HCPCS Functional Technology Assessment

Rationale

Under the Medicare Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) benefit, CMS has the responsibility to pay enough for beneficial new technologies to ensure beneficiaries' access to care, but must also be a prudent purchaser. To increase the Medicare program's ability to ensure fair treatment across technologies, we have focused on developing strategies that recognize those technologies that provide a demonstrated clinical benefit, and clearly identify the additional benefits over existing technologies. This pilot initiative has been endorsed by the Council on Technology and Innovation (CTI), which was established under section 942 of the Medicare Modernization Act to coordinate the activities of coverage, coding, and payment processes affecting new technologies and procedures.

CMM has procured two contractors to conduct a pilot study on the benefits, effectiveness, and costs of several products. The pilot projects are scheduled for 6 -8 months, after which, CMM will evaluate their success and determine if a proposal should be advanced to incorporate this tool as a factor in Medicare policy decision-making. In general, CMS has tasked these contractors to investigate three areas to assess these products:

1. **Functional Assessment** – This step involves evaluating the device's operations, safety, and user documentation relative to the Medicare population. Interviews will be conducted with health care providers to determine how and under what circumstances they would prescribe the product for a Medicare beneficiary.

2. **Price Comparison Analysis**- A comparative cost analysis will determine how the cost of this product compares to similar products on the market or alternative treatment modalities.

3. **Medical Benefit Assessment** – This step will focus on the effectiveness of the product in doing what it purports to do. Scientific literature reviews and interviews with health care providers will be conducted to determine if the product significantly improves clinical outcomes compared to other products and treatment modalities.

As a result of the Medicare Modernization Act (MMA) competitive bidding will allow market forces to determine the price Medicare pays for certain items of Durable Medical Equipment. In order for CMS to ensure that only quality products are provided to our beneficiaries, CMS needs to develop a more precise understanding of the products that fall within a HCPCS code. The HCPCS level II is a comprehensive and standardized coding system that describes classifications of like products that are medical in nature by category for the purpose of efficient claims processing, as the payment amount is based on the code assigned. Each code contains a corresponding descriptor that defines the items and services that can be billed using that code. The Functional Technology

Assessment will allow us to do a comparison between older, similar products already on the market and newer more expensive products. Technology assessments could also assist CMS to establish payment amounts for new items that are introduced after a bidding cycle has begun.

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