CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-20 One-Time Notification	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1482	**Date: March 27, 2015**
	Change Request 9059

Transmittal 1466, dated February 13, 2015, is being rescinded and replaced by Transmittal 1482, dated March 27, 2015, to update business requirement 2.1 with more appropriate remittance advice messages for adjustment claims. All other information remains the same.

SUBJECT: Use of Modifiers KK, KG, KU, and KW under the Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bidding Program

I. SUMMARY OF CHANGES: This CR will limit the use of modifiers KK, KG, KU and KW on DMEPOS claims billed under the Competitive Bidding Program to only those uses allowed by current policy. This will reduce the number of overpayments made as a result of improper use by suppliers.

EFFECTIVE DATE: July 1, 2015
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: July 6, 2015

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
N/A	N/A

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:

One Time Notification

Attachment - One-Time Notification

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I. GENERAL INFORMATION

A. Background: The Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bidding Program was mandated by Congress through the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). The statute requires that Medicare replace the current fee schedule payment methodology for selected DMEPOS items with a competitive bid process. The intent is to improve the effectiveness of the Medicare methodology for setting DMEPOS payment amounts, which will reduce beneficiary out-of-pocket expenses and save the Medicare program money while ensuring beneficiary access to quality items and services.

Under the program, a competition among suppliers who operate in a particular competitive bidding area is conducted. Suppliers are required to submit a bid for selected products. Not all products or items are subject to competitive bidding. Bids are submitted electronically through a web-based application process and required documents are mailed. Bids are evaluated based on the supplier's eligibility, its financial stability and the bid price. Contracts are awarded to the Medicare suppliers who offer the best price and meet applicable quality and financial standards. Contract suppliers must agree to accept assignment on all claims for bid items and will be paid the bid price amount. The amount is derived from the median of all winning bids for an item.

B. Policy: The competitive bidding modifiers were created to identify a Healthcare Common Procedure Coding System (HCPCS) supply or accessory code that is considered both a competitive bid item and a non-competitive bid item in the same Competitive Bidding Area (CBA). Competitive bid items are identified with the appropriate modifiers in the HCPCS and pricing files available on the Competitive Bidding Implementation Contractor's website: http://dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Home. For more information regarding the appropriate use of Competitive Bidding modifiers, see Medicare Learning Network (MLN) article SE1035 entitled "Claims Modifiers for Use in the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Program".

When billing for beneficiaries that reside in a CBA, suppliers should only apply modifiers KG and KK to competitive bid HCPCS codes according to current policy instructions for use of these modifiers. HCPCS codes designated as valid for use with these modifiers are listed in the Single Payment Public Use Files available on the CBIC website at http://dmecompetitivebid.com/palmetto/cbic.nsf/DocsCat/Home. Modifiers KU and KW are not currently authorized for supplier billing use and do not currently appear on the single payment file as valid for use with any DMEPOS HCPCS.

Contractors will deny claim line items containing HCPCS submitted with modifiers KG, KK, KU, or KW when the HCPCS/modifier combination is not listed as valid on the CBIC HCPCS file.

II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
9059.1	Contractors shall allow claims for competitive bid items when billed with modifiers KG, KK, KU or KW only when the modifier appears on the CBIC HCPCS file as valid for use with the HCPCS on the claim.				X			X		
9059.1.1	Contractors shall return as unprocessable claims for competitive bid items when billed with modifiers KG, KK, KU or KW when there is no corresponding rate found on the Single Payment File.				X					
9059.1.2	Contractors shall use the following messages for claims returned as unprocessable because they contain competitive bid items inappropriately billed with modifiers KG, KK, KU or KW: **Group Code CO** **CARC 4 –** "The procedure code is inconsistent with the modifier used or a required modifier is missing." **RARC MA13 – "**Alert: You may be subject to penalties if you bill the patient for amounts not reported with the PR (patient responsibility) group code." **RARC MA130** – "Your claim contains incomplete and/or invalid information, and no appeal rights are afforded because the claim is unprocessable. Please submit a new claim with the complete/correct information."				X					
9059.2	Contractors shall deny adjustment claim lines containing HCPCS inappropriately billed with modifiers KG, KK, KU or KW.				X					
9059.2.1	Contractors shall use the following messages when denying adjustment claim lines containing HCPCS inappropriately billed with modifiers KG, KK, KU, or KW: **Group Code CO** **CARC 4 –** "The procedure code is inconsistent with				X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	the modifier used or a required modifier is missing." **RARC MA13 – "**Alert: You may be subject to penalties if you bill the patient for amounts not reported with the PR (patient responsibility) group code." **RARC N211** – "Alert: You may not appeal this decision." MSN 16.7 – Your provider must complete and submit your claim in accordance with the DMEPOS Competitive Bidding Program. "Su proveedor debe completer y someter su reclamación."									

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
9059.3	MLN Article : A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/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 sites 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 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	

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Felicia Rowe, felicia.rowe@cms.hhs.gov (For questions related to billing or claims processing.) Joseph Bryson, joseph.bryson@cms.hhs.gov (For CBP policy related questions)

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
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ATTACHMENTS: 0