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**CMS Manual System**  
**Pub. 100-04 Medicare Claims**  
**Processing**

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**Department of Health &  
Human Services (DHHS)**  
**Centers for Medicare &  
Medicaid Services (CMS)****Transmittal 369****Date: NOVEMBER 19, 2004**

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**CHANGE REQUEST 3574****SUBJECT: Fee Schedule Update for 2005 for Durable Medical Equipment,  
Prosthetics, Orthotics, and Supplies (DMEPOS)****I. SUMMARY OF CHANGES:** This recurring update notification provides specific instructions regarding the 2005 annual update for the DMEPOS fee schedule.**NEW/REVISED MATERIAL - EFFECTIVE DATE\*: January 1, 2005**  
**IMPLEMENTATION DATE: January 3, 2005****II. CHANGES IN MANUAL INSTRUCTIONS: N/A**  
**(R = REVISED, N = NEW, D = DELETED)**

<b>R/N/D</b>	<b>CHAPTER/SECTION/SUBSECTION/TITLE</b>
<b>N/A</b>	

**III. FUNDING:** Medicare contractors shall implement these instructions within their current operating budgets.**IV. ATTACHMENTS:**

	<b>Business Requirements</b>
	<b>Manual Instruction</b>
	<b>Confidential Requirements</b>
	<b>One-Time Notification</b>
<b>X</b>	<b>Recurring Update Notification</b>

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

# Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 369	Date: November 19, 2004	Change Request 3574
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**SUBJECT: Fee Schedule Update for 2005 for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)**

## I. GENERAL INFORMATION

**A. Background:** 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 section 60 of chapter 23 of the Medicare Claims Processing Manual (Pub 100-04).

**B. Policy:** This recurring update notification provides specific instructions regarding the 2005 annual update for the DMEPOS fee schedule. Payment on a fee schedule basis is required for durable medical equipment (DME), prosthetic devices, orthotics, prosthetics, and surgical dressings by sections 1834(a), (h), and (i) of the Social Security Act. Payment on a fee schedule basis is required for parenteral and enteral nutrition (PEN) by regulations contained in 42 CFR 414.102.

Section 302 (c)(2) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) requires reductions for certain DME equal to the percentage difference between 2002 Medicare fee schedule amounts and the median 2002 price paid under Federal Employee Health Benefit (FEHB) plans surveyed by the OIG. The reductions take effect January 1, 2005, and will be implemented as part of this annual update to the DMEPOS fee schedules. The fee schedules for Healthcare Common Procedure Coding System (HCPCS) codes A4253, A4259, E0260, E0277, E0424, E0431, E0434, E0439, E0570, E1390, E1391, K0001, and K0011 are affected by this provision. The descriptions for the items falling under these HCPCS codes can be obtained from the HCPCS file at:

[www.cms.hhs.gov/medicare/hcpcs/default.asp](http://www.cms.hhs.gov/medicare/hcpcs/default.asp)

Section 627 of the MMA requires the calculation and implementation of fee schedule amounts for therapeutic shoes and inserts effective January 1, 2005. Fee schedules for HCPCS codes A5500 (extra-depth shoe), A5501 (custom molded shoe), K0628 (direct formed insert), and K0629 (custom molded insert) have been calculated by CMS using the methodology contained at section 1834(h) of the Social Security Act for prosthetic devices, prosthetics, and orthotics. These fee schedule amounts will be implemented as part of this annual update to the DMEPOS fee schedules. Also, in accordance with section 1833(o)(2)(C) of the Social Security Act, the payment amounts established for shoe modification codes A5503 thru A5507 must be established in a way that prevents a net increase in expenditures when substituting these items for inserts (codes K0628 or K0629). Therefore, the 2005 fee schedule amounts for codes A5503 thru A5507 have been calculated based on the weighted average of the fee schedule amounts for insert codes K0628 and K0629. The fees for K0628 and K0629 were weighted based on the approximate total allowed services for each code for items furnished during the second quarter of calendar year 2004. For 2006 and each subsequent year, the weighted average insert fee used to establish the fee schedule amounts for the shoe modification codes will be based on an updated weighted average (i.e., using more current allowed service data for each insert code). The full descriptions for the items falling under HCPCS codes A5500, A5501, A5503 thru A5507, K0628, and K0629 can be obtained from the HCPCS file at: [www.cms.hhs.gov/medicare/hcpcs/default.asp](http://www.cms.hhs.gov/medicare/hcpcs/default.asp)

Code E0675 was added to the HCPCS effective January 1, 2004. The fee schedule for code E0675 was calculated using retail prices for two products; however, the fee schedule is being revised effective January 1, 2005, to remove pricing for one product which was not yet an established product in the market at the time the code was added.

