

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 10504	Date: December 4, 2020
	Change Request 12063

SUBJECT: CY 2021 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

I. SUMMARY OF CHANGES: This recurring update notification provides instructions regarding the CY 2021 annual update for the DMEPOS fee schedule. The DMEPOS fee schedule is updated 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.

EFFECTIVE DATE: January 1, 2021

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

IMPLEMENTATION DATE: January 4, 2021

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:

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: 10504	Date: December 4, 2020	Change Request: 12063
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SUBJECT: CY 2021 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

EFFECTIVE DATE: January 1, 2021

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

IMPLEMENTATION DATE: January 4, 2021

I. GENERAL INFORMATION

A. Background: This recurring update notification provides instructions regarding the 2021 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 publication 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 (the Act). Also, payment on a fee schedule basis is a regulatory requirement at 42 Code of Federal Regulations (CFR) §414.102 for Parenteral and Enteral Nutrition (PEN), splints, casts and Intraocular Lenses (IOLs) inserted in a physician's office. The DMEPOS and PEN fee schedule files contain Healthcare Common Procedure Coding System (HCPCS) codes that are subject to fee schedule adjustments using information on the payment determined for these items under the DMEPOS Competitive Bidding Program (CBP), as well as codes that are not subject to the CBP or fee schedule adjustments.

Section 1834(a)(1)(F)(ii) of the Act mandates adjustments to the fee schedule amounts for DME items included in the CBP for payment of the items in areas that are not competitive bidding areas (CBAs). 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 the CBP. The methodologies for adjusting DMEPOS fee schedule amounts under this authority are established at 42 CFR §414.210(g).

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, 2020

Additional information on section 3712 of the CARES Act is available in Transmittal 10016, Change Request 11784, dated May 8, 2020. The interim final rule with comment period (CMS-5531-IFC) entitled The Medicare and Medicaid Programs, Basic Health Program and Exchanges; Additional Policy and Regulatory Revisions in Response to the COVID-19 Public Health Emergency and Delay of Certain Reporting Requirements for the Skilled Nursing Facility Quality Reporting Program was published in the Federal Register on Friday, May 8, 2020. The IFC implements section 3712 of the CARES Act, which was signed into law on March 27, 2020. Sections 3712(a) and (b) of the CARES Act, respectively, require the following:

(a) For items and services subject to the fee schedule adjustments furnished in rural or non-contiguous areas, the fee schedule amounts will continue to be based on a blend of 50 percent of the adjusted fee schedule amounts and 50 percent of the unadjusted fee schedule amounts (i.e., no change from the current fee schedule amounts) through December 31, 2020, or the duration of the COVID-19 public health emergency, whichever is later.

(b) For items and services subject to the fee schedule adjustments furnished in non-rural contiguous non-CBAs, the fee schedule amounts will be based on a blend of 75 percent of the adjusted fee schedule amounts and 25 percent of the unadjusted fee schedule amounts (i.e., an increase in the fee schedule amounts) for

claims with dates of service beginning March 6, 2020, and continuing until the end of the COVID-19 public health emergency.

Since the public health emergency has not ceased, the update for the 2021 DMEPOS and PEN fee schedule files continue to include the rural and non-contiguous non-CBA 50/50 blended fees and the non-rural contiguous non-CBA 75/25 blended fees required by section 3712 of the CARES Act.

For the 2021 fee schedule update, the following fee schedule adjustment methodologies apply in non-CBAs based on the areas in which the items and services are furnished:

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

In accordance with CARES and §414.210(g)(9)(iii), the adjusted fee schedule amounts for items furnished in non-competitively bid rural areas are based on a blend of 50 percent of the adjusted fee schedule amount and 50 percent of the unadjusted fee schedule amount for the item, which is updated by the covered item updates specified in sections 1834(a)(14), 1834(h)(4), and 1842(s)(B) of the Act, for DME, orthotics, and enteral nutrition respectively. Per CARES and §414.210(g)(v), the adjusted fee schedule amounts for items furnished in non-competitively bid non-rural areas are based on a blend of 75 percent of the adjusted fee schedule amount and 25 percent of the unadjusted fee schedule amount for the item, which is updated by the covered item updates specified in section 1834(a)(14), 1834(h)(4), and 1842(s)(B) of the Act, for DME, orthotics, and enteral nutrition respectively.

