CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-02 Medicare Benefit Policy	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 203	**Date: February 13, 2015**
	Change Request 9062

SUBJECT: Payment Repairs to Capped Rental Equipment Prior to the End of the 13-Month Cap

I. SUMMARY OF CHANGES: This Change Request instructs the contractors to ensure editing occurs to all payment for reasonable and necessary maintenance and servicing of capped rental items in cases where one or more rental payment have been made fore a capped rental item, and the supplier transfers the title to the equipment to the beneficiary prior to the end of a 13 month period of continuous use.

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

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	15/110.2/Repairs, Maintenance, Replacement, and Delivery

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:

Business Requirements
Manual Instruction

Attachment - Business Requirements

Pub. 100-02	Transmittal: 203	Date: February 13, 2015	Change Request: 9062

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EFFECTIVE DATE: July 1, 2015
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I. GENERAL INFORMATION

A. Background: Payment for reasonable and necessary maintenance and servicing of capped rental items that are owned by the beneficiary following the 13 months of continuous use, or in the case of complex rehabilitative power wheelchairs, are acquired on a lump sum purchase basis. In cases where one or more rental payments have been made for capped rental item, and the supplier transfers title to the equipment prior to the end of a 13 month period of continuous use, contractors can pay for reasonable and necessary maintenance and servicing of the beneficiary owned equipment.

Transmittal 901, Change Request (CR), 7212, issued on May 27, 2011, "Edit to Deny Claims for Repairs to Capped Rental Durable Medical Equipment (DME)," established billing procedures for payment for all maintenance, servicing, and repairs of capped rental DME included in the allowed rental payment amounts. For equipment furnished on a rental basis, no separate payment may be made for these services prior to the end of the 13-month capped rental period. Effective October 1, 2011, editing was put in place in the ViPS Medicare System (VMS) to prohibit separate payment for maintenance, servicing, and repair of capped rental items during the rental period. However, this instruction did not account for situations in which the title of the item is transferred to the beneficiary prior to the end of the 13-month rental period.

Medicare payment can be made for repairs of the equipment after the transfer of title if the contractor determines that the repairs are reasonable and necessary in accordance with Medicare regulations and program instructions. GDIT, the VMS maintainer, has implemented the systems changes needed to allow contractors to bypass the VMS edits to process and pay these claims. Contractors are instructed in accordance with the policy to pay claims for reasonable and necessary repair of capped rental items furnished to beneficiaries in these circumstances after the transfer of title. Repairs requiring a labor component are billed using HCPCS code K0739. Contractors are also instructed to manually close any Certificates of Medical Necessity (CMNs) that are open for any such supplier claims pending for repairs, to allow payment of these claims.

B. Policy: In cases where one or more monthly rental payments have been made in accordance with 42 CFR 414.229 for a capped rental DME item, medical necessity for the equipment has been established. In cases where one or more rental payments have been made for an item classified as capped rental DME, and the supplier transfers the title of the equipment prior to the end of a 13 month period of continuous use per 42 CFR 414.230, Medicare payment can be made for reasonable and necessary maintenance and servicing of the beneficiary-owned DME. Under the regulations at 42 CFR 414.210(e)(1), reasonable and necessary charges for maintenance and servicing are those made for parts and labor not otherwise covered under a manufacturer's or supplier's warranty. Charges for routine maintenance and servicing would not be covered. Charges for maintenance and servicing that exceed the purchase price of the equipment (i.e., the capped rental monthly fee multiplied by 10) would not be reasonable and necessary and should be denied.

In the case of a manufacturer or supplier warranty, if the contractor can confirm that the manufacturer or supplier is no longer in business, then any warranty the manufacturer or supplier previously offered is no longer in effect since it can no longer be honored. If the contractor can confirm that this is the case for a particular

item of equipment, then the charges for parts and labor related to maintenance and servicing of beneficiary-owned equipment would not need to be considered not reasonable and necessary as a result of the specific Medicare rule related to warranty coverage. In these situations, any warranty that may have existed in the past for the equipment can no longer be honored and therefore the expense for parts and labor are no longer covered by the warranty.

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	
9062 - 02.1	Contractors shall be aware of the changes to the manual provisions in Chapter 15, Section 110.2.				X					

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
9062 - 02.2	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): Teira Canty, teira.canty@cms.hhs.gov, Diana Motsiopoulos, diana.motsiopoulos@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: 0

110.2 - Repairs, Maintenance, Replacement, and Delivery

(Rev. 203, Issued: 02-13-15, Effective: 07-01-15, Implementation: 07-06-15)

Under the circumstances specified below, payment may be made for repair, maintenance, and replacement of medically required DME, including equipment which had been in use before the user enrolled in Part B of the program. However, do not pay for repair, maintenance, or replacement of equipment in the frequent and substantial servicing or oxygen equipment payment categories. In addition, payments for repair and maintenance may not include payment for parts and labor covered under a manufacturer's or supplier's warranty.

A. Repairs

To repair means to fix or mend and to put the equipment back in good condition after damage or wear. Repairs to equipment which a beneficiary owns are covered when necessary to make the equipment serviceable. However, do not pay for repair of previously denied equipment or equipment in the frequent and substantial servicing or oxygen equipment payment categories. If the expense for repairs exceeds the estimated expense of purchasing or renting another item of equipment for the remaining period of medical need, no payment can be made for the amount of the excess. (See subsection C where claims for repairs suggest malicious damage or culpable neglect.)

