

<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 3416</b>	<b>Date: November 23, 2015</b>
	<b>Change Request 9431</b>

**SUBJECT: CY 2016 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 2016 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule. This recurring update notification applies to chapter 23, section 60 of Pub. 100-04 Medicare Claims Processing Manual.

**EFFECTIVE DATE: January 1, 2016**

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

**IMPLEMENTATION DATE: January 4, 2016**

*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.*

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
D	20/50.2 Intermediary Format for Durable Medical Equipment, Prosthetic, Orthotic, Supply Fee Schedule
R	23/60.3 Gap-Filling DMEPOS Fees

**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:**

**Recurring Update Notification**

# Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 3416	Date: November 23, 2015	Change Request: 9431
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**SUBJECT: CY 2016 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule**

**EFFECTIVE DATE: January 1, 2016**

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

**IMPLEMENTATION DATE: January 4, 2016**

## I. GENERAL INFORMATION

**A. Background:** This recurring update notification provides instructions regarding the 2016 annual update for the DMEPOS fee schedule. The DMEPOS fee schedules are updated on an annual basis in accordance with the 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 certain 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), splints, casts and intraocular lenses (IOLs) inserted in a physician's office.

Also, section 1834(a)(1)(F)(ii) of the Act mandates adjustments to the fee schedule amounts for certain items furnished on or after January 1, 2016 in areas that are not competitive bid areas, based on information from competitive bidding programs (CBPs) for DME. Section 1842(s)(3)(B) of the Act provides authority for making adjustments to the fee schedule amounts for enteral nutrients, equipment, and supplies (enteral nutrition) based on information from CBPs. CMS issued a final rule on November 6, 2014 (79 FR 66223) on the methodologies for adjusting DMEPOS fee schedule amounts using information from CBPs. Program instructions on these changes are also available in Transmittal 3350, Change Request (CR) 9239, dated September 11, 2015. The CBP product categories, HCPCS codes and single payment amounts (SPAs) included in the CBPs are available on the Competitive Bidding Implementation Contractor (CBIC) website: <http://www.dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Home>.

There are three general methodologies used in adjusting the fee schedule amounts:

### 1. Adjusted Fee Schedule Amounts for Areas within the Contiguous United States

The average of SPAs from CBPs located in eight different regions of the contiguous United States are used to adjust the fee schedule amounts for the states located in each of the eight regions. These regional SPAs or RSPAs are also subject to a national ceiling (110% of the average of the RSPAs for all contiguous states plus the District of Columbia) and a national floor (90% of the average of the RSPAs for all contiguous states plus the District of Columbia). This methodology applies to enteral nutrition and most DME items furnished in the contiguous United States (i.e., those included in more than 10 CBAs).

Also, the fee schedule amounts for areas within the contiguous United States that are designated as rural areas are adjusted to equal the national ceiling amounts described above. Regulations at §414.202 define a rural area to be a geographical area represented by a postal ZIP code where at least 50 percent of the total geographical area of the ZIP code is estimated to be outside any metropolitan statistical area (MSA). A rural area also includes any ZIP Code within an MSA that is excluded from a competitive bidding area established for that MSA.

### 2. Adjusted Fee Schedule Amounts for Areas outside the Contiguous United States

Areas outside the contiguous United States (i.e., noncontiguous areas such as Alaska, Guam, Hawaii) receive adjusted fee schedule amounts so that they are equal to the higher of the average of SPAs for CBAs in areas outside the contiguous United States (currently only applicable to Honolulu, Hawaii) or the national ceiling amounts described above and calculated based on SPAs for areas within the contiguous United States.

### 3. Adjusted Fee Schedule Amounts for Items Included in 10 or Fewer CBAs

DME items included in 10 or fewer CBAs receive adjusted fee schedule amounts so that they are equal to 110 percent of the average of the SPAs for the 10 or fewer CBAs. This methodology applies to all areas (i.e., non-contiguous and contiguous).

#### Phasing In Fee Schedule Amounts

The adjustments to the fee schedule amounts will be phased in for claims with dates of service January 1, 2016 through June 30, 2016, so that each fee schedule amount is based on a blend of 50 percent of the fee schedule amount that would have gone into effect on January 1, 2016, if not adjusted based on information from the CBP, and 50 percent of the adjusted fee schedule amount.

For claims with dates of service on or after July 1, 2016, the July quarterly update files will include the fee schedule amounts based on 100 percent of the adjusted fee schedule amounts.