To determine the adjusted fee schedule amounts, the average of the Single Payment Amounts (SPAs) from CBAs 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 competitively bid items furnished in the contiguous United States, i.e., those included in more than 10 CBAs. Fees schedule amounts for competitively bid items included in 10 or fewer CBAs are adjusted so that they are equal to 110 percent of the average of the SPAs for the 10 or fewer CBAs.

Also, the ZIP code associated with the address used for pricing a DMEPOS claim determines the rural fee schedule payment applicability for codes with rural and non-rural adjusted fee schedule amounts. The DMEPOS Rural ZIP code file contains the ZIP codes designated as rural areas. ZIP codes for non-continental Metropolitan Statistical Areas (MSA) are not included in the DMEPOS Rural ZIP code file. The DMEPOS Rural ZIP code file is updated on a quarterly basis as necessary. 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 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. Fee Schedule Amounts for Areas outside the Contiguous United States

In accordance with CARES and §414.210(g)(9)(iii), fee schedule amounts for items furnished in areas outside the contiguous United States (i.e., noncontiguous areas such as Alaska, Guam, Hawaii) are based on a blend of 50 percent of the adjusted fee schedule amount and 50 percent of the unadjusted fee schedule amounts updated by the covered item updates specified in sections 1834(a)(14), 1834(h)(4) and 1842(s)(B) of the Act. Areas outside the contiguous United States 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. Fee Schedule Amounts for Items Where Contracts Were Not Awarded In Round 2021 of the CBP in Competitive Bidding Areas (CBAs) and Former CBAs

Round 2021 of the DMEPOS Competitive Bidding Program (CBP) begins on January 1, 2021 and extends through December 31, 2023. On October 27, 2020, CMS announced that it will only award Round 2021 CBP contracts to bidders in the off-the-shelf back and knee brace product categories (see <https://www.cms.gov/files/document/round-2021-dmepos-cbp-single-payment-amts-fact-sheet.pdf>). CMS will not award Round 2021 CBP contracts to bidders that bid in any of the other 13 product categories that were included in Round 2021 of the CBP. In addition, in three of the 130 CBAs, no contracts will be awarded for Round 2021 and these areas (Colorado Springs, CO, Miami-Fort Lauderdale-West Palm Beach, FL, and Worcester, MA) will remain as former CBAs during this round.

For items that were included in Round 2021 but where contracts have not been awarded in Round 2021 of the CBP, pursuant to §414.210(g)(10), the fee schedules for these items and services furnished in CBAs are based on the SPAs in effect in the CBA on the last day before the CBP contract period of performance ended (i.e., December 31, 2018), increased by the projected percentage change in the CPI-U for the 12-month period on the date after the contract periods ended. The fee schedule amounts are increased once every 12 months on the anniversary date of the first day after the contract period ended with the CPI-U. For CY 2019, the fee schedule amounts for these items were adjusted based on the single payment amounts (SPAs) for each specific CBA, increased by the projected percentage change in the CPI-U of 2.5 percent for the 12-month period ending January 1, 2019. For CY 2020, the adjusted fee schedule amounts were increased by the projected change in the CPI-U of 2.4 percent. For 2021, the 2020 adjusted fee schedule amounts are increased by the projected percentage change in the CPI-U of 0.6 percent for the 12-month period ending January 1, 2021.

KE Modifier

As the revised fee schedule amounts are based in part on unadjusted fee schedule amounts, the January 2021 DMEPOS fee schedule files will also continue to incorporate fee schedule amounts for certain codes billed in conjunction with modifier KE for all non-CBA areas. Background information on the KE modifier was issued in Transmittal 1630, CR 6270, dated November 7, 2008. In cases where accessories included in the Initial Round One Competitive Bidding Program (CBP) in 2008 are furnished for use with base equipment that was not included in the 2008 CBP (for example, manual wheelchairs where the KU modifier does not apply, canes, and aspirators), for beneficiaries residing in non-rural areas, suppliers should append the KE modifier to the HCPCS code for the accessory.

