

Program Memorandum Intermediaries/Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal AB-00-113

Date: NOVEMBER 17, 2000

CHANGE REQUEST 1388

SUBJECT: Instructions for Implementing and Updating 2001 Payment Amounts for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)

This Program Memorandum (PM) forwards instructions for implementing and/or updating 2001 payment amounts for DMEPOS. This material should be shared with DMERCs, SADMERC, local carriers, and intermediaries.

2001 DMEPOS Fee Schedule File

The 2001 DME, prosthetics and orthotics, and surgical dressings fee schedules have been calculated by the Division of Health Plans and Provider Data (DHPPD) in the Center for Health Plans and Providers (CHPP). The DHPPD will electronically release the 2001 DMEPOS Fee Schedule file (filename: [MU00.@BF12393.DMEPOS01.V1103](#)) to the SADMERC, DMERCs, and local Part B carriers via the National Data Mover on November 3, 2000. The file will be released to the fiscal intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on December 7, 2000. The fee schedule file will be available through the HCFA homepage by December 7, 2000 for interested parties like the State Medicaid agencies and managed care organizations. These fee schedules are to be implemented on January 1, 2001. Beginning January 1, 2001, contractors are to make payment based on these fee schedules for all claims with dates of service on or after January 1, 2001.

Gap-filling Instructions

Below is a list of new items that will be subject to the DME, prosthetics and orthotics, or surgical dressings fee schedules in 2001.

<u>Code</u>	<u>Brief Description of Item</u>	<u>Fee Schedule Category</u>
A4348	Male External Catheter With Integral Collection Compartment	Ostomy, Tracheostomy, & Urologicals
A4396	Ostomy Belt With Hernia Support	Ostomy, Tracheostomy, & Urologicals
A4561	Pessary, Rubber, Any Type	Prosthetics and Orthotics
A4562	Pessary, Non-Rubber, Any Type	Prosthetics and Orthotics
A4608	Transtracheal Oxygen Catheter, Each	Oxygen and Oxygen Equipment
A6021	Collagen Dressing, <16sq. in.	Surgical Dressings
A6022	Collagen Dressing, >16<48sq. in.	Surgical Dressings
A6023	Collagen Dressing, >48sq. in.	Surgical Dressings
A6024	Collagen Dressing Wound Filler, 6 in.	Surgical Dressings
A7501	Tracheostoma Valve	Ostomy, Tracheostomy, & Urologicals
A7502	Replacement Diaphragm for Trach Valve	Ostomy, Tracheostomy, & Urologicals
A7503	Filter Holder for Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
A7504	Filter Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
A7505	Housing Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
A7506	Adhesive Disc Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals

A7507	Filter Holder and Filter Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
A7508	Housing and Adhesive Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
A7509	Filter Holder, Filter, Housing, and Adhesive Used With Moisture Exchange System	Ostomy, Tracheostomy, & Urologicals
E0757	Implantable Neurostimulator Radiofrequency Receiver	Prosthetics and Orthotics
E0758	Radiofrequency Transmitter (External) For Implantable Neurostimulator	Prosthetics and Orthotics
E0786	Implantable Programmable Infusion Pump	Inexpensive/Routinely Purchased DME
K0538	Negative Pressure Wound Pump	Capped Rental DME
K0539	Dressing for Neg. Pressure Wound Pump	DME Supplies
K0540	Canister for Neg. Pressure Wound Pump	DME Supplies
K0541	Speech Generating Device (SGD), Digitized, Less Than or Equal to 8 Minutes	Inexpensive/Routinely Purchased DME
K0542	SGD, Digitized, Greater Than 8 Minutes	Inexpensive/Routinely Purchased DME
K0543	SGD, Synthesized, Formulation By Spelling	Inexpensive/Routinely Purchased DME
K0544	SGD, Synthesized, Formulation By Multiple Methods	Inexpensive/Routinely Purchased DME
K0545	SGD, Software Program	Inexpensive/Routinely Purchased DME
K0546	SGD Accessory, Mounting System	Inexpensive/Routinely Purchased DME
L3760	Elbow Orthosis With Locking Joint	Prosthetics and Orthotics
L3923	Hand Finger Orthosis, Without Joint	Prosthetics and Orthotics
L8606	Injectable Bulking Agent, Synthetic Implant	Prosthetics and Orthotics