Since renters of equipment recover from the rental charge the expenses they incur in maintaining in working order the equipment they rent out, separately itemized charges for repair of rented equipment are not covered. This includes items in the frequent and substantial servicing, oxygen equipment, capped rental, and inexpensive or routinely purchased payment categories which are being rented.

A new Certificate of Medical Necessity (CMN) and/or physician's order is not needed for repairs.

For replacement items, see Subsection C below.

B. Maintenance

Routine periodic servicing, such as testing, cleaning, regulating, and checking of the beneficiary's equipment, is not covered. The owner is expected to perform such routine maintenance rather than a retailer or some other person who charges the beneficiary. Normally, purchasers of DME are given operating manuals which describe the type of servicing an owner may perform to properly maintain the equipment. It is reasonable to expect that beneficiaries will perform this maintenance. Thus, hiring a third party to do such work is for the convenience of the beneficiary and is not covered. However, more extensive maintenance which, based on the manufacturers' recommendations, is to be performed by authorized technicians, is covered as repairs for medically necessary equipment which a beneficiary owns. This might include, for example, breaking down sealed components and performing tests which require specialized testing equipment not available to the beneficiary. Do not pay for maintenance of purchased items that require frequent and substantial servicing or oxygen equipment.

Since renters of equipment recover from the rental charge the expenses they incur in maintaining in working order the equipment they rent out, separately itemized charges for maintenance of rented equipment are generally not covered. Payment may not be made for maintenance of rented equipment other than the maintenance and servicing fee established for capped rental items. For capped rental items which have reached the *13*-month rental cap, contractors pay claims for maintenance and servicing fees after 6 months have passed from the end of the final paid rental month or from the end of the period the item is no longer covered under the supplier's or manufacturer's warranty, whichever is later. See the Medicare Claims Processing Manual, Chapter 20, "Durable Medical Equipment, Prosthetics and Orthotics, and Supplies (DMEPOS)," for additional instruction and an example.

A new CMN and/or physician's order is not needed for covered maintenance.

In cases where one or more monthly rental payments have been made in accordance with 42 CFR 414.229 for a capped rental DME item, medical necessity for the equipment has been established. In cases where one or more rental payments have been made for an item classified as capped rental DME, and the supplier transfers title to the equipment prior to the end of a 13 month period of continuous use per 42 CFR 414.230, Medicare payment can be made for reasonable and necessary maintenance and servicing of the beneficiary-owned DME. Under the regulations at 42 CFR 414.210(e)(1), reasonable and necessary charges for maintenance and servicing are those made for parts and labor not otherwise covered under a manufacturer's or supplier's warranty. Charges for routine maintenance and servicing would not be covered. Charges for maintenance and servicing that exceed the purchase price of the equipment (i.e., the capped rental monthly fee multiplied by 10) would not be reasonable and necessary and should be denied.

C. Replacement

Replacement refers to the provision of an identical or nearly identical item. Situations involving the provision of a different item because of a change in medical condition are not addressed in this section.

Equipment which the beneficiary owns or is a capped rental item may be replaced in cases of loss or irreparable damage. Irreparable damage refers to a specific accident or to a natural disaster (e.g., fire, flood). A physician's order and/or new Certificate of Medical Necessity (CMN), when required, is needed to reaffirm the medical necessity of the item.

Irreparable wear refers to deterioration sustained from day-to-day usage over time and a specific event cannot be identified. Replacement of equipment due to irreparable wear takes into consideration the reasonable useful lifetime of the equipment. If the item of equipment has been in continuous use by the patient on either a rental or purchase basis for the equipment's useful lifetime, the beneficiary may elect to obtain a new piece of equipment. Replacement may be reimbursed when a new physician order and/or new CMN, when required, is needed to reaffirm the medical necessity of the item.

The reasonable useful lifetime of durable medical equipment is determined through program instructions. In the absence of program instructions, *A/B MACS (B)* may determine the reasonable useful lifetime of equipment, but in no case can it be less than 5 years. Computation of the useful lifetime is based on when the equipment is delivered to the beneficiary, not the age of the equipment. Replacement due to wear is not covered during the reasonable useful lifetime of the equipment. During the reasonable useful lifetime, Medicare does cover repair up to the cost of replacement (but not actual replacement) for medically necessary equipment owned by the beneficiary. (See subsection A.)

Charges for the replacement of oxygen equipment, items that require frequent and substantial servicing or inexpensive or routinely purchased items which are being rented are not covered.

Cases suggesting malicious damage, culpable neglect, or wrongful disposition of equipment should be investigated and denied where the DME *MACs* determines that it is unreasonable to make program payment under the circumstances. DME *MACs* refer such cases to the program integrity specialist in the RO.

D. Delivery

Payment for delivery of DME whether rented or purchased is generally included in the fee schedule allowance for the item. See Pub. 100-04, Medicare Claims Processing Manual, Chapter 20, "Durable Medical Equipment, Prosthetics and Orthotics, and Supplies (DMEPOS)," for the rules that apply to making reimbursement for exceptional cases.