CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2836	**Date: December 13. 2013**
	Change Request 8531

SUBJECT: CY 2014 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

I. SUMMARY OF CHANGES: This recurring update notification (RUN) provides instructions on the CY 2014 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule. This recurring update notification applies to chapter 23, section 60 of the Pub. 100-04 Medicare Claims Processing Manual.

EFFECTIVE DATE: January 1, 2014
IMPLEMENTATION DATE: January 6, 2014

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	23/60.3 Gap-filling DMEPOS Fees

III. FUNDING:
For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:
No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC statement of Work. The contractor is not obliged to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification
Manual Instruction

**Unless otherwise specified, the effective date is the date of service.*

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 2836	Date: December 13, 2013	Change Request: 8531

SUBJECT: CY 2014 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

EFFECTIVE DATE: January 1, 2014
IMPLEMENTATION DATE: January 6, 2014

I. GENERAL INFORMATION

A. Background: This recurring update notification provides instructions regarding the 2014 annual update for the DMEPOS fee schedule. The DMEPOS fee schedules are updated on an annual basis in accordance with statute and regulations. The update process for the DMEPOS fee schedule is located in Pub.100-04, Medicare Claims Processing Manual, chapter 23, section 60.

Payment on a fee schedule basis is required for durable medical equipment (DME), prosthetic devices, orthotics, prosthetics, and surgical dressings by §1834(a), (h), and (i) of the Social Security Act. Also, payment on a fee schedule basis is a regulatory requirement at 42 CFR §414.102 for parenteral and enteral nutrition (PEN) and splints, casts and certain intraocular lenses.

B. Policy: Fee Schedule Files

The CMS Division of Data Systems (DDS) is scheduled to electronically release the 2014 DMEPOS Fee Schedule Part B file (filename: MU00.@BF12393.DMEPOS.T140101.V1204) to the Pricing, Data Analysis and Coding (PDAC) Contractor , DME MACs and Part B MACs via CMS's mainframe telecommunication system on December 4, 2013. The DDS is scheduled to release a separate 2014 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS.T140101.V1204.FI) to the Part A MACs, intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers on December 4, 2013. The DMEPOS fee schedule file will also be available on for State Medicaid Agencies, managed care organizations, and other interested parties on the CMS Website at www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched The 2014 fee schedule for PEN is scheduled to be released to the PDAC and DME MACs in a separate file (filename: MU00.@BF12393.PEN.CY14.V1204) on December 4, 2013.

New Codes Added

New DMEPOS codes added to the Healthcare Common Procedure Coding System (HCPCS) file, effective January 1, 2014, where applicable, are listed in Business Requirement (BR) # 6 of this Change Request (CR). The new codes are not to be used for billing purposes until they are effective on January 1, 2014.

For gap-filling pricing purposes, the 2013 deflation factors by payment category are: 0.469 for Oxygen, 0.472 for Capped Rental, 0.473 for Prosthetics and Orthotics, 0.600 for Surgical Dressings, and 0.653 for Parental and Enteral Nutrition.

Codes Deleted

The following codes will be deleted from the DMEPOS fee schedule files effective January 1, 2014:

A4611 A4612 A4613 E0457 E0459 L0430 L8685 L8686 L8687 and L8688

Specific Coding and Pricing Issues

As part of this update, fee schedules for the following codes will be added to the DMEPOS fee schedule file effective January 1, 2014:

A4387 Ostomy Pouch, Closed, With Barrier Attached, With Built-In Convexity, (I Piece), Each

L3031 Foot, Insert/Plate, Removable, Addition to Lower Extremity Orthotic, High Strength, Lightweight Material, All Hybrid Lamination/Prepreg Composite, Each.

CMS is also adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 as part of this update in order to reflect more current allowed service data. Section 1833(o)(2)(C) of the Act required that the payment amounts for shoe modification codes A5503 through A5507 be established in a manner that prevented a net increase in expenditures when substituting these items for therapeutic shoe insert codes (A5512 or A5513). To establish the fee schedule amounts for the shoe modification codes, the base fees for codes A5512 and A5513 were weighted based on the approximated total allowed services for each code for items furnished during the second quarter of calendar year 2004. For 2014, CMS is updating the weighted average insert fees used to establish the fee schedule amounts for the shoe modification codes with more current allowed service data for each insert code. The base fees for A5512 and A5513 will be weighted based on the approximated total allowed services for each code for items furnished during the calendar year 2012. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2014.

