual update is required by statute. This Recurring Update Notification applies to Chapter 23, Section 60.

New / Revised Material

Effective Date: January 1, 2010

Implementation Date: January 4, 2010

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:

SECTION A: For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within 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 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:

Manual Instruction

Recurring Update Notification

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

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1853	Date: November 13, 2009	Change Request: 6720
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SUBJECT: CY 2010 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

Effective Date: January 1, 2010

Implementation Date: January 4, 2010

I. GENERAL INFORMATION

A. Background: 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 §60, Chapter 23 of the Medicare Claims Processing Manual (Pub. 100-04).

B. Policy: This recurring update notification provides instructions regarding the 2010 annual update for the DMEPOS fee schedule. 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).

The CMS Division of Data Systems (DDS) is scheduled to electronically release the 2010 DMEPOS Fee Schedule file (filename: [MU00.@BF12393.DMEPOS.T100101.V1105](#)) 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 5, 2009. The DDS is scheduled to release a separate 2010 DMEPOS Fee Schedule file (filename: [MU00.@BF12393.DMEPOS.T100101.V1112.FI](#)) to the A/B MACs, intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on November 12, 2009. The DMEPOS fee schedule file will also be available on or after November 17, 2009, for State Medicaid Agencies, managed care organizations, and other interested parties on the CMS website at www.cms.hhs.gov/DMEPOSFeeSched/. The 2010 fee schedule for PEN is scheduled to be released to the PDAC and DME MACs in a separate file (filename: [MU00.@BF12393.PEN.CY10.V1105](#)) on November 5, 2009.

New DMEPOS codes added to the Healthcare Common Procedure Coding System (HCPCS) are effective January 1, 2010 and are listed in Business Requirement 6720.6 of this Change Request (CR). For new codes, the fee schedule amounts will be established as part of the July 2010 DMEPOS Fee Schedule Update, when applicable. The DME MACs shall establish local fee schedule amounts to pay claims for the new codes from January 1, 2010 through June 30, 2010. Please note that the HCPCS codes listed as new codes in this CR are not yet final and are subject to change. The new codes are not to be used for billing purposes until they are effective on January 1, 2010.

The following codes are being deleted from the HCPCS effective January 1, 2010, and are therefore being removed from the DMEPOS fee schedule files:

A4365	L1825	L3701
E2223	L1901	L3909
E2393	L2770	L3911
L0210	L3651	L6639
L1800	L3652	
L1815	L3700	

For gap-filling purposes, the 2009 deflation factors by payment category are: 0.508 for Oxygen, 0.511 for Capped Rental, 0.512 for Prosthetics and Orthotics, 0.650 for Surgical Dressings, and 0.707 for Parental and Enteral Nutrition.

Code E2227 Manual Wheelchair Accessory, Gear Reduction Drive Wheel, Each was added to the HCPCS effective January 1, 2008. The fee schedule for code E2227 was calculated using pricing information for two products; however, the fee schedule is being revised effective January 1, 2010, to remove pricing information for one product that was erroneously classified as a gear reduction drive wheel when the code was established.

CY 2010 Fee Schedule Update Factor

In accordance with the statute, the DMEPOS fee schedule amounts are to be updated for 2010 by the percentage increase in the consumer price index for all urban consumers (United States city average) or CPI-U for the 12-month period ending with June of 2009. Since the percentage change in the CPI-U for the 12-month period ending with June of 2009 is negative (-1.41 percent), the percentage increase in the CPI-U used to update the DMEPOS fee schedule amounts for 2010 is 0 percent.

2010 Update to the Labor Payment Rates

Included in Attachment A are the CY 2010 allowed payment amounts for HCPCS labor payment codes K0739, L4205 and L7520. Since the percentage increase in the Consumer Price Index (CPI) for the twelve month period ending with June of the previous year is negative for 2010, a 0% change is applied to the labor payment amounts for 2010. The 2010 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, 2010 through December 31, 2010.

