

---

# Medicare

## Carriers Manual

### Part 3 – Claims Process

---

Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)

Transmittal 1821

Date: OCTOBER 31, 2003

---

<u>HEADER SECTION NUMBERS</u>	<u>PAGES TO INSERT</u>	<u>PAGES TO DELETE</u>
Table of Contents – Chapter II 3-2000 – 3-2484	1 - 9 (9 pp) None	2-1 – 2-6 (6 pp.) 2-7 – 2-158 (207 pp.)

**NEW/REVISED MATERIAL--EFFECTIVE DATE: Not Applicable**  
**IMPLEMENTATION DATE: Not Applicable**

Chapter II, Coverage and Limitations, This chapter is being deleted and the related instructions are issued in the Medicare Benefit Policy Manual. The table of contents is replaced with a crosswalk from the old Part 3 to the related instruction in the Internet-only Manual (IOM). If the material from MCM-3 is no longer applicable, we indicate that it was not moved to the IOM by entering “deleted” in the crosswalk. For each included cross-reference, we provide the old manual number and the IOM number (e.g., 100-2 for Medicare Benefit Policy Manual), and the IOM chapter and section (§) numbers.

The IOM can be found at <http://www.cms.hhs.gov/manuals>

**These instructions should be implemented within your current operating budget.**

## CHAPTER II - COVERAGE AND LIMITATIONS

**NOTE:** Chapter II has been moved to the new CMS Manual System, in the Medicare Benefit Policy Manual (CMS Pub. 100-2). The new manual can be found at <http://www.cms.hhs.gov/manuals>. A crosswalk from the deleted manual sections to the new manual sections follows.

	Old §	Pub, Chapter, & §
Covered Medical and Other Health Services		
Covered Medical and Other Health Services	2000	100-2, 15, §10
When Part B Expenses Are Incurred	2005	100-2, 15, §20
Physicians' Expense for Surgery, Childbirth, and Treatment for Infertility	2005.1	100-2, 15, §20.1
Physicians' Expense for Allergy Treatment	2005.2	100-2, 15, §20.2
Artificial Limbs, Braces, and Other Custom Made Items Ordered But Not Furnished	2005.3	100-2, 15, §20.3
Physicians' Services	2020	100-1, 5, §70, 100-2, 15, §30, 100-4, 11-§40.1.3.1, 100-4, 12-§10
Definition of Physician	2020.1	100-1, 5, §70, 100-2, 15, §30.1
Doctors of Medicine and Osteopathy	2020.2	100-1, 5, §70, 70.1, 100-2, 15, §30.2
Dentists	2020.3	100-1, 5, §70, 70.2, 100-2, 15, §30.3
Doctors of Podiatric Medicine	2020.4	100-1, 5, §70, 70.3, 100-2, 15, §30.4
Physicians in Federal Hospitals	2020.5	100-1, 5, §70, 70.4, 100-2, 15, §30.5, 100-4, 12-§90.1
Provider-Based Physician Services	2020.6	100-2, 15, §30.6
Teaching Physician Services	2020.7	100-2, 15, §30.7, 100-4, 12-§100
Interns and Residents	2020.8	100-1, 5, §70.7, 100-2, 15, §30.8, 100-4, 12-§100.2
Optometrists	2020.25	100-1, 5, §70.5, 100-2, 15, §30.9
Chiropractors	2020.26	100-1, 5, §70.6, 100-2, 15, §30.10