Code E1010 for “wheelchair accessory, addition to power seating system, power leg elevation system, including leg rest, each“ was added to the HCPCS effective January 1, 2004. The descriptor for this code is being revised effective January 1, 2005, to “wheelchair accessory, addition to power seating system, power leg elevation system, including leg rest, pair” and the fee schedule for code E1010 is being revised effective January 1, 2005, to reflect this change. Suppliers are to bill single legrest power leg elevation systems under code K0108.

Codes E2320 thru E2330 for special power wheelchair interfaces were added to the HCPCS effective January 1, 2004. The fee schedule amounts for these codes were calculated based on pricing for the differential cost of furnishing these special interfaces over a standard interface that is paid for as part of the payment for the wheelchair (e.g., K0011). However, when these items are furnished to replace existing interfaces on wheelchairs that have been in use by the patient for a period of time due to a change in the patient’s medical condition or in cases where the existing interface is irreparably damaged or has exceeded its reasonable useful lifetime, the fee schedule payment should reflect payment for the full cost of the replacement special interface. Modifier KC is being added to the HCPCS effective January 1, 2005, to identify replacement of special power wheelchair interfaces in these cases. Fee schedule amounts for replacement of special power wheelchair interfaces will be established effective January 1, 2005, for use in paying claims for use codes E2320 thru E2330 billed with the KC modifier.

Codes E2340 thru E2343 for nonstandard power wheelchair seat frame width and depth were added to the HCPCS effective January 1, 2004. The fee schedule amounts for these codes were calculated using retail prices for some products for nonstandard seat dimensions (i.e., captains chairs that sit on top of power wheelchair bases) as opposed to nonstandard seat frame dimensions. The base fee schedule amounts for codes E2340 thru E2343 will be adjusted to remove these products from the base fee calculations. Suppliers of nonstandard seat dimensions should bill HCPCS K0108 instead of codes E2340 thru E2343.

The fee schedule amounts for codes K0646 and K0648 are being revised effective January 1, 2005, by crosswalking the fee schedule amounts for previous code L0565 to both code K0646 and K0648. As a result of a court settlement, previously paid claims for K0646 and K0648 that were submitted between July 6, 2004 and January 1, 2005, shall be adjusted if resubmitted by suppliers as adjustments on or after January 1, 2005, and on or before 18 months after the date the claim was originally submitted.

The CMS Division of Data Systems (DDS) will electronically release the 2005 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T050101.V1102) to the statistical analysis durable medical equipment regional carrier (SADMERC), DMERCs, and local Part B carriers via CMS's mainframe telecommunication system on November 2, 2004. The DDS will release a separate 2005 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T050101.V1116.FI) to the intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on November 16, 2004. The fee schedule file will be available through the CMS homepage by November 16, 2004, for interested parties like the State Medicaid agencies and managed care

organizations. The 2005 fee schedule for PEN will be released to the SADMERC and DMERCs in a separate file (filename: MU00.@BF12393.PEN.CY05.V1102) on November 2, 2004.

The HCPCS codes that do not yet have corresponding fee schedule amounts are contained in the 2005 DMEPOS Fee Schedule file and are identifiable by a gap-fill indicator of "1." These codes have associated pricing amounts of 0. DDS will release an addendum file to contractors on December 9, 2004, containing gap-filled fee schedule amounts for many of these codes. The DDS files will not contain fee schedule amounts for non-continental areas under local carrier jurisdiction. Local carriers must update their local fee schedule amounts for these areas using the appropriate covered item updates.

The 2005 DMEPOS fee schedule update factors for items furnished from January 1, 2005 through December 31, 2005, are as follows:

DME other than items classified as class III devices by the Food and Drug Administration (FDA) – 0%  
DME classified as class III devices by the FDA – 3.3%  
Prosthetic Devices, Prosthetics, and Orthotics – 0%  
PEN – 3.3%  
Surgical Dressings – 0%

A One-Time Notification (Transmittal 35, Change Request 3020) was issued on December 24, 2003, and listed HCPCS codes for categories of DME items identified by the FDA as class III devices. As indicated above, the fee schedule amounts for class III DME will be increased by 3.3 percent effective January 1, 2005, whereas the fee schedule amounts for items that are not classified as class III devices by the FDA will not be increased on January 1, 2005. Transmittal 35 indicated that HCPCS codes E0617, E0691 thru E0694, and K0606 thru K0609 represented codes for categories of DME items identified by the FDA as class III devices. However, some products billed under these codes are not class III devices. Therefore, effective January 1, 2005, separate fee schedules will be provided in the DMEPOS fee schedule file: one for class III products within these codes that must be billed with HCPCS modifier KF and one for products within these codes that are not class III devices that may not be billed with HCPCS modifier KF.

