
Program Memorandum Intermediaries/Carriers

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

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CHANGE REQUEST 2054

SUBJECT: Claims Processing Instructions to Conclude the Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Competitive Bidding Demonstration

This Program Memorandum (PM) specifies the standard systems changes required for the durable medical equipment regional carriers to process certain DMEPOS claims received on or after October 1, 2002, from Polk County, Florida, and on or after January 1, 2003, from San Antonio, Texas. The purpose of the changes is to conclude the DMEPOS Competitive Bidding Demonstration, as required by law.

Background

This demonstration is required by the Balanced Budget Act of 1997. It implements a test of competitive bidding as a way for the Medicare program to pay for medical equipment and supplies. The demonstration was successfully implemented in Polk County, Florida, and in San Antonio, Texas, and has proven that competitive bidding can save money while maintaining access and quality to items and services in the Medicare program.

According to the law, any given demonstration is authorized for up to 3 years, and all demonstrations must be concluded no later than December 31, 2002. The third year of the Polk County demonstration concludes on September 30, 2002, and the San Antonio demonstration must conclude on December 31, 2002. At the conclusion of the two demonstrations, bills for DMEPOS items will be processed normally using the regular Medicare statewide fee schedule.

Required System Modifications

Because the demonstration rounds end on different dates and because the logic must remain in place for a few years post demonstration, the following minor systems modifications will be required at the end of the demonstration.

The intent of these system modifications is to turn off the demonstration logic for processing claims with service dates after the conclusion of the demonstration. During the demonstration, bills for demonstration items for affected beneficiaries must generally be provided by demonstration suppliers and paid using the demonstration fee schedule. After the conclusion of the demonstration, any supplier with a valid National Supplier Clearinghouse number will be permitted to provide all DMEPOS items to beneficiaries using the regular Medicare program rules, and these suppliers will be paid at the normal statewide fee schedule in effect. Because suppliers may bill late and may appeal payments for some time after the bill is processed, the logic for paying the bills using the demonstration rules and fee schedules will remain in effect for DMEPOS items provided in the demonstration areas during the demonstration time period until bills may no longer be paid for that period.

As noted above, the demonstrations will end on different dates. For beneficiaries with residence in Polk County, Florida, the demonstration will end on September 30, 2002. For beneficiaries in the San Antonio, Texas, Metropolitan Statistical Area, (Bayer, Comal, and Guadalupe Counties) the demonstration will end on December 31, 2002.

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The modifications made to the processing system are divided into three parts: Master File Impacts, Claim Processing Logic Impacts, and Reporting Requirements. These changes were implemented in multiple releases to allow the project to be installed in phases. The demonstration claims processing system created the ability for the pricing logic to be controlled by a new system parameter option table (SPOT) flag that the carrier turned on in production.

The major task needed requires the system programmers at VIPS (formerly Viable Information Processing Systems) to turn off the SPOT flag and set expiration dates for the rounds. This will allow the competitive bidding systems logic to remain in place for claims that are received after the end of the demonstration for service dates prior to the conclusion of the demonstrations (September 30, 2002 or December 31, 2002) and for those claims to be reimbursed at the demonstration allowance when appropriate. This is necessary because claims may be filed in some cases up to 26 months after the service is rendered and because there are appeal rights for some period of time after that timeframe. However, claims for service after the end of the demonstrations (September 30, 2002 or December 31, 2002) will revert to the appropriate fee schedule reimbursement.

The *effective dates* for this PM are October 1, 2002 for the Polk County, Florida, Demonstration and January 1, 2003, for the San Antonio, Texas, Demonstration.

The *implementation dates* for this PM are October 1, 2002, for the Polk County, Florida, Demonstration and January 1, 2003, for the San Antonio, Texas, Demonstration.

These instructions should be implemented within your current operating budget.

This PM may be discarded after October 1, 2003.

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