	Old §	Pub, Chapter, & §
Drugs and Biologicals	2049	100-2, 15, §50, 17-§10
Definition of Drug or Biological	2049.1	100-2, 15, §50.1
Determining Self-Administration of Drug or Biological	2049.2	100-2, 15, §50.2
Incident-to Requirements	2049.3	100-2, 15, §50.3, 100-4, 8-§60.3
Reasonableness and Necessity	2049.4	100-2, 15, §50.4-50.4.4.1, 100-4, 18-§10.2
Self-Administered Drugs and Biologicals	2049.5	100-2, 15, §50, 100-4, 8-§60.3
Services and Supplies	2050	100-2, 15, §50.
Incident To Physician's Professional Services	2050.1	100-2, 15, §50.
Services of Nonphysician Personnel Furnished Incident to Physician's Services	2050.2	100-2, 15, §50.
Incident to Physician's Service in Clinic	2050.3	100-2, 15, §60.3
Services Incident to a Physician's Service to Homebound Patients Under General Physician Supervision	2051	100-2, 15, §60.4
Definition of Homebound Patient	2051.1	100-2, 15, §60.4.1
Sleep Disorder Clinics	2055	100-2, 15, §70
Diagnostic X-Ray, Diagnostic Laboratory, and Other Diagnostic Tests	2070	100-2, 15, §80, 100-4, 16-§2070
Independent Laboratories	2070.1	100-1, 5, §90.2, 100-2, 15, §80.1, 100-4, 16-§10, 10.1, 110.4
Psychological Tests	2070.2	100-2, 15, §80.2, 100-4, 12-§160
Otologic Evaluations	2070.3	100-2, 15, §80.3
Coverage of Portable X-Ray Services Not Under the Direct Supervision of a Physician	2070.4	100-2, 15, §80.4, 100-4, 13-§90
Coverage of Independent Physiological Laboratory Services	2070.5	100-2, 15, §80.5
X-Ray, Radium, and Radioactive Isotope Therapy	2075	100-2, 15, §90
Surgical Dressings, and Splints, Casts, and Other Devices Used for Reductions of Fractures and Dislocations	2079	100-2, 15, §100
Durable Medical Equipment - General	2100	100-2, 15, §110, 100-4, 20-§10
Definition of Durable Medical Equipment	2100.1	100-2, 15, §110.1, 100-4, 20-§10.1

	Old §	Pub, Chapter, & §
Necessary and Reasonable	2100.2	100-2, 15, §110.2
Definition of Beneficiary's Home	2100.3	100-2, 15, §110.3
Repairs, Maintenance, Replacement, and Delivery	2100.4	100-2, 15, §110.4
Coverage of Supplies and Accessories	2100.5	100-2, 15, §110.5
Miscellaneous Issues Included in the Coverage of Equipment	2100.6	100-2, 15, §110.6
Coverage Guidelines for Durable Medical Equipment Claims	2105	100-2, 15, §110.7, 100-4, 20-§10.2
New Supplier Effective Billing Date	2105.1	100-2, 15, §110.7.1
Ambulance Service	2120	100-2, 10, §10
Vehicle and Crew Requirements	2120.1	100-2, 10, §10.1
Necessity and Reasonableness	2120.2	100-2, 10, §10.2
The Destination	2120.3	100-2, 10, §10.3
Air Ambulance Services	2120.4	100-2, 10, §10.4
Zip Code File on the Direct Connect	2120.5	100-4,, 20 §20.1.5
Coverage Guidelines for Ambulance Service Claims	2125	100-2, 10, §20
Prosthetic Devices	2130	100-2, 15, §120
Leg, Arm, Back, and Neck Braces, Trusses, and Artificial Legs, Arms, and Eyes	2133	100-2, 15, §130
Therapeutic Shoes for Individuals With Diabetes	2134	100-2, 15, §140
Dental Services	2136	100-2, 15, §150

#### Allied Health Professionals/Nonphysician Practitioners

Clinical Psychologist Services	2150	100-2, 15, §160, 100-4, 12-§160, 170, 170.1
Clinical Social Worker Services	2152	100-2, 15, §170, 100-4, 12-§150
Nurse-Midwife Services	2154	100-2, 15, §180
Physician Assistant Services	2156	100-2, 15, §190, 100-4, 12-§110, 110.3
Nurse Practitioner Services	2158	100-2, 15, §200, 100-4, 12-§120, 120.1
Clinical Nurse Specialist Services	2160	100-2, 15, §210, 100-4, 12-§120, 120.1