KU Modifier

The Further Consolidated Appropriations Act, 2020 (Pub. L. 116-94) was signed into law on December 20, 2019. Section 106 of the Act mandates that, during the period beginning on January 1, 2020 and ending June 30, 2021, the adjustments to the Medicare fee schedule amounts for certain durable medical equipment (DME) based on information from competitive bidding programs not be applied to wheelchair accessories (including seating systems) and seat and back cushions furnished in connection with complex rehabilitative manual wheelchairs (HCPCS codes E1161, E1231, E1232, E1233, E1234 and K0005) and certain manual wheelchairs currently described by HCPCS codes E1235, E1236, E1237, E1238, and K0008. As a result, KU modifier fees for wheelchair accessory and seat and back cushion HCPCS codes impacted by this change continue to be included in the DMEPOS fee schedule file and are effective for dates of service through June 30, 2021. The fees for items denoted with the HCPCS modifier KU represent the unadjusted fee schedule amounts (i.e., the CY 2015 fee schedule amount updated to the present calendar year by the DMEPOS covered item updates). Additional instructions, as well as the applicable complex rehabilitative and certain manual wheelchair accessory codes associated with this provision are listed in Transmittal 10019, Change Request 11635, dated May 7, 2020.

B. Policy: The DMEPOS fee schedule file contains fee schedule amounts for non-rural and rural areas. Additionally, the PEN fee schedule file includes state fee schedule amounts for enteral nutrition items and national fee schedule amounts for parenteral nutrition items. This recurring update notification provides update instructions related to the fee schedule and zip code files listed in business requirements 1 through 4.

The following 2021 DMEPOS fee schedule and ZIP code 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 <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule.html>:

1. DMEPOS Fee schedule PUF
2. DME PEN Fee schedule PUF
3. DMEPOS Rural ZIP code PUF
4. Former CBA Fee schedule PUF
5. Former CBA National Mail Order diabetic testing supply fee schedule PUF
6. Former CBA ZIP Code PUF

Beginning January 1, 2021, the former CBA ZIP code file will contain the CBA ZIP codes for the items in the 13 product categories where contracts were not awarded in from Round 2021 of the CBP. This zip file will be updated on a quarterly basis as necessary.

2021 Fees Update Factor of 0.2 Percent

For CY 2021, an update factor of 0.2 percent is applied to certain DMEPOS fee schedule amounts that are not adjusted using information from CBPs.

In accordance with the statutory sections 1834(a)(14) of the Act, certain DMEPOS fee schedule amounts are updated for 2021 by the percentage increase in the consumer price index for all urban consumers (United States city average) CPI- U for the 12-month period ending June 30, 2020, 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-factor productivity (MFP). The MFP adjustment is 0.4 percent and the CPI-U percentage increase is 0.6 percent. Thus, the 0.6 percentage increase in the CPI-U is reduced by the 0.4 percentage increase in the MFP resulting in a net increase of 0.2 percent for the update factor.

Fees adjusted using information from CBPs will be updated pursuant to the applicable adjustment methodologies outlined in 42 CFR §414.210(g) discussed in the Background section above.

New Codes Added

There are no DMEPOS codes added to the HCPCS file, effective January 1, 2021.

For gap-filling pricing purposes, the deflation factors for 2020 by payment category are: 0.425 for Oxygen, 0.427 for Capped Rental, 0.429 for Prosthetics and Orthotics, 0.544 for Surgical Dressings, 0.592 for Parental and Enteral Nutrition, 0.906 for Splints and Casts and 0.891 for Intraocular Lenses. Instructions for Gap-filling DMEPOS fees are available in publication 100-04, Medicare Claims Processing Manual, chapter 23, section 60.3.

Codes Deleted

There are no HCPCS codes deleted from the DMEPOS fee schedule files effective January 1, 2021.

2021 Oxygen and Oxygen Equipment Fee Schedule Amounts

Consistent with the requirements set forth in section 1834(a)(9)(D)(ii) of the Act, a budget neutrality offset must be applied to all oxygen payment classes and items including stationary oxygen equipment and oxygen

contents (E0424, E0439, E1390, and E1391), portable oxygen equipment add-on (E0431 and E0434), oxygen generating portable equipment (OGPE) add-on (E0433, E1392, and K0738), stationary contents (E0441 and E0442), portable contents (E0443 and E0444) and portable liquid contents for high flow patients (E0447). For CY 2021, the offset percentage is a reduction and varies by geographic area. The reduction is about 5 percent in non-CBA areas and about 9 percent in CBA areas. Because oxygen and oxygen equipment furnished in competitive bidding areas (CBAs) are not included in the Round 2021 CBP, these oxygen and oxygen equipment fees will receive an update of 0.6 percent (CPI-U) that when combined with the statutorily required budget neutrality offset, on average, will be 0.7 percent reduction, such that the net result, in most cases will be a slight decrease to the oxygen fees for 2021. Similarly, in non-CBAs, the oxygen offset percentage may exceed the annual updates applied to the blended amounts resulting in a reduction in oxygen fees for 2021. For context, the reduction in oxygen fees will be no more than 23 cents in CBAs and in non-CBAs.