The DMERCs are to gap-fill base fee schedule amounts for each State in their Region for all of the codes listed above except E0757, E0758, E0786, and L8606. The local carriers are to gap-fill base fee schedule amounts for each carrier service area for codes E0757, E0758, E0786, and L8606. Codes E0757 and E0758 together describe a device that was previously billed using code E0751. In accordance with §4509.1 of the Medicare Carriers Manual (MCM), for each carrier service area, the sum of the two base fee schedule amounts established by the local carriers for codes E0757 and E0758 should not exceed the applicable base fee schedule amount for the original code E0751 (see attachment C). In the event that the sum of the gap-filled base fees for codes E0757 and E0758 do exceed the applicable base fee for code E0751, the carriers must reduce the base fees for both codes E0757 and E0758 by the same percentage reduction until the level for code E0751 is reached.

Base fee schedule amounts are to be gap-filled in accordance with instructions located in MCM §5102.2. Note, however, that base fee submitted to HCFA central office may not be updated by any covered item update factors other than the 1.7 percent (1989) update factor for base fees for DME and prosthetics and orthotics. In addition, please note that, in accordance with MCM §4107.10.D, payment for transtracheal oxygen catheters (A4608) can be made only as replacement items for use with oxygen equipment that was purchased prior to June 1, 1989. The carriers are to submit the base fees for these new codes to HCFA central office by November 16, 2000. If carriers have already submitted base fees for any of the codes listed above, they do not have to resubmit those base fees. The fees are to be submitted in ASCII files via EMAIL to Mary Anne Stevenson (MSTEVENSON@HCFA.GOV) and Joel Kaiser (JKAISER@HCFA.GOV).

The 2001 gap-filled codes are contained in the 2001 DMEPOS Fee Schedule file and are identifiable by a gap-fill indicator of "1." These codes have associated pricing amounts of 0. After receiving the gap-filled base fees, DHPPD will develop national fee schedule floors and ceilings and 2001 fee schedule amounts for these codes and release an addendum file to contractors on December 15, 2000. Local Part B carriers should note that the DHPPD files will not contain fee schedule amounts for non-continental areas under local carrier jurisdiction. Local carriers must update their fee schedules using the appropriate covered item updates.

We are asking that upon successful receipt of the file(s), the contractors send notification of receipt via EMAIL to Mary Anne Stevenson (MSTEVENSON@HCFA.GOV). This notification must state the name of the file received and the entities for which they were received (e.g., contractor name and FI/RHHI number).

Effective April 1, 2001, code E0760 (Ostogenesis Stimulator, Low Intensity Ultrasound, Non-Invasive) will be a covered item. Additional instructions will be provided in a separate PM. This item will be included in the payment category for capped rental DME. In accordance with the April 2001 quarterly update schedule outlined below, the DMERCs are to submit gap-filled base fee schedule amounts for this item to HCFA CO by January 29, 2001.

In the PM AB-99-72 containing contractor instructions for implementing the 2000 DMEPOS payment amounts (CR 976), carriers were instructed to gap-fill DME fee schedule amounts for code E0616 (Implantable Cardiac Recorder). On May 2, 2000, HCFA CO determined that this device does not fall into any DMEPOS benefit category. Carriers have the discretion to cover this device under some other benefit category; however, this device does not qualify as a DMEPOS item. Therefore, the DME fee schedule for this code will be deleted from the DMEPOS fee schedule file on January 1, 2001.

DMEPOS Update Factors for 2001

As mandated by the Balanced Budget Refinement Act of 1999, the fee schedules for DME are to receive a temporary increase of 0.3 percent for 2001. In accordance with section 1833(o)(2) of the Social Security Act, this 0.3 percent temporary increase for 2001 also applies to therapeutic shoes. Because this 0.3 percent increase applies only to 2001, it is not to be carried over into future years (e.g., 2002, 2003).