Fee schedule amounts that are adjusted using SPAs will not be subject to the annual DMEPOS covered item update and will only be updated when SPAs from the CBP are updated. Updates to the SPAs may occur at the end of a contract period, as additional items are phased into the CBP, or as new CBPs in new areas are phased in. In cases where the SPAs from CBPs no longer in effect are used to adjust fee schedule amounts (§414.210(g)(4)), the SPAs will be increased by an inflation adjustment factor that corresponds to the year in which the adjustment would go into effect (e.g., 2016 for this update) and for each subsequent year (e.g., 2017, 2018, etc.).

### **B. Policy: Fee Schedule and Rural Zip Code Files**

The DMEPOS fee schedule file will contain HCPCS codes that are subject to the adjusted payment amount methodologies discussed above as well as codes that are not subject to the fee schedule CBP adjustments taking effect January 1, 2016. In order to apply the rural payment rule for areas within the contiguous United States, the DMEPOS fee schedule file has been updated to include rural payment amounts for those HCPCS codes where the adjustment methodology is based on average regional SPAs. Also, on the PEN file the national fee schedule amounts for enteral nutrition will transition to statewide fee schedule amounts. For parenteral nutrition, the national fee schedule amount methodology will remain unchanged.

The CMS Division of Data Systems (DDS) is scheduled to release the following files:

- CY 2016 DMEPOS Fee Schedule Part B file (filename: MU00.@BF12393.DMEPOS.T160101.V1030) for the Pricing, Data Analysis and Coding (PDAC) Contractor, DME MACs and Part B MACs on or after October 30, 2015.
- CY 2016 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T160101.V1030.FI) for the Part A MACs, Home Health and Hospice (HH+H) MACs, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on or after October 30, 2015.
- CY 2016 fee schedule for PEN is scheduled to be released to the PDAC and DME MACs in a separate file (filename: MU00.@BF12393.PEN.CY16.V1030) on or after October 30, 2015.

- 2016 Rural ZIP code Production file (filename: MU00.DMECBIC.RURZIP.C16Q01.V112015) containing Quarter 1, 2016 rural ZIP Codes on or after November 20, 2015.
- Please note that the DMEPOS rural ZIP code file does not contain ZIP codes for non-continental MSAs. The Rural ZIP code file will be updated on a quarterly basis and used to determine rural payment applicability beginning January 1, 2016. The ZIP code associated with the address used for pricing a DMEPOS claim determines the rural or non-rural payment amount for adjusted codes beginning January 1, 2016.
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- The DMEPOS and PEN fee schedules and the Rural ZIP code file public use files (PUFs) will be available for State Medicaid Agencies, managed care organizations, and other interested parties shortly after the release of the above files on the CMS Website [www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched](http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched)

### **New Codes Added**

New DMEPOS codes added to the Healthcare Common Procedure Coding System (HCPCS) file, effective January 1, 2016, where applicable, are listed in Business Requirement (BR) # 7 of this instruction. The new codes are not to be used for billing purposes until they are effective on January 1, 2016.

For gap-filling pricing purposes, the 2015 deflation factors by payment category are: 0.459 for Oxygen, 0.462 for Capped Rental, 0.463 for Prosthetics and Orthotics, 0.588 for Surgical Dressings, 0.639 for Parental and Enteral Nutrition, 0.978 for Splints and Casts and 0.962 for Intraocular Lenses.

### **Codes Deleted**

The following codes will be deleted from the DMEPOS fee schedule files effective January 1, 2016:

E0450 E0460 E0461 E0463 E0464

### **Specific Coding and Pricing Issues**

As part of this update, fee schedule amounts for the following codes will be added to the DMEPOS fee schedule file effective January 1, 2016:

E1012 E0465 E0466 L8607

CMS is also adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 as part of this update in order 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 2016, 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 2014. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2016.

[Update to Change Request 8566](#)

Effective April 1, 2014, payment on a purchase basis was established for capped rental wheelchair accessory codes furnished for use with complex rehabilitative power wheelchairs. Such accessories are considered part of the complex rehabilitative power wheelchair and associated lump sum purchase option set forth at 42 CFR §414.229(a)(5). These changes were implemented in Transmittal 1332, CR 8566, dated January 2, 2014.