2010 National Monthly Payment Amounts for Stationary Oxygen Equipment

As part of this update, we are implementing the 2010 national monthly payment rates for stationary oxygen equipment (HCPCS codes E0424, E0439, E1390 and E1391), effective for claims with dates of service on or after January 1, 2010. We are revising the fee schedule file to include the new national 2010 monthly payment rate of \$173.17 for stationary oxygen equipment. As required by statute, the payment rates must be adjusted on an annual basis, as necessary, to ensure budget neutrality of the addition of the new oxygen generating portable equipment (OGPE) class. The revised 2010 monthly payment rate of \$173.17 includes the 0% update due to the -1.41% CPI-U change. The budget neutrality adjustment for 2010 caused the 2010 rate to decrease from \$175.79 to \$173.17.

When updating the oxygen equipment fees, corresponding updates are made to the fee schedule amounts for HCPCS code 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.

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
6720.1	The DME MACs, A/B MACs, carriers and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T100101.V1105) as soon as possible. The file is available for download on or after November 05, 2009.	X	X		X						EDC
6720.1.2	Notification of successful receipt shall be sent via e-mail to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity for which they were received (e.g., DME MAC name and number).	X	X		X						
6720.2	The A/B MACs, FIs, RHHs and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T100101.V1112.FI) as soon as possible. The file is available for download on or after November 12, 2009.	X		X		X	X				EDC
6720.2.1	Notification of successful receipt shall be sent via e-mail to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity for which they were received (e.g., FI name and number).	X		X		X	X				
6720.3	The DME MACs and/or EDCs shall retrieve the PEN fee schedule file (filename: MU00.@BF12393.PEN.CY10.V1105) as soon as possible. The file is available for download on or after November 05, 2009.		X								EDC
6720.4	Contractors shall use the 2010 DMEPOS fee schedule payment amounts to pay claims for items furnished from January 1, 2010 through December 31, 2010.	X	X	X	X	X					
6720.5	The DME MACs shall use the 2010 PEN fee schedule payment amounts to pay claims for items furnished from January 1, 2010 through December 31, 2010.		X								
6720.6	The HCPCS codes listed below are being added to the HCPCS on January 1, 2010, and shall be added to the CWF categories (in parentheses) as follows: <div style="margin-left: 40px;"> <u>Payment</u> <u>Category</u> A4264 (67) N/A A4336 (03,60) OS A4360 (03,60) OS A4456 (03, 60) OS A4466 (60) N/A E0433 (06, 59, 60) OX E1036 (01, 60) CR L2861 (03, 60) N/A </div>								X	X	

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	L3891 (03, 60) N/A L5973 (03, 60) PO L8031 (03, 60) PO L8032 (03, 60) PO L8627 (03, 67) PO L8628 (03, 67) PO L8629 (03, 67) PO L8692 (03, 67) N/A K0739 (18,60) N/A K0740 (18,60) N/A Q0506 (03, 67) PO										
6720.7	Contractors shall establish local fee schedule amounts, when applicable, to pay claims for the codes listed in 6720.8, from January 1, 2010 through June 30, 2010.		X								
6720.7.1	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 6720.8 the DME MACs shall consult with CMS central office to determine how pricing should be established for these codes.		X								
6720.8	In accordance with the schedule noted below, base fees for the following codes must be submitted to DDS/CMS by April 9, 2010 for inclusion in the July DMEPOS fee schedule update: <u>Ostomy, Tracheostomy, or Urological Supplies (OS)</u> A4336 <u>Capped Rental (CR)</u> E1036 <u>Prosthetics and Orthotics (PO)</u> L8031 L8032 L8629 Q0506		X								
6720.9	Contractors shall not adjust previously processed claims for the code E2227 with dates of service on or after January 1, 2009 through December 31, 2009, if they are submitted for adjustments.		X			X					
6720.10	Contractors shall use 2010 allowed payment amounts for code K0739 in Attachment A to pay claims for DME items with dates of service from January 1, 2010 through December 31, 2010.	X	X		X	X					
6720.11	Contractors shall use the 2010 allowed payment amounts for codes L4205 and L7520 in Attachment A to pay claims for orthotic and prosthetic items with dates of	X	X	X	X	X					

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	service from January 1, 2010 through December 31, 2010.										
6720.12	The DME MACs, A/B MACs, Carriers and FIs shall implement changes to the 2010 DMEPOS fee schedules in accordance with the schedule outlined below.	X	X	X	X	X					

Schedule for changes for 2010 DMEPOS Fees (Local Carriers or DME MACs) or PEN Fees (DME MACs)

Changes to DDS*(MaryAnne Stevenson)
 April 9
 September 15

DDS Transmit Files
 May 6
 November 4

Contractors Implement
 July 1, 2010
 January 3, 2011

*DME MACs or local carriers will forward changes to ROs. ROs will forward requests to DDS/MaryAnne Stevenson.

