MLN Matters®
Information for Medicare Fee-for-Service Health Care Professionals

News Flash – Suppliers submitting a bid for a product category in a competitive bidding area (CBA) must meet all state licensure requirements for DMEPOS and other applicable state licensure requirements, if any, for that product category for every state in that CBA. Prior to submitting a bid for a CBA and product category, the supplier must have a copy of the applicable state licenses on file with the NSC. Suppliers must be accredited for a product category to submit a bid for that product category. Suppliers subject to the surety bond requirement must be bonded in order to bid. For more information on the Medicare DMEPOS Competitive Bidding Program please visit *http://www.cms.hhs.gov/CompetitiveAcqforDMEPOS/* on the CMS website.

MLN Matters® Number: MM6528 Revised

Related Change Request (CR) #: 6528

Related CR Release Date: September 1, 2009

Effective Date: September 8, 2009

Related CR Transmittal #: R300PI

Implementation Date: March 1, 2010

Compliance Standards for Consignment Closets and Stock and Bill Arrangements

Note: This article was revised on September 2, 2009, to reflect the revised CR 6528, issued by the Centers for Medicare & Medicaid Services on September 1, 2009. The CR release date, transmittal number, implementation date, and the Web address for accessing CR 6528 have been changed. All other information remains the same.

Provider Types Affected

Suppliers of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) which maintain inventory at a practice location owned by a physician or non-physician practitioner for the purpose of DMEPOS distribution and which submit claims to the National Supplier Clearinghouse Medicare Administrative Contractor (NSC-MAC) are affected. In addition, physicians and non-physician practitioners who maintain DMEPOS inventory at the physician or non-physician practitioner's practice location for the purpose of DMEPOS distribution should be aware of this issue.

Provider Action Needed

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This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

DMEPOS suppliers, physicians and non-physician practitioners who maintain consignment closets and stock and bill arrangements for DMEPOS must comply with current standards, which may be verified by the NSC-MAC. Providers should assure that their billing staff are advised of these billing and compliance standards.

Background

This article is based on CR 6528, which defines and prohibits certain arrangements where an enrolled DMEPOS supplier maintains inventory at a practice location that is not owned by the enrolled DMEPOS supplier, but rather, owned by a physician or non-physician practitioner for the purpose of DMEPOS distribution, commonly referred to as a consignment closet and/or stock and bill arrangement. A common practice example is that of an enrolled physician practice that allows DMEPOS owned by a separately enrolled DMEPOS supplier to be kept at the physician's practice location.

CR 6528 instructs the NSC-MAC that use of consignment closets and/or stock and bill arrangements, as defined in the background above, must be in compliance with current standards. In addition, the CR defines additional specific compliance standards for NSC-MAC validation for consignment closets and stock and bill arrangements added to the Medicare Program Integrity Manual (PIM), chapter 10, section 21.8, and viewable as an attachment to CR 6528 at *http://www.cms.hhs.gov/Transmittals/downloads/R300PI.pdf* on the Centers for Medicare & Medicaid Services (CMS) website.

Medicare allows Medicare enrolled DMEPOS suppliers to maintain inventory at a practice location owned by a physician or non-physician practitioner for the purpose of DMEPOS distribution when the following conditions are met by the DMEPOS supplier and verified by the NSC-MAC:

- The title to the DMEPOS shall be transferred to the enrolled physician or non-physician practitioner's practice at the time the DMEPOS is furnished to the beneficiary.
- The physician or non-physician practitioner's practice shall bill for the DMEPOS supplies and services using their own enrolled DMEPOS billing number.
- All services provided to a Medicare beneficiary concerning fitting or use of the DMEPOS shall be performed by individuals being paid by the physician or non-physician practitioner's practice, not by any other DMEPOS supplier.
- The beneficiary shall be advised that, if they have a problem or questions with the DMEPOS, they should contact the physician or non-physician practitioner's practice, not the DMEPOS supplier who placed the DMEPOS at the physician or non-physician practitioner's practice.

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The NSC-MAC shall verify that no more than one enrolled DMEPOS supplier shall be enrolled and/or located at the same practice location. (Note: This prohibition does not exist for one or more physicians enrolled as DMEPOS suppliers at the same physical location.) A practice location shall have a separate entrance and separate post office address, recognized by the United States Postal Service.

The NSC-MAC customer service personnel shall respond to direct provider and/or supplier questions concerning compliance with this policy. The responsibility for determining compliance with these provisions is the responsibility of the DMEPOS supplier, physician, or non-physician practitioner.

Additional Information

If you have questions, please contact the Medicare NSC-MAC at their toll-free number which may be found at *http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip* on the CMS website.

The official instruction, CR 6528, issued to the Medicare NSC-MAC regarding this change, may be viewed at *http://www.cms.hhs.gov/Transmittals/downloads/R300PI.pdf* on the CMS website.

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