Old §                      Pub, Chapter, & §

### Outpatient Physical Therapy and Speech Pathology Services

Coverage of Provider Outpatient Physical Therapy and Speech Pathology Services Under Medical Insurance	2200	100-2, 15, §220, 100-4, 5, §10
Services Furnished Under Arrangements With Clinics	2203	100-2, 15, §220.1
Conditions for Coverage of Outpatient Physical Therapy or Speech Pathology Services	2206	100-2, 15, §220.2
Physician's Certification and Recertification	2206.1	100-2, 15, §220.2.1
Outpatient Must Be Under Care of Physician	2206.2	100-2, 15, §220.2.2
Outpatient Physical Therapy or Speech Pathology Services Furnished Under Plan	2206.3	100-2, 15, §220.2.3
Requirement That Services Be Furnished on an Outpatient Basis	2206.4	100-2, 15, §220.2.4
Coding Physician Specialty	2207	100-4, 26-§10.8
Coding Type of Supplier and Nonphysician Provider	2207.1	100-4, 26-§10.8.3
Reimbursable Physical Therapy	2210	100-2, 15, §230
Restorative Therapy	2210.1	100-2, 15, §230.1
Maintenance Programs	2210.2	100-2, 15, §230.2
Application of Guidelines	2210.3	100-2, 15, §230.3
Services Furnished by a Physical or Occupational Therapist in Independent Practice	2215	100-2, 15, §230.4, 100-4, 5, §10
Covered Speech Pathology	2216	100-2, 15, §230.6
Covered Occupational Therapy	2217	100-2, 15, §230.7
Physical Therapy/Occupational Therapy Provided By Physicians and Physician Employees	2218	100-2, 15, §220.2

### Comprehensive Outpatient Rehabilitation Facility (CORF) Services

Coverage of Physicians' Services Provided in Comprehensive Outpatient Rehabilitation Facility	2220	100-2, 12, §40.1, 100-4, 12-§80.1
---	------	-----------------------------------

### End Stage Renal Disease (ESRD)

Treatment of End Stage Renal Disease	2230	102, 11, §130.1
Definition of Terms	2230.1	102, 11, §10
Approved Dialysis Settings	2230.2	102, 11, §20
Physicians' Services - General	2230.3	102, 11, §80, 100-4, 8-§140
Physicians' Services to an Inpatient	2230.4	102, 11, §80.1
Physicians' Services - Outpatient Maintenance Dialysis	2230.5	102, 11, §80.2

	Old §	Pub, Chapter, & §
Physician Services During Self-Dialysis Training	2230.6	102, 11, §80.3, 100-4, 8-§140
Continuous Ambulatory Peritoneal Dialysis	2231	102, 11, §70, 100-4, 8-§60.2, 90.1
Certification of Facilities Furnishing CAPD Services	2231.1	102, 11, §70.1
Institutional Dialysis Services Furnished to CAPD Patients	2231.2	102, 11, §70.2
Support Services and Supplies Furnished to Home CAPD Patients	2231.3	102, 11, §70.3, 100-4, 8-§70
Physician Services	2231.4	102, 11, §80
Coverage of Home Dialysis Under Target Rate Reimbursement	2234	102, 11, §40.2

#### Chiropractic Services

Chiropractic Services--General	2250	100-2, 15, §240
Coverage of Chiropractic Services	2251	100-2, 15, §240.1
Manual Manipulation	2251.1	100-2, 15, §240.1.1
Utilization Guidelines	2251.2	100-2, 15, §240.1.2
Necessity for Treatment	2251.3	100-2, 15, §240.1.3
Location of Subluxation	2251.4	100-2, 15, §240.1.4
Treatment Guidelines	2251.5	100-2, 15, §240.1.5