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
6720.13	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 site 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 your 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	X	X	X	X					

IV. SUPPORTING INFORMATION

Section A: For any recommendations and supporting information associated with listed requirements, use the box below:

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
6270.8	Gap-filled base fees should be submitted using the record format described in section 60.1 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.
6270.7, 6270.8	Instructions for gap-filling DMEPOS fees are located in section 60.3 of chapter 23 of the Medicare Claims Processing Manual.

Section B: For all other recommendations and supporting information, use this space:

V. CONTACTS

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

Post-Implementation Contact(s): Anita Greenberg, Anita.Greenberg@cms.hhs.gov, Karen Jacobs, Karen.Jacobs@cms.hhs.gov for general issues and Chris Molling (410) 786-6399 for oxygen issues.

VI. FUNDING

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

No additional funding will be provided by CMS; contractor activities are to be carried out within 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 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.

Attachment A

2010 Fees for Codes K0739, L4205, L7520

STATE	K0739	L4205	L7520	STATE	K0739	L4205	L7520
AK	25.27	28.79	33.88	SC	13.41	19.99	27.14
AL	13.41	19.99	27.14	SD	14.99	19.97	36.28
AR	13.41	19.99	27.14	TN	13.41	19.99	27.14
AZ	16.59	19.97	33.39	TX	13.41	19.99	27.14
CA	20.58	32.83	38.26	UT	13.45	19.97	42.27
CO	13.41	19.99	27.14	VA	13.41	19.97	27.14
CT	22.40	20.45	27.14	VI	13.41	19.99	27.14
DC	13.41	19.97	27.14	VT	14.40	19.97	27.14
DE	24.71	19.97	27.14	WA	21.37	29.30	34.80
FL	13.41	19.99	27.14	WI	13.41	19.97	27.14
GA	13.41	19.99	27.14	WV	13.41	19.97	27.14
HI	16.59	28.79	33.88	WY	18.70	26.65	37.84
IA	13.41	19.97	32.49				
ID	13.41	19.97	27.14				
IL	13.41	19.97	27.14				
IN	13.41	19.97	27.14				
KS	13.41	19.97	33.88				
KY	13.41	25.60	34.71				
LA	13.41	19.99	27.14				
MA	22.40	19.97	27.14				
MD	13.41	19.97	27.14				
ME	22.40	19.97	27.14				
MI	13.41	19.97	27.14				
MN	13.41	19.97	27.14				
MO	13.41	19.97	27.14				
MS	13.41	19.99	27.14				
MT	13.41	19.97	33.88				
NC	13.41	19.99	27.14				
ND	16.72	28.73	33.88				
NE	13.41	19.97	37.84				
NH	14.40	19.97	27.14				
NJ	18.10	19.97	27.14				
NM	13.41	19.99	27.14				
NV	21.37	19.97	36.99				
NY	24.71	19.99	27.14				
OH	13.41	19.97	27.14				
OK	13.41	19.99	27.14				
OR	13.41	19.97	39.03				
PA	14.40	20.56	27.14				
PR	13.41	19.99	27.14				
RI	15.99	20.58	27.14				

Medicare Claims Processing Manual

Chapter 23 - Fee Schedule Administration and Coding Requirements

60.3 - Gap-filling DMEPOS Fees

(Rev. 1853, Issued: 11-03-09; Effective Date: 01-01-10; Implementation Date: 01-04-10)

The DME MACs and local carriers must gap-fill the DMEPOS fee schedule for items for which charge data were unavailable during the previous database period 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 database year. 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
<i>2009</i>	<i>0.508</i>	<i>0.511</i>	<i>0.512</i>	<i>0.650</i>	<i>0.707</i>

* 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

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.