As mandated by the Balanced Budget Act of 1997, the fee schedules for surgical dressings, ostomy supplies, tracheostomy supplies, and urologicals are to be frozen for 2001 (i.e., increased by 0 percent for 2001). The fee schedules for prosthetic devices (excluding ostomy supplies, tracheostomy supplies, and urologicals) and prosthetics and orthotics are to be increased by 1 percent for 2001.

It is possible that the DMEPOS update factors described above could be changed through the legislative process.

Quarterly Update Schedule for 2001 DMEPOS Fee Schedule

The following are instructions for a scheduled process for making corrections to base-year amounts for the 2001 DMEPOS fee schedule.

The process is stated below:

1. The DMERCs and SADMERC will identify those instances where base year fees are incorrect and forward requests for revisions to their regional offices. The DMERCs will also identify those instances where fee schedule amounts are replaced by inherent reasonableness (IR) limits/payment amounts. Contractors must use the file layout in Attachment A to submit all revisions. Regional offices will review those requests and, upon concurrence, forward them to the Center for Health Plans and Providers/Program Development and Information Group (CHPP/PDIG), Attention: Mary Anne Stevenson. (Those transmissions must occur within the dates provided in the schedule below.)

2. The requests for revisions must be accompanied by a narrative description. This narrative description must be forwarded via E-Mail to Mary Anne Stevenson (MSTEVENSON@HCFA.GOV) in CHPP/PDIG and Joel Kaiser (JKAISER@HCFA.GOV) in the Center for Health Plans and Providers/Chronic Care Policy Group (CHPP/CCPG).

3. For inherent reasonableness (IR) changes, the effective date of the revised payment amount must also be provided. Attachment A provides a field for those dates.

4. CHPP/PDIG will recalculate the current year fee schedule amounts as appropriate.

5. CHPP/PDIG will transmit the entire DMEPOS file to the DMERCs, SADMERC, and local carriers using the file layout described in Attachment B. An indicator in the record field will identify those instances where pricing amounts have changed. (These transmissions must occur

within the dates provided in the schedule below. CHPP/CCPG (Joel Kaiser) must also receive a copy of the corrected fees.

6. Concurrently, CHPP/CCPG will issue instructions for implementing the revised fee schedule amounts.

7. The DMERCs and local carriers should give providers 30 days notification before revised payment amounts are implemented. Dates for implementation are provided in the schedule below.

8. In terms of handling adjustments, carriers should make adjustments on those claims that were processed incorrectly if brought to their attention. Adjustments may be made retroactively to January 1 of the current year unless otherwise specified.

NOTE: This PM will apply in all instances unless the situation requires special consideration. In those instances, instructions on handling adjustments will be provided on a case by case basis.

9. Separate instructions will be issued describing the data exchange for the fiscal intermediaries (FIs). In summary, FIs will receive the revised payment amounts 2 to 3 weeks after the carriers receive the data from CHPP/PDIG. FIs may not implement the revised payment amounts prior to the carriers' implementation date.

10. CHPP/PDIG will furnish the revised payment amounts to RRB, Indian Health Service and United Mine Workers. DMERCs and Local Part B Carriers must provide the data to the State Medicaid Agencies.

11. Fee Schedule Disclaimer: Whenever the carriers publish the DMEPOS fee schedule in their bulletins/notices, a disclaimer must be added. The disclaimer is -- "Inclusion or exclusion of a fee schedule amount for an item or service does not imply any health insurance coverage."

12. Schedule for changes for 2001 DMEPOS Fees:

<u>Changes to CHPP/PDIG (Mary Anne Stevenson)</u>	<u>CHPP/PDIG Transmit Files</u>	<u>Carriers Implement</u>
January 29	February 12	April **
April 10	May 4	July **
July 17	August 10	October **
September 14	November 5 ***	January 1, 2002

* DMERCs or local carriers will forward changes to the RO. ROs will forward requests to CHPP/PDIG/Mary Anne Stevenson.