Codes A7040, A7041, L8615 thru L8618, and L8620 thru L8622 describe items that are subject to the fee schedule for prosthetics and orthotics (PO) and are being added to the HCPCS effective January 1, 2005. These code fall under the jurisdiction of the local carriers rather than the DMERCs. CMS will be calculating the fee schedule amounts for these items using the standard gap-filling process. Therefore, local carriers do not need to gap-fill base fees for these codes. The descriptions for these codes can be obtained from the 2005 HCPCS file as soon as it becomes available at:  
[www.cms.hhs.gov/medicare/hcpcs/default.asp](http://www.cms.hhs.gov/medicare/hcpcs/default.asp)

The DDS will electronically release the 2005 DMEPOS Gap-fill Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T050101.GAP.V1209) to the statistical analysis durable medical equipment regional carrier (SADMERC), DMERCs, and local Part B carriers via CMS's mainframe telecommunication system on December 9, 2004. The DDS will release a separate 2005 DMEPOS Gap-fill Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T050101.GAP.V1209.FI) to the intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on December 9, 2004.

The following codes are being deleted from the HCPCS effective January 1, 2005, and are therefore being removed from the DMEPOS and PEN fee schedule files:

A4324 THRU A4325  
A4347  
A4609 THRU A4610  
B4151  
B4156  
E0176 THRU E0179  
E0192  
E0454  
E0962 THRU E0965  
E1012 THRU E1013  
K0023 THRU K0024  
K0059 THRU K0061  
K0081  
K0114 THRU K0116  
K0627  
L0476  
L0478  
L0500  
L0510  
L0515  
L0520  
L0530  
L0540  
L0550  
L0560 THRU L0561  
L0565\*  
L0600  
L0610  
L0620  
L2435  
L5674 THRU L5675  
L5846 THRU L5847  
L5989  
L8490

\* As indicated above, the fee schedule amounts for code L0565 are being crosswalked to codes K0646 and K0648.

A Recurring Update Notification (Transmittal 297, Change Request 3430) was issued on September 10, 2004, and indicated that payment on a reasonable charge basis (i.e., separate from the physician fee schedule payment) is only made for splints and casts used to reduce a fracture or dislocation. While it is true that the statute limits the benefit in this way, CMS took action as part of the 2001 physician fee schedule update to remove payments for splinting & casting supplies from several ranges of CPT codes so

that separate payment would be made for these supplies using codes Q4001 thru Q4051. As a result of this action, physicians are paid separately for codes Q4001 through Q4051 when the services identified by the CPT codes below are covered, furnished in the physician's office or other non-facility setting, and paid for under the physician fee schedule.

- 23500 - 23680
- 24500 - 24685
- 25500 - 25695
- 26600 - 26785
- 27500 - 27566
- 27750 - 27848
- 28400 - 28675
- 29000 - 29750

Local carriers should be advised that separate payment for codes Q4001 thru Q4051 is allowed in cases where there was no reduction in the fracture or dislocation.

**C. Provider Education:** A Medlearn Matters provider education article related to this instruction will be available at [www.cms.hhs.gov/medlearn/matters](http://www.cms.hhs.gov/medlearn/matters) shortly after the CR is released. You will receive notification of the article release via the established "medlearn 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 must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.

**II. BUSINESS REQUIREMENTS**

*"Shall" denotes a mandatory requirement*  
*"Should" denotes an optional requirement*

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		F I	R H 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	

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		F I	R H 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	
3574.1	<p>DMERCs shall gap-fill base fee schedule amounts for each State in their region for the following new HCPCS codes that will be subject to the DMEPOS fee schedules in 2005:</p> <p><u>Ostomy, Tracheostomy, or Urological Supplies (OS)</u> A4349, A7527</p> <p><u>Inexpensive or Routinely Purchased DME (IN)</u> A7045, E2368 thru E2370, E2601 thru E2608, E2611 thru E2616, E2618 thru E2621</p> <p><u>Parenteral and Enteral Nutrition (PE)</u> B4102, B4149, B4157</p> <p><u>Frequently Serviced DME (FS)</u> E0463, E0464</p> <p><u>Capped Rental DME (CR)</u> E1039, E1841</p> <p><u>Prosthetics and Orthotics (PO)</u> L1932, L2005, L2232, L4002, L5685, L5856, L5857, L6694 thru L6698, L7181, L8515</p> <p>DMERCs shall revise the based fee schedule amounts for code E1010 and instruct suppliers to bill single legrest power leg elevation systems under code K0108.</p> <p>DMERCs shall calculate base fees for codes E2320 thru E2330 for power wheelchair interfaces to be used in paying claims submitted with modifier KC to indicate that these items are being furnished to replace the existing power interface on the wheelchair.</p>				X					