Therapeutic Shoe Modification Codes

As CMS has done annually, CMS is also adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 to reflect the most 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, A5513 and A5514). 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 2021, CMS is updating the weighted average insert fees used to establish the fee schedule amounts for the shoe modification codes with the most current allowed service data for each insert code. The base fees for A5512, A5513 and A5514 will be weighted based on the approximated total allowed services for each code for items furnished during the calendar year 2019. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2021.

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 annual covered item update. In accordance with section 1834(a)(1)(H) of the Act, the fee schedule amounts for these codes were adjusted in CY 2013 so that they are equal to the SPAs for mail order DTS established in implementing the national mail order CBP under section 1847 of the Act. Initial program instructions on these fees are available in Transmittal 2709, CR 8325, dated May 17, 2013 and Transmittal 2661, CR 8204, dated February 22, 2013. The National Mail-Order Recompete DTS SPAs are available at the following website: <https://www.dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Home>

The non-mail order DTS amounts on the fee schedule will be updated each time the single payment amounts are updated. This can happen no less often than every time the mail order CBP contracts are recompeted.

The National Mail Order Recompete CBP for mail order diabetic supplies was effective July 1, 2016 to December 31, 2018. As of January 1, 2021, payment for non-mail order diabetic supplies at the National Mail Order Recompete SPAs will continue in accordance with section 1834(a)(1)(H) of the Act and these rates will remain in effect until new SPA rates are established under the national mail order program.

Effective January 1, 2021, the fee schedule amounts for mail order DTS (with KL modifier) are adjusted using the methodology for areas that were formerly CBAs during periods when there is a temporary lapse in the CBP. The National Mail-Order Recompete DTS SPAs of December 31, 2018 are increased by the projected percentage change in the CPI-U for the 12-month period on the date after the contract periods ended. The fee schedule amounts are increased once every 12 months on the anniversary date of the first day after the contract period ended with the CPI-U. For dates of service between January 1, 2019 and December 31, 2019, the National Mail-Order Recompete SPAs are updated by the projected change of 2.5 percent. For CY 2020, the adjusted CY 2019 mail order DTS fees are updated by the projected percentage change in the

CPI-U of 2.4 percent for the 12-month period ending January 1, 2020. For CY 2021, the adjusted CY 2020 mail order DTS fees are updated by the projected percentage change in the CPI-U of 0.6 percent for the 12-month period ending January 1, 2021. The national mail order adjusted fee schedule amounts will be used in paying mail order diabetic testing supply claims in all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and the American Samoa.

2021 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

Also updated for 2021 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, CR 6792, dated February 5, 2010 and Transmittal 717, 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(e)(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 2020 maintenance and servicing fee is adjusted by the 0.2 percent MFP-adjusted covered item update factor to yield a CY 2020 maintenance and servicing fee of \$73.17 for oxygen concentrators and transfilling equipment.

2021 Labor Payment Amounts for Repairs & Service Codes

Included in Attachment A are the CY 2021 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, 2020 is 0.6 percent, this change is applied to the 2020 labor payment amounts to update the rates for CY 2021. The 2021 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, 2021 through December 31, 2021.

II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility									
		A/B MAC			DMEPOS	Shared-System Maintainers				Other	
		A	B	H		F	M	V	C		
		H	M	I	C	M	W				
				A	S	S	S	F			
12063.1	The DME MACs, A/B MACs Part B and/or Virtual Data Centers (VDCs) shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T210101.V1203) The file is available for download on or after December 3, 2020.		X		X					VDC	
12063.1.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the		X		X					VDC	

Number	Requirement	Responsibility										
		A/B MAC			DME MAC	Shared-System Maintainers				Other		
		A	B	HHH		FIS	MCS	VMS	CWF			
	entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).											
12063.2	The A/B MACs Part A, A/B MACs Part HHH and/or VDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T210101.V1203.FI) The file is available for download on or after December 3, 2020.	X		X							VDC	
12063.2.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).	X		X							VDC	
12063.3	The DME MACs and/or VDCs shall retrieve the PEN fee schedule file (filename: MU00.@BF12393.PEN.CY21.V1203). The file is available for download on or after December 3, 2020				X						VDC	
12063.3.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).				X						VDC	
12063.4	The DME MACs, A/B MACs Part B, A/B MACs Part A, A/B MACs Part HHH and/or VDCs shall retrieve the CY 2020 Rural ZIP Code file (filename: MU00.@DMECBIC.RURZIP.C21Q01.V1203) on or after December 3, 2020.	X	X	X	X						VDC	
12063.4.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).	X	X	X	X						VDC	
12063.5	Contractors shall use the DMEPOS files specified in BRs12063.1 - 12063.2 and the Rural Zip Code file in BR 12063.4 to pay claims for items with dates of service from January 1, 2021 through December 31,	X	X	X	X							

