
CMS Manual System

Pub. 100-04 Medicare Claims Processing

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

Transmittal 918

Date: APRIL 28, 2006

CHANGE REQUEST 5010

SUBJECT: General Provider Education for Changes in the Payment for Oxygen Equipment and Capped Rentals for Durable Medical Equipment (DME) Based on the Deficit Reduction Act of 2005.

I. SUMMARY OF CHANGES: This instruction provides DME suppliers with an explanation of how changes in the Deficit Reduction Act of 2005 will impact them.

NEW/REVISED MATERIAL

EFFECTIVE DATE*: May 30, 2006

IMPLEMENTATION DATE: May 30, 2006

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. 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

(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
N/A	

III. FUNDING: No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

One Time Notification

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

Attachment – One-Time Notification

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SUBJECT: General Provider Education for Changes in the Payment for Oxygen Equipment and Capped Rentals for Durable Medical Equipment (DME) Based on the Deficit Reduction Act of 2005

I. GENERAL INFORMATION

A. Background:

Recent legislative changes mandated by sections 5101(a) and 5101(b) of the Deficit Reduction Act (DRA) of 2005 mandate changes in the way Medicare makes payment for certain items of DME.

Section 5101(a) revises the payment rules for capped rental DME. After 13 months, the beneficiary owns the capped rental DME item, and after that time, Medicare pays for reasonable and necessary maintenance and servicing (i.e., parts and labor not covered by a supplier's or manufacturer's warranty) of the item. The provision applies to beneficiaries renting an item for which the first rental month occurs on or after January 1, 2006.

Capped rental items furnished to beneficiaries prior to January 1, 2006 will continue to be paid under the payment rules in effect prior to the DRA changes.

Section 5101(b) limits the total number of continuous rental months for which Medicare will pay for oxygen equipment to 36 months. After the 36th month, the beneficiary will own the oxygen equipment. For beneficiary owned gaseous or liquid oxygen systems, Medicare will continue to pay for the oxygen contents. In addition, Medicare will pay for reasonable and necessary maintenance and servicing (i.e., parts and labor not covered by a supplier's or manufacturer's warranty) of beneficiary owned equipment (including oxygen concentrators). This provision is effective January 1, 2006. For beneficiaries receiving oxygen equipment on December 31, 2005, the 36-month rental period begins on January 1, 2006.

The purpose of this document is to provide DME suppliers with an explanation of how these changes of Deficit Reduction Act of 2005 will impact them.

This instruction is for provider education purposes only. Implementation instructions will be issued at a later date.

B. Policy:

Payment for Capped Rental DME

Section 5101(a) of the DRA of 2005 is effective for capped rental items for which the first rental month occurs on or after January 1, 2006.

- For capped rental items for which the first rental month occurs on or after January 1, 2006, the Durable Medical Equipment Medicare Administrative Contractors (DME MACs) shall limit the

total number of continuous months of use for which it makes payment for capped rental DME to 13 months.

- After the DME MAC has paid for 13 months of continuous use of the capped rental DME, the supplier shall transfer title to the equipment to the beneficiary.
- This policy applies only to a new DME capped rental period for dates of service on or after January 1, 2006.

For claims with an initial date of service for capped rental DME before January 1, 2006, current rules apply.

Payment for Oxygen and Oxygen Equipment

Section 5101(b) of the DRA of 2005 establishes a 36 month (3 year) limit, or “cap”, on monthly payments for stationary and portable oxygen equipment. This cap applies to monthly payments made for oxygen equipment on or after January 1, 2006.

- The cap applies to all claims for the following HCPCS codes:

E0424 – Stationary gaseous oxygen system

E0431 – Portable gaseous oxygen system

E0434 – Portable liquid oxygen system

E0439 – Stationary liquid oxygen system

E1390 – Oxygen concentrator, single delivery port

E1391 – Oxygen concentrator, dual delivery port

E1392 – Portable oxygen concentrator

E1405 – Oxygen and water vapor enriching system with heated delivery

E1406 – Oxygen and water vapor enriching system without heated delivery

- Payments for an item described above shall terminate after a period of continuous use of 36 months beginning on or after January 1, 2006. On the first day after the month for which the 36th monthly payment amount is made, the supplier must transfer title for the stationary and/or portable oxygen equipment to the beneficiary. On that same day that title for the equipment is transferred to the patient, monthly payments can begin to be made for oxygen contents used with patient-owned gaseous and liquid oxygen equipment. The HCPCS codes for oxygen contents are:

E0441 – Stationary gaseous contents used with patient owned gaseous stationary system

E0442 – Stationary liquid contents used with patient owned liquid stationary system

E0443 – Portable gaseous contents used with patient owned gaseous portable system

E0444 – Portable liquid contents used with patient owned liquid portable system

- Contractors shall begin the 36-month count for beneficiaries that were already receiving oxygen therapy on January 1, 2006. Months prior to January 2006 shall not be included in the 36-month count.

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
5010.1	<p>A provider education article related to this instruction will be available at 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 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.</p>				X					

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: NA

X-Ref Requirement #	Instructions

B. Design Considerations: NA

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: May 30, 2006</p> <p>Implementation Date: May 30, 2006</p> <p>Pre-Implementation Contact(s): Tracey Hemphill at tracey.hemphill@cms.hhs.gov or Joanne Spalding at Joanne.spalding@cms.hhs.gov</p> <p>Post-Implementation Contact(s): Appropriate Regional Office</p>	<p>No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.</p>
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