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	
	<p>DMERCs shall revise the base fee schedule amounts for codes E2340 thru E2343 to remove nonstandard seat products from the base fee calculations. DMERCs shall instruct suppliers of nonstandard seat dimensions should bill HCPCS K0108 instead of codes E2340 thru E2343.</p> <p>DMERCs shall submit ASCII files containing the base fees for the codes above to CMS central office by November 12, 2004.</p> <p>DMERCs shall follow the instructions for submitting base fee schedule amounts located in section 60 of chapter 23 of the Medicare Claims Processing Manual (Pub 100-4). Base fee schedule amounts submitted to CMS shall not be updated by any update factors other than the 1.7% (1989) update factor for DME and prosthetics and orthotics. The 2004 deflation factors are: .581 for CR; .582 for IN, FS, OS, and PO; and .804 for PE.</p>									





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	
	E0849 (4, 60) E1039 (1, 60) E1229 (4, 56, 59, 60) E1239 (1, 56, 59, 60) E1841 (1, 60) E2205 THRU E2206 (4, 60) E2368 THRU E2370 (4, 60) E2601 THRU E2621 (4, 60) E8000 THRU E8002 (17, 60) J0128 (17, 60) J0135 (17, 60) J0180 (17, 60) J0878 (17, 60) J1457 (17, 60) J1931 (17, 60) J2357 (17, 60) J2469 (17, 60) J2794 (17, 60) J3110 (17, 60) J3246 (17, 60) J3396 (17, 67) J7304 (17, 67) J7343 (17, 67) J7344 (17, 67) J7518 (11, 59, 60) J7611 THRU J7614 (17, 60) J7616 THRU J7617 (17, 60) J7674 (17, 67) J8501 (17, 60) J8565 (17, 67) J9035 (17, 60) J9041 (17, 60) J9055 (17, 60) J9305 (17, 60) L1932 (3, 60) L2005 (3, 60) L2232 (3, 60) L4002 (3, 60)									

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	
	L5685 (3, 60) L5856 THRU L5857 (3, 60) L6694 THRU L6698 (3, 60) L7181 (3, 60) L8515 (3, 60) L8615 THRU L8618 (3, 67) L8620 THRU L8622 (3, 67) V2702 (3, 60)									
3574.8	Contractors shall use the 2005 DMEPOS fee schedule payment amounts to pay claims for items furnished from January 1, 2005 through December 31, 2005.	X	X	X	X					
3574.9	DMERCs shall use the 2005 PEN fee schedule payment amounts to pay claims for items furnished from January 1, 2005 through December 31, 2005.				X					
3574.10	DMERCs and FIs shall adjust previously paid claims for codes K0646 and K0648 that were submitted between July 6, 2004 and January 1, 2005, based on the 2004 fee schedule amounts for code L0565 if these claims are resubmitted by suppliers as adjustments on or after January 1, 2005, and on or before 18 months after the date the claim was originally submitted.	X			X					
3574.11	DMERCs shall instruct suppliers to bill modifier KF in addition to HCPCS codes E0617, E0691 thru E0694, and K0606 thru K0609 for items identified by the FDA as class III devices. DMERCs shall instruct suppliers that they may not bill modifier KF for items that are not identified by the FDA as class III devices.				X					
3574.12	Carriers and DMERCs shall implement quarterly changes to the 2005 DMEPOS fee schedules in accordance with instructions in section 60.2, chapter 23 of the Medicare Claims Processing Manual (Pub 100-04) and the			X	X					

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	
	schedule below.									

**Schedule for changes for 2005 DMEPOS Fees (Local Carriers or DMERCs) or PEN Fees (DMERCs)**

<u>Changes to DDS* (Mary Anne Stevenson)</u>	<u>DDS Transmit Files</u>	<u>Contractors Implement</u>
January 31	February 14	April 1, 2005
April 12	May 5	July 1, 2005
July 19	August 11	October 1, 2005
September 15	November 2	January 1, 2006

\* DMERCs or local carriers will forward changes to RO. ROs will forward requests to DDS/Mary Anne Stevenson.

**III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS**

**A. Other Instructions: N/A**

X-Ref Requirement #	Instructions

**B. Design Considerations: N/A**

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**

**IV. SCHEDULE, CONTACTS, AND FUNDING**

<b>Effective Date*:</b> January 1, 2005 <b>Implementation Date:</b> January 3, 2005 <b>Pre-Implementation and Post-Implementation Contact(s):</b> Joel Kaiser 410-786-4499	<b>Medicare contractors shall implement these instructions within their current operating budgets.</b>
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**\*Unless otherwise specified, the effective date is the date of service.**