Number	Requirement	Responsibility								
		A/B MAC			DMEPOS	Shared-System Maintainers				Other
		A	B	HHH		FMS	MCS	VMS	CWF	
	2021.									
12063.6	The DME MACs shall use the PEN fee schedule file and Rural Zip Code file in BRs 12063.3 - 12063.4 to pay claims for items with dates of service from January 1, 2021 through December 31, 2021.				X					
12063.7	Contractors shall use 2021 allowed payment amounts for code K0739, L4205, and L7520 in Attachment A to pay claims with dates of service from January 1, 2021 through December 31, 2021.	X	X	X	X					
12063.8	Contractors shall use the 2021 maintenance and servicing fee for certain oxygen equipment of \$73.17 for claims with dates of service January 1, 2021 thru December 31, 2021. Payment is based on the lower of the supplier's actual charge or the maintenance and servicing fee.			X	X	X				
12063.9	Contractors shall implement changes to the 2021 DMEPOS fee schedules for local pricing purposes, if instructed, in accordance with the schedule outlined below. DME MACs or A/B MACs Part B shall forward changes to CMS/Division Data Systems: price_file_receipt@cms.hhs.gov Changes to CMS/Division Data Systems: April 1, 2021; May 24, 2021; Sept 1, 2021, Nov 30, 2021		X		X					

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DMEPOS	CEDI
		A	B	HHH		
12063.10	MLN Article: CMS will make available an MLN Matters provider education article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects	X	X	X	X	

Number	Requirement	Responsibility				
		A/B MAC			D M E	C E D I
		A	B	H H H	M A C	
	information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the "MLN Matters" listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.					

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:
8	Instructions on payment for maintenance and servicing of certain oxygen equipment are located in CRs 6792 and 6990.
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).

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

Medicare Claims Processing Manual

Chapter 23 - Fee Schedule Administration and Coding Requirements

Table of Contents *(Rev.10504, Issued: 12-04-20)*

60.3 - Gap-filling DMEPOS Fees

(Rev. 10504; Issued: 12-04-20; Effective: 01-01-21; Implementation: 01-04-21)

If a HCPCS code is new and describes items and services that have a fee schedule pricing history (classified and paid for previously under a different code), the fee schedule amounts for the new code are established using the process included in section 60.3.1 of this manual.

The DME MACs and A/B MACs Part B shall 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. Fee schedule amounts for new HCPCS codes for items and services without a fee schedule pricing history are established using existing fee schedule amounts for comparable items when items with existing fee schedule amounts are determined to be comparable to the new items and services. A comparison can be based on, but not limited to the following components: physical, mechanical, electrical, function and intended use, and additional attributes and features. When examining whether an item is comparable to another item, the analysis can be based on the items as a whole, its subcomponents, or a combination of items. A new product does not need to be comparable within each category, and there is no prioritization to the categories.

Examples of Attributes in Each Component Category

- Physical: Aesthetics, Design, Customized vs. Standard, Material, Portable, Size, Temperature Range/Tolerance, Weight
- Mechanical: Automated vs. Manual, Brittleness, Ductility, Durability, Elasticity, Fatigue, Flexibility, Hardness, Load Capacity, Flow-Control, Permeability, Strength
- Electrical: Capacitance, Conductivity, Dielectric Constant, Frequency, Generator, Impedance, Piezo-electric, Power, Power Source, Resistance
- Function and Intended Use: Function, Intended Use
- Additional Attributes and Features: “Smart”, Alarms, Constraints, Device Limitations, Disposable, Parts, Features, Invasive vs. Non-Invasive.