HCPCS code E1012 Wheelchair accessory, addition to power seating system, center mount power elevating leg rest/platform, complete system, any type, *each* was added to the HCPCS effective January 1, 2016. As part of this update, contractors are instructed to add code E1012 to the list of codes that are eligible for payment on a purchase basis when furnished for use with a complex rehabilitative power wheelchair, effective January 1, 2016.

### Ventilators

As part of this update, fee schedules are established for the following ventilator HCPCS codes:

E0465 Home ventilator, any type, used with invasive interface (e.g., tracheostomy tube)

E0466 Home ventilator, any type, used with non-invasive interface (e.g., mask, chest shell)

Effective January 1, 2016, the following HCPCS codes that describe ventilators are discontinued: E0450, E0460, E0461, E0463 and E0464. Code E0465 is added to the HCPCS for billing Medicare claims previously submitted under E0450 and E0463. Code E0466 is added to the HCPCS for billing Medicare claims previously submitted under E0460, E0461 and E0464. The fee schedule amounts for codes E0465 and E0466 are established using the Medicare fee schedule amounts for HCPCS code E0450, based on updated average reasonable charges for ventilators from July 1, 1986 through June 30, 1987.

### Diabetic Testing Supplies

The fee schedule amounts for non-mail order diabetic testing supplies (DTS) (without KL modifier) for codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, A4259 are not updated by the covered item update. In accordance with section 636(a) of the American Taxpayer Relief Act of 2012, the fee schedule amounts for these codes were adjusted in CY 2013 so that they are equal to the single payment amounts for mail order DTS established in implementing the national mail order CBP under section 1847 of the Act. The non-mail order payment amounts on the fee schedule file will be updated each time the single payment amounts are updated. This can happen no less often than every three years as CBP contracts are recompeted. The CBP for mail order diabetic supplies is effective July 1, 2013 to June 30, 2016. The program instructions reviewing these changes are Transmittal 2709, Change Request (CR) 8325, dated May 17, 2013 and Transmittal 2661, CR 8204, dated February 22, 2013.

Although for payment purposes the single payment amounts replace the fee schedule amounts for mail order DTS (KL modifier), the fee schedule amounts remain on the DMEPOS fee schedule file as reference data only for establishing bid limits for future rounds of competitive bidding programs. The mail order DTS fee schedule amounts shall be updated annually by the covered item update factor adjusted for multi-factor productivity. The mail order DTS fee schedule amounts are not used in determining the Medicare allowed payment amounts for mail order DTS. The single payment amount public use file (PUF) for the national mail order competitive bidding program is available at the following website  
<http://www.dmecompetitivebid.com/palmetto/cbicrd2.nsf/DocsCat/Single%20Payment%20Amounts>

The Northern Mariana Islands are not considered an area eligible for inclusion under a national mail order competitive bidding program. However, in accordance with §414.210(7), the fee schedule amounts for mail order DTS furnished in the Northern Mariana Islands are adjusted to equal 100 percent of the single payment amounts established under the national mail order competitive bidding program (79 FR 66232). Because the Northern Mariana Islands adjustment is subject to the 6-month phase-in period, the adjusted Northern Mariana Island DTS mail order fees, which are based on 50 percent of the un-adjusted mail order

fee schedule amounts and 50 percent of the adjusted mail order single payment amounts, will be provided on the DMEPOS fee schedule file in the Hawaii column of the mail order (KL) DTS (A4233, A4234, A4235, A4236, A4253, A4256, A4258, A4259) codes for dates of service January 1, 2016 through June 30, 2016. Beginning July 1, 2016, the fully adjusted mail order fees (i.e., the single payment amounts) will apply for mail order DTS furnished in the Northern Mariana Islands. The Northern Mariana Island DTS mail order payment amounts will no longer appear in the Hawaii column and the DTS mail order (KL) fee schedules for all states and territories will be removed from the DMEPOS fee schedule file as of July 1, 2016.

### **2016 Fee Schedule Update Factor of -0.4 Percent**

For CY 2016, an update factor of 0.1 percent is applied to certain DMEPOS fee schedule amounts.

For the majority of fee schedule amounts, in accordance with the statutory sections 1834(a)(14) and 1886(b)(3)(B)(xi)(II) of the Act, the DMEPOS fee schedule amounts are to be updated for 2016 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 2015, 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[AG5] -factor productivity (MFP). The MFP adjustment is 0.5 percent and the CPI-U percentage increase is 0.1 percent. Thus, the 0.1 percentage increase in the CPI-U is reduced by the 0.5 percentage increase in the MFP resulting in a net decrease of -0.4 percent for the update factor.