#### Payment for Ancillary Services

Medical and Other Health Services Furnished to inpatients of Hospitals and Skilled Nursing Facilities	2255	100-2, 15, §250
---	------	-----------------

#### Payment for Rural Health Clinic Services

Rural Health Clinic Services - General	2260	100-4, 12-§80.2
Rural Health Clinic Services	2260.1	100-2, 13, §20, 100-4, 12-§80.2
Services Furnished by Rural Health Clinics Which Are Not Rural Health Clinic Services	2260.2	100-2, 13, §30.3, 100-4, 12-§80.2
Payment Under Part B for Non-RHC Services Furnished by Independent Rural Health Clinics	2260.3	100-4, 12-§80.2

	Old §	Pub, Chapter, & §
<b>Ambulatory Surgical Center Services</b>		
Ambulatory Surgical Center Services	2265	100-2, 15, §260, 100-4, 12-§90.3, 100-4, 14-§10
Definition of Ambulatory Surgical Center	2265.1	100-2, 15, §260.1, 100-4, 14-§10.1
Ambulatory Surgical Center Services	2265.2	100-2, 15, §260.2, 100-4, 12-§90.3, 14-§10.2
Services Furnished in ASCs Which Are Not ASC Facility Services	2265.3	100-2, 15, §260.3, 100-4, 12-§90.3, 14-§10.3
Coverage of Services in ASCs Which Are Not ASC Services	2265.4	100-2, 15, §260.4, 100-4, 14-§10.4
List of Covered Ambulatory Surgical Center Procedures	2266	100-2, 15, §260.5, 100-4, 14-§10.4, 20
Nature and Applicability of ASC List	2266.1	100-2, 15, §260.5.1, 100-4, 14-§20.1
Nomenclature and Organization of the List	2266.2	100-2, 15, §260.5.2, 100-4, 14-§20.2
Rebundling of CPT Codes	2266.3	100-2, 15, §260.5.3, 100-4, 14-§20.3

#### General Exclusions From Coverage

General Exclusions	2300	100-2, 16-§10
Services Related to and Required as a Result of Services Which Are Not Covered Under Medicare Devices Not Approved by FDA	2300.1	100-2, 16, §180
Services Not Reasonable and Necessary	2302.1	100-2, 16, §30
No Legal Obligation to Pay For or Provide Services	2303	100-2, 16, §20
Items and Services Furnished, Paid for, or Authorized by Governmental Entities--Federal, State, or Local Governments	2306	100-2, 16, §40
Items and Services Furnished by a Federal Provider of Services or Federal Agency	2309	100-2, 16, §50
Items and Services Which a Non-Federal Provider, Physician or Supplier Is Obligated to Furnish at Public Expense Pursuant to an Authorization Issued by a Federal Agency	2309.1	100-2, 16, §50.2
	2309.2	100-2, 16, §50.1.6
Indian Health Service (IHS) Entitlement	2309.3	100-2, 16, §50.1.2

	Old §	Pub, Chapter, & §
Items or Services Which Have Been Paid for by a Governmental Entity	2309.4	100-2, 16, §50.3
Services Received by Medicare Beneficiaries Outside United States	2312	100-2, 16, §60
Physician and Ambulance Services Furnished in Connection With Covered Foreign Inpatient Hospital Services	2312.2	100-2, 16, §60
Carriers Designated to Process Foreign Claims	2312.3	100-4, 1, §10.1.4.2
Source of Part B Claims	2312.4	100-4, 1, §10.1.4.3
Medicare-Approved Charges for Services Rendered in Canada or Mexico	2312.5	100-4, 1, §10.1.4.4
Appeals of Denied Charges for Physicians and Ambulance Services in Connection With Foreign Hospitalization	2312.6	100-4, 1, §10.1.4.5
Claims for Services Furnished in Canada and Mexico to Qualified Railroad Retirement Beneficiaries	2312.7	100-2, 16, §60
Services Resulting From War	2315	100-2, 16, §70
Personal Comfort Items	2318	100-2, 16, §80
Routine Services and Appliances	2320	100-2, 16, §90
Foot Care and Supportive Devices for Feet	2323	100-2, 16, §100
Custodial Care	2326	100-2, 16, §110
Cosmetic Surgery	2329	100-2, 16, §120
Charges Imposed by Immediate Relatives of Patient or Members of Household	2332	100-2, 16, §130
Dental Services and Exclusion	2336	100-2, 16, §140
Services Reimbursable Under Automobile, No Fault Or Any Liability Insurance	2340	100-2, 16, §160, 100-5, 1-§10.5, 2-§50