If unable to identify comparable item(s), other sources of pricing data can be used to calculate the gap-filled fee schedule amount for the new item. These sources include using supplier or commercial 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. Supplier price lists include catalogues and other retail price lists (such as internet retail prices) that provide information on commercial pricing for the item. Potential appropriate sources for such commercial pricing information can also include payments made by Medicare Advantage plans as well as verifiable information from supplier invoices and non-Medicare payer data (e.g., fee schedule amounts comprised of the median of the commercial pricing information adjusted as described below). DME MACs and A/B MACs shall gap-fill based on current instructions released each year for

implementing and updating the 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	SC	IL
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
2016	0.454	0.457	0.458	0.582	0.633	0.969	0.952
2017	0.447	0.450	0.451	0.572	0.623	0.953	0.937
2018	0.435	0.437	0.439	0.556	0.605	0.927	0.911
2019	0.427	0.430	0.431	0.547	0.595	0.912	0.896
2020	0.425	0.427	0.429	0.544	0.592	0.906	0.891

* 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 A/B MAC Part B 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 A/B MAC Part B area without a sales tax. Likewise, if the gap-filled amount is calculated from another DME MAC's or A/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.

If within 5 years of establishing fee schedule amounts using supplier or commercial prices, the supplier or commercial prices decrease by less than 15 percent, CMS can make a one-time adjustment to the fee schedule amounts using the new prices. The new supplier or commercial prices would be used to establish the new fee schedule amounts in the same way that the older prices were used, including application of the deflation formula of this section.

Attachment A

2021 Labor Payment Amounts for Repairs & Service Codes

K0739 Repair or nonroutine service for durable medical equipment other than oxygen equipment requiring the skill of a technician, labor component, per 15 minutes

L4205 Repair of orthotic device, labor component, per 15 minutes

L7520 Repair prosthetic device, labor component, per 15 minutes

STATE	K0739	L4205	L7520
AK	\$30.22	\$34.45	\$40.52
AL	\$16.05	\$23.91	\$32.47
AR	\$16.05	\$23.91	\$32.47
AZ	\$19.85	\$23.88	\$39.95
CA	\$24.63	\$39.25	\$45.74
CO	\$16.05	\$23.91	\$32.47
CT	\$26.80	\$24.45	\$32.47
DC	\$16.05	\$23.88	\$32.47
DE	\$29.54	\$23.88	\$32.47
FL	\$16.05	\$23.91	\$32.47
GA	\$16.05	\$23.91	\$32.47
HI	\$19.85	\$34.45	\$40.52
IA	\$16.05	\$23.88	\$38.86
ID	\$16.05	\$23.88	\$32.47
IL	\$16.05	\$23.88	\$32.47
IN	\$16.05	\$23.88	\$32.47
KS	\$16.05	\$23.88	\$40.52
KY	\$16.05	\$30.61	\$41.51
LA	\$16.05	\$23.91	\$32.47
MA	\$26.80	\$23.88	\$32.47
MD	\$16.05	\$23.88	\$32.47
ME	\$26.80	\$23.88	\$32.47
MI	\$16.05	\$23.88	\$32.47
MN	\$16.05	\$23.88	\$32.47
MO	\$16.05	\$23.88	\$32.47
MS	\$16.05	\$23.91	\$32.47
MT	\$16.05	\$23.88	\$40.52
NC	\$16.05	\$23.91	\$32.47
ND	\$20.00	\$34.36	\$40.52
NE	\$16.05	\$23.88	\$45.27
NH	\$17.24	\$23.88	\$32.47
NJ	\$21.65	\$23.88	\$32.47
NM	\$16.05	\$23.91	\$32.47
NV	\$25.56	\$23.88	\$44.24
NY	\$29.54	\$23.91	\$32.47
OH	\$16.05	\$23.88	\$32.47
OK	\$16.05	\$23.91	\$32.47
OR	\$16.05	\$23.88	\$46.68
PA	\$17.24	\$24.61	\$32.47
PR	\$16.05	\$23.91	\$32.47
RI	\$19.13	\$24.63	\$32.47

STATE	K0739	L4205	L7520
SC	\$16.05	\$23.91	\$32.47
SD	\$17.94	\$23.88	\$43.41
TN	\$16.05	\$23.91	\$32.47
TX	\$16.05	\$23.91	\$32.47
UT	\$16.09	\$23.88	\$50.55
VA	\$16.05	\$23.88	\$32.47
VI	\$16.05	\$23.91	\$32.47
VT	\$17.24	\$23.88	\$32.47
WA	\$25.56	\$35.04	\$41.63
WI	\$16.05	\$23.88	\$32.47
WV	\$16.05	\$23.88	\$32.47
WY	\$22.38	\$31.88	\$45.27