### **2016 Update to the Labor Payment Rates**

Included in Attachment A are the CY 2016 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, 2015 is 0.1 percent, this change is applied to the 2015 labor payment amounts to update the rates for CY 2016. The 2016 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, 2016 through December 31, 2016.

### **2016 National Monthly Fee Schedule Amounts for Stationary Oxygen Equipment**

As part of this update, we are implementing the 2016 national monthly fee schedule payment amount for stationary oxygen equipment (HCPCS codes E0424, E0439, E1390 and E1391), effective for claims with dates of service from January 1, 2016 through June 30, 2016. As required by statute, the fee schedule payment amount must be adjusted to ensure budget neutrality of the fee schedule payment amounts for the new payment class for oxygen generating portable equipment (OGPE) and separate payment classes for stationary and portable oxygen contents. The updated national 2016 monthly payment amount of \$180.10 for the stationary oxygen equipment codes will not appear on the 2016 DMEPOS fee schedule. Instead, for dates of service January 1, 2016 through June 30, 2016, the 2016 fee schedule rate of \$180.10 blends with the stationary oxygen regional single payment amounts based on 50 percent of the un-adjusted stationary oxygen fee schedule amounts and 50 percent of the adjusted oxygen regional single payment amounts. Beginning July 1, 2016, the stationary oxygen equipment fee schedule amounts on the quarterly update to CY 2016 DMEPOS fee schedule file will reflect one hundred percent of the adjusted oxygen regional single payment amounts in accordance with the regulations at §414.210(g)(9).

When updating the stationary oxygen equipment amounts, 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 payment amounts 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

### **2016 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment**

Also updated for 2016 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 2016 maintenance and servicing fee is adjusted by the -0.4 percent MFP-adjusted covered item update factor to yield a CY 2016 maintenance and servicing fee of \$69.48 for oxygen concentrators and transfilling equipment.

## II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			D M E M A C S	Shared- System Maintainers				Other
		A	B	H H H		F I C S	M C S	V M S	C W F	
9431.1	The DME MACs, Part B MACs and/or VDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T160101.V1030). The file is available for download on or after October 30, 2015.		X		X					VDC
9431.1.1	Notification of successful receipt shall be sent 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					
9431.2	The Part A MACs, HHH MACs and/or VDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T160101.V1030.FI). The file is available for download on or after October 30, 2015.	X		X						VDC
9431.2.1	Notification of successful receipt shall be sent via email to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity receiving the	X		X						VDC



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	
	4. E0466 (02, 60) FS  5. L8607 (03, 67) PO									
9431.8	Contractors shall use 2016 allowed payment amounts for code K0739 in Attachment A to pay claims for DME items with dates of service from January 1, 2016 through December 31, 2016.	X	X	X	X					
9431.9	Contractors shall use the 2016 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, 2016, through December 31, 2016.	X	X	X	X					
9431.10	The maintenance and servicing fee for certain oxygen equipment shall be \$69.48 for claims with dates of service January 1, 2016 thru December 31, 2016. Payment is based on the lower of the supplier's actual charge or the maintenance and servicing fee.			X	X	X				
9431.11	Effective for dates of service on or after January 1, 2016, contractors shall consider code E1012 as eligible for payment on a purchase basis when furnished for use with a complex rehabilitative power wheelchair (K0835-K0864).			X	X				X	
9431.12	Contractors shall implement changes to the 2016 DMEPOS fee schedules in accordance with the schedule outlined below.*  <b>Changes to DDS*:</b> April 4, 2016; Sept 1, 2016  <b>DDS Transmit Files:</b> May 12, 2016; Nov 17, 2016  <b>Implement:</b> July 1, 2016; Jan 1, 2017  *DME MACs or Part B MACs will forward changes to CMS/Division Data Systems: price_file_receipt@cms.hhs.gov.				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	

### 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		
9431.13	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 5 business days after receipt of the notification from CMS announcing the availability of the 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	X	X	X	

### IV. SUPPORTING INFORMATION

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

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
9431.5	Additional claims systems instructions are found in Change Request 9239 Implementation of Adjusted DMEPOS Fee Schedule Amounts Using Information from the National Competitive Bidding Program (CBP).
9431.10	Instructions on payment for maintenance and servicing of certain oxygen equipment are located in CRs 6792 and 6990.