** Carriers must implement by mid-month after providing 30 days notice. If necessary, adjustments may be made retroactive to January 1 of the current year.

*** Estimated date because 2002 process not finalized.

The effective date for this PM is January 1, 2001.

The implementation date for this PM is January 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after July 1, 2001.

Any questions regarding these instructions should be directed to Joel Kaiser on (410) 786-4499. Questions regarding the transmission of the file, file layout, and submission of base fees to HCFA central office should be directed to Mary Anne Stevenson on (410) 786-1818.

**PROCESS FOR SUBMITTING REVISIONS TO DMEPOS FEE SCHEDULE TO
CHPP/DHPPD (Mary Anne Stevenson)**

Revisions to DMEPOS fees should be contained in an ASCII file with the following file specifications:

DATA SET NAME: DMEREV1A.TXT -- First Quarter Submission
 DMEREV1B.TXT -- Second Quarter Submission
 DMEREV1C.TXT -- Third Quarter Submission
 DMEREV1D.TXT -- Fourth Quarter Submission

<u>FIELD NAME</u>	<u>PIC</u>	<u>POSITION</u>	<u>COMMENT</u>
HCPCS CODE	X(5)	1-5	
FILLER	X(1)	6-6	
FIRST MODIFIER	X(2)	7-8	
FILLER	X(1)	9	Set to Spaces
SECOND MODIFIER	X(2)	10-11	
FILLER	X(2)	12-13	Set to Spaces
STATE	X(3)	14-16	
FILLER	X(1)	17	Set to Spaces
REVISED BASE FEE	S9(5).99	18-26	1992 level for surgical dressings; 1989 for all other categories
FILLER	X(1)	27	Set to Spaces
CAPPED RENTAL INHERENT REASONABLENESS (IR) INDICATOR	X(1)	28	For Capped Rental Services Only: 0--IR not applied to original base fee, base fee is subject to rebasing adjustment 1--IR applied to original base fee, base fee is exempted from rebasing adjustment
FILLER	X(1)	29	Set to Spaces
NATURE OF FEE REVISION	X(1)	30	0--Correction 1--IR Revision 2--Other--Please submit supporting documentation
FILLER	X(1)	31	Set to Spaces
IR-EFFECTIVE DATE	9(8)	32-39	Field is applicable only to those records where the fee has changed due to an inherent reasonableness decision and the previous field contains a value of "1". Format is YYYYMMDD

**PROCESS FOR SUBMITTING REVISIONS TO DMEPOS FEE SCHEDULE TO
CHPP/DHPPD (Mary Anne Stevenson)**

These ASCII files must be forwarded to CHPP/DHPPD. If sent electronically, send to Mary Anne Stevenson (MSTEVENSON or MSTEVENSON@HCFA.GOV). If the files are mailed, please use the following address:

Health Care Financing Administration
Division of Health Plans and Provider Data/CHPP
C4-14-21 7500 Security Blvd.
Baltimore, MD 21244-1850