#### Workers' Compensation

General	2370	100-5, 1-§10.4, 2-§§50, 50.1
Definitions	2370.1	100-5, 1-§20, 4-§70.4.3
Effect of Payments Under Workers' Compensation Plan	2370.2	100-5, 2-§50.1
Workers' Compensation Cases Involving Liability Claims	2370.3	100-5, 2-§50.1D
Possible Coverage of Work Related Services Under Automobile Medical or No Fault Insurance or Employer Group Health Plan	2370.4	100-5, 2-§50.1E



	Old §	Pub, Chapter, & §
Workers' Compensation Pays Only for Services of Certain Physicians	2370.5	100-5, 2-§50.1
Contested Workers' Compensation Claims	2370.6	100-5, 1-§10.4, 2-§50.1, 5-§40.6.1
Lump Sum Compromise Settlement	2370.8	100-5, 1-§20, 7-§40.3.4
Lump Sum - Commutation of Future Benefits	2370.9	100-5, 1-§20, 7-§40.3.4
Right of Recovery	2370.10	100-5, 7-§10.1
Private Right of Action	2370.11	100-5, 1-§30
Conflicting Claims by Medicare and Medicaid	2370.12	100-5, 7-§10.1.1
Authorities for Agreeing to Compromise or Waive Medicare's Claim	2370.12	100-5, 7-§40.3.3
Inpatient Services Not Directly Delivered or Arranged for by the Hospital	2390	100-4, 3-§10.4

#### Deductible, Coinsurance, Psychiatric, and Physical Therapy Limitation

Annual Cash Deductible	2450	100-1, 3-§20-20.4
Special Carryover Rule for Expenses Incurred Prior to 1981	2450.1	Deleted - Obsolete
Health Care Prepayment Plans and Health Maintenance Organizations	2450.2	To be placed in 100-1, 3-§20
Medical Insurance Blood Deductible	2455	100-1, 3-§20.5.2
Coinsurance	2460	100-1, 3-§20.3
Exceptions to Annual Deductible and Coinsurance	2462	100-1, 3-§20.4, 100-4, 16-§30.2
Outpatient Mental Health Treatment Limitation	2470	100-1, 3-§30-30.3, 100-4, 12-§210
Application of Limitation	2472	100-1, 3-§30.1, 100-4, 12-§120B, 210.1
Status of Patient	2472.1	100-1, 3-§30.1, 100-4, 12-§120B, 210.1
Disorders Subject to Limitation	2472.2	100-1, 3-§30.2, 100-4, 12-§120B, 210.1
Services Subject to Limitation	2472.3	100-1, 3-§30.2, 100-4, 12-§120B, 210.1
Services Not Subject to Limitation	2472.4	100-1, 3-§30.3, 100-4, 12-§110.1, 120B, 210.1

	Old §	Pub, Chapter, & §
Computation of Limitation	2472.5	100-4, 12-§210.1
Expenses Incurred Before 1990	2474	Deleted - Obsolete
Limitation on Payment for Services Furnished by Physical or Occupational Therapist in Independent Practice	2480	100-1, 5, §40, 100-4, 5-§10.2
Coverage of Medical Devices	2484	100-4, 5-§10.2