X-Ref Requirement Number	Recommendations or other supporting information:
9431.11	Prior program instructions on the wheelchair accessory purchase option are found in Transmittal 1332, Change Request 8566, dated January 2, 2014

**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).

## 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: 1**

## Attachment A

2016 Fees for Codes K0739, L4205, L7520

STATE	K0739	L4205	L7520
AK	\$28.01	\$31.91	\$37.54
AL	\$14.87	\$22.16	\$30.08
AR	\$14.87	\$22.16	\$30.08
AZ	\$18.39	\$22.13	\$37.01
CA	\$22.81	\$36.38	\$42.39
CO	\$14.87	\$22.16	\$30.08
CT	\$24.83	\$22.65	\$30.08
DC	\$14.87	\$22.13	\$30.08
DE	\$27.38	\$22.13	\$30.08
FL	\$14.87	\$22.16	\$30.08
GA	\$14.87	\$22.16	\$30.08
HI	\$18.39	\$31.91	\$37.54
IA	\$14.87	\$22.13	\$36.01
ID	\$14.87	\$22.13	\$30.08
IL	\$14.87	\$22.13	\$30.08
IN	\$14.87	\$22.13	\$30.08
KS	\$14.87	\$22.13	\$37.54
KY	\$14.87	\$28.37	\$38.47
LA	\$14.87	\$22.16	\$30.08
MA	\$24.83	\$22.13	\$30.08
MD	\$14.87	\$22.13	\$30.08
ME	\$24.83	\$22.13	\$30.08
MI	\$14.87	\$22.13	\$30.08
MN	\$14.87	\$22.13	\$30.08
MO	\$14.87	\$22.13	\$30.08
MS	\$14.87	\$22.16	\$30.08
MT	\$14.87	\$22.13	\$37.54
NC	\$14.87	\$22.16	\$30.08
ND	\$18.53	\$31.84	\$37.54
NE	\$14.87	\$22.13	\$41.94
NH	\$15.97	\$22.13	\$30.08
NJ	\$20.06	\$22.13	\$30.08
NM	\$14.87	\$22.16	\$30.08
NV	\$23.69	\$22.13	\$41.00
NY	\$27.38	\$22.16	\$30.08
OH	\$14.87	\$22.13	\$30.08
OK	\$14.87	\$22.16	\$30.08
OR	\$14.87	\$22.13	\$43.25
PA	\$15.97	\$22.79	\$30.08
PR	\$14.87	\$22.16	\$30.08
RI	\$17.72	\$22.81	\$30.08

STATE	K0739	L4205	L7520
SC	\$14.87	\$22.16	\$30.08
SD	\$16.62	\$22.13	\$40.22
TN	\$14.87	\$22.16	\$30.08
TX	\$14.87	\$22.16	\$30.08
UT	\$14.91	\$22.13	\$46.84
VA	\$14.87	\$22.13	\$30.08
VI	\$14.87	\$22.16	\$30.08
VT	\$15.97	\$22.13	\$30.08
WA	\$23.69	\$32.47	\$38.57
WI	\$14.87	\$22.13	\$30.08
WV	\$14.87	\$22.13	\$30.08
WY	\$20.73	\$29.53	\$41.94

# Medicare Claims Processing Manual

## Chapter 23 - Fee Schedule Administration and Coding Requirements

### 60.3 - Gap-filling DMEPOS Fees

*(Rev.3416, Issued: 11-23-15; Effective: 01-01-16; Implementation: 01-04-16)*

The DME MACs and Part B MACs 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 DME MAC or Part B MAC area, 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:

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

2010	0.502	0.506	0.507	0.643	0.700	n/a	n/a
2011	0.485	0.488	0.490	0.621	0.676	n/a	n/a
2012	0.477	0.480	0.482	0.611	0.665	n/a	n/a
2013	0.469	0.472	0.473	0.600	0.653	n/a	0.983
2014	0.459	0.462	0.464	0.588	0.640	0.980	0.963
2015	0.459	0.462	0.463	0.588	0.639	0.978	0.962

\* 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
SC	Splints and Casts
IL	Intraocular Lenses inserted in a physician's office

IN, FS, OS and SU category deflation factors=PO deflation factors

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 DME MAC or Part B MAC 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 DME MAC or Part B MAC area without a sales tax. Likewise, if the gap-filled amount is calculated from another DME MAC's or Part B MAC's fees where a sales tax is imposed, adjust the gap-filled amount to reflect the applicable local sales tax circumstances.

Contractors 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.