REVISED RECORD LAYOUT FOR 2001 DMEPOS FEE SCHEDULE DATA

SORT SEQUENCE: Category, HCPCS , 1st Mod, 2nd Mod, State

<u>FIELD NAME</u>	<u>PIC</u>	<u>POSITION</u>	<u>COMMENT</u>
YEAR	X(4)	1-4	Applicable Update Year
HCPCS CODE	X(5)	5-9	All current year active and deleted codes subject to DMEPOS floors and ceilings
1ST MODIFIER	XX	10-11	
2ND MODIFIER	XX	12-13	
JURISDICTION	X14		D--DMERC jurisdiction L--Local Part B Carrier jurisdiction J--Joint DMERC/Local Carrier jurisdiction
CATEGORY	XX	15-16	IN--Inexpensive/Routinely Purchased FS--Frequently Serviced CR--Capped Rental OX--Oxygen & Oxygen Equipment OS--Ostomy, Tracheostomy & Urologicals SD--Surgical Dressings PO--Prosthetics & Orthotics SU--Supplies TE--TENS
HCPCS ACTION	X17		Indicates active/delete status in HCPCS file A--Active Code D--Deleted Code, price provided for grace period processing only
REGION	XX	18-19	This amount is not used for pricing claims. It is on file for informational purposes. 00--For all non Prosthetic and Orthotic Services 01-10--For Prosthetic and Orthotic Services Only. This field denotes the applicable regional fee schedule
STATE	XX	20-21	
ORIGINAL BASE FEE	9(5)V99	22-28	This amount is not used for pricing claims. It is on file for informational purposes. For capped rental services this amount represents the base fee after adjustments for rebasing and statewide conversions. The base year for E0607 and L8603 is 1995. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they do not have a true base fee. For these codes, this field will be filled with zeros.

REVISED RECORD LAYOUT FOR 2001 DMEPOS FEE SCHEDULE DATA

CEILING	9(5)V99 29-35		This amount is not used for pricing claims. It is on file for informational purposes, and could be integrated into other processes (i.e., IR review, validation, inquiries). Note that since E0607 is priced via national IR, it is not priced using floors and ceilings. For E0607, this field will be filled with zeros. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they are not subject to ceilings and floors. For these codes, this field will be filled with zeros.
FLOOR	9(5)V99 36-42		This amount is not used for pricing claims. It is on file for informational purposes, and could be integrated into other processes (i.e., IR review, validation, inquiries). Note that since E0607 is priced via national IR, it is not priced using floors and ceilings. For E0607, this field will be filled with zeros. Since pricing amounts for E1405 and E1406 are developed by summing pricing amounts from source codes, they are not subject to ceilings and floors. For these codes, this field will be filled with zeros.
UPDATED FEE SCHEDULE AMOUNT	9(5)V99	43-49	Amount used for pricing
GAP-FILL INDICATOR	X	50	0--No Gap-filling Required. 1--Carrier Needs to Gap-fill Original Base Year Amount.
PRICING CHANGE INDICATOR	X	51	0--No change to the updated fee schedule amount since previous release. 1--A change has occurred to the updated fee schedule amount since the previous release.
FILLER	X(9)	52-60	

ATTACHMENT C

BASE (1989) FEE SCHEDULE AMOUNTS - Code E0751

The sum of the base fees for codes E0757 and E0758 should not exceed the applicable base fees for code E0751 below.

AL	\$2,469.37	MT	\$1,705.75
AR	\$6,107.98	NC	\$5,769.21
AZ	\$4,924.91	ND	\$1,705.75
CA1 (31140)	\$4,839.53	NE	\$5,330.40
CA2 (02050)	\$4,944.89	NH	\$4,686.46
CO	\$1,705.75	NJ	\$5,173.73
CT	\$5,546.55	NM	\$5,633.61
DC	\$5,173.73	NV	\$4,924.91
DE	\$5,173.73	NY1 (00803)	\$5,365.35
FL	\$4,502.92	NY2 (14330)	\$5,655.75
GA	\$5,254.08	NY3 (00801)	\$4,975.34
IA	\$1,705.75	OH	\$4,104.70
ID	\$2,434.84	OK	\$5,633.61
IL	\$3,566.79	OR	\$6,306.72
IN	\$5,450.59	PA	\$5,173.73
KS	\$5,330.40	RI	\$4,686.46
KY	\$5,170.34	SC	\$5,462.42
LA	\$6,107.98	SD	\$1,705.75
MA	\$4,686.46	TN	\$5,769.21
MD	\$5,633.61	TX	\$5,633.61
ME	\$4,686.46	UT	\$6,107.98
MI	\$3,566.79	VA	\$4,734.16
MN	\$5,422.26	VT	\$4,686.46
MO1 (00740)	\$5,330.40	WA	\$2,427.88
MO2 (00523)	\$6,107.98	WI	\$5,371.64
MS	\$4,502.36	WV	\$4,104.70
		WY	\$1,705.75