Program Memorandum Intermediaries/Carriers

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

Transmittal AB-01-175 **Date: DECEMBER 7, 2001**

This Program Memorandum re-issues AB-00-124, Change Request 1288 dated December 15, 2000. The only change is the discard date; all other material remains the same.

CHANGE REQUEST 1288

SUBJECT: Payment for Method II Home Dialysis Supplies

This Program Memorandum (PM) clarifies CMS's policy with respect to billing and payment of Method II home dialysis supplies when an End Stage Renal Disease (ESRD) home dialysis patient is hospitalized as an inpatient. During an inpatient stay, the hospital is responsible for providing all supplies and equipment needed for dialysis. Therefore, the ESRD patient may not use his or her home dialysis supplies on the days that he or she is hospitalized.

It has come to CMS's attention that some suppliers are inappropriately billing for the full month's worth of supplies in the month following a home dialysis patient's hospitalization. Method II suppliers may bill only for the amount of supplies that the beneficiary actually used in the prior month. Home dialysis patients may retain 1 month's worth of emergency supplies. Therefore, in the month following a home dialysis patient's hospitalization, the supplier must reduce the monthly delivery of, and billing for, new supplies to account for the supplies the Method II beneficiary did not use during his or her hospitalization. The effect of this limitation on new supplies is that the home dialysis patient will have sufficient emergency supplies on hand to last for 1 month, but no more than 1 month.

The Common Working File (CWF) will implement an edit to identify a beneficiary who has had Method II ESRD supplies billed to a durable medical equipment regional carrier (DMERC), and who has also been a hospital inpatient during the previous month. CWF will identify Method II ESRD supply claims coming from the DMERCs by searching for the following HCPCS codes:

A4650	A4655	A4660	A4663	A4670	A4680
A4690	A4700	A4705	A4712	A4714	A4730
A4735	A4740	A4750	A4755	A4760	A4765
A4770	A4771	A4772	A4773	A4774	A4780
A4790	A4800	A4820	A4850	A4860	A4870
A4880	A4890	A4900	A4901	A4905	A4910
A4912	A4913	A4914	A4918	A4919	A4920
A4921	A4927				

Hospitals submit inpatient claims on UB-92 HCFA-1450, Type of Bill 11X. CWF will flag the Method II claims if the inpatient stay lasted three days or more. If the beneficiary had a stay that lasted longer than 3 days, DMERCs and suppliers must not count the day of admission or the day of discharge when prorating supplies. When CWF flags a Method II ESRD claim, it will send an alert to notify the DMERC that the beneficiary had an inpatient hospital stay lasting 3 days or more during the previous month.

CMS requires all Method II dialysis suppliers to have a written agreement with a backup renal facility, which maintains the beneficiary's medical records. DMERCs must encourage backup facilities to notify the appropriate supplier if the backup facility becomes aware that a beneficiary became an inpatient for part of a month. When the backup facility notifies the supplier of a beneficiary's inpatient stay, the supplier will know it must prorate its bills for the next month's supplies for that beneficiary. Similarly, suppliers should request that the beneficiaries that they service inform their supplier when they are in the hospital.

DMERCs must not apply this reduction to equipment rental, since the beneficiary does not return the equipment to the supplier during a period of hospitalization. Therefore, the supplier may continue to bill in full for the rental of home dialysis equipment.

As with any other Medicare claims, the supplier billing for home dialysis supplies and equipment must complete all required information on the claim form, including any codes or modifiers required by CMS or its contractors.

If the DMERCs discover, through their normal data analysis activities, that this activity is presenting a significant vulnerability to the Medicare program, they must take the appropriate corrective action. Chapter 3 of the Program Integrity Manual provides more direction on the application of appropriate corrective actions.

The *effective date* for this policy is December 15, 2000.

The *implementation date* for this policy is December 15, 2000.

The *implementation date for systems changes* is April 2001 (no retroactive adjustments). DMERCs must not reopen claims adjudicated prior to this date.

These instructions should be implemented within your current operating budget.

This PM may be discarded after December 15, 2002.

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