In addition, as part of this update, we are also correcting the fee schedule amounts associated with HCPCS code E2373 KE. The E2373 KE fee schedule amounts are revised so that the 2009 five percent covered item update is applied to the E2373 KC amount rather than the E2373 (non-modifier) amount. Code E2373 KC was bid in the DMEPOS Competitive Bidding Program (CBP) Round 1.

Off-the-Shelf Orthotics

Section 1847(a)(2)(C) of the Act mandates implementation of competitive bidding programs throughout the United States for awarding contracts for furnishing off-the-shelf (OTS) orthotics which require minimal self-adjustment for appropriate use and do not require expertise in trimming, bending, molding, assembling, or customizing to fit the individual. Regulations at 42 CFR §414.402 define the term “minimal self-adjustment” to mean an adjustment that the beneficiary, caretaker for the beneficiary, or supplier of the device can perform and that does not require the services of a certified orthotist (that is, an individual who is certified by the American Board for Certification in Orthotics and Prosthetics, Inc, or by the Board for Orthotist/Prosthetist Certification) or an individual who has specialized training.

As shown in Attachment B, effective January 1, 2014, 22 new codes L0455, L0457, L0467, L0469, L0641, L0642, L0643, L0648, L0649, L0650, L0651, L1812, L1833, L1848, L3809, L3916, L3918, L3924, L3930, L4361, L4387, and L4397 are added to the HCPCS for off-the-shelf (OTS) orthotics. In addition, as part of the review to determine which HCPCS codes for prefabricated orthotics describe OTS orthotics, it was determined that HCPCS codes for prefabricated orthotics describe items that are furnished OTS and items that require expertise in customizing the orthotic to fit the individual patient. It was therefore necessary to explode these codes into two sets of codes: the existing codes revised, effective January 1, 2014, to only describe devices customized to fit a specific patient by an individual with expertise, and a second set of new codes describing the OTS items.

Also as shown in Attachment B, for CY 2014, the fee schedule amounts for existing codes will be applied to the corresponding new codes added for the items furnished OTS. The cross walking of fee schedule amounts for a single code that is exploded into two codes for distinct complete items is in accordance with the instructions found in the Medicare Claims Processing Manual (100-04), Chapter 23, section 60.3.1.

Further information on the development of new OTS orthotic codes can be found at the CMS website at http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/OTS_Orthotics.html

Neurostimulator Devices

HCPCS codes, L8685, L8686, L8687, and L8688 are not included on the 2014 DMEPOS fee schedule file. They were removed from the file to reflect the change in the coverage indicators for these codes to invalid for Medicare ("I) effective January 1, 2014. However, code L8679 Implantable Neurostimulator, Pulse Generator, Any Type is added to the HCPCS and DMEPOS fee schedule file, effective January 1, 2014, for billing Medicare claims previously submitted under L8685, L8686, L8687 and L8688. The fee schedule amounts for code L8679 are based on the established Medicare fee schedule amounts for all types of pulse generators under the previous HCPCS code E0756 Implantable Neurostimulator Pulse Generator (discontinued code effective 12/31/2005). The payment amount is based on the explosion of code E0756 into four codes for different types of neurostimulator pulse generator systems which were not materially utilized in the Medicare program. As such, payment for code L8679 will revert back to the fee schedule amounts previously established for code E0756.

Diabetic Testing Supplies

The fee schedule amounts for non-mail order diabetic testing supplies (without KL modifier) for codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, A4259 are not updated by the covered item update for CY 2014. In accordance with section 636(a) of the American Taxpayer Relief Act of 2012, the fee schedule amounts for these codes were adjusted in CY 2013 so that they are equal to the single payment amounts for mail order diabetic testing supplies (DTS) established in implementing the national mail order competitive bidding program (CBP)under section 1847 of the Act. The non-mail order payment amounts on the fee schedule file will be updated each time the single payment amounts are updated which can happen no less often than every three years as CBP contracts are recompeted. The national competitive bidding program for mail order diabetic supplies is effective July 1, 2013 to June 30, 2016. The program instructions reviewing these changes are Transmittal 2709, Change Request (CR) 8325, dated May 17, 2013 and Transmittal 2661, Change Request (CR) 8204, dated February 22, 2013.

Although for payment purposes the single payment amounts replace the fee schedule amounts for mail order DTS (KL modifier), the fee schedule amounts remain on the DMEPOS fee schedule file as reference data such as for establishing bid limits for future rounds of competitive bidding programs. The mail order DTS fee schedule amounts shall be updated annually by the covered item update, adjusted for multi-factor productivity (MFP), which results in update of 1.0% for CY 2014. The single payment amount public use file for the national mail order competitive bidding program is available at the website http://www.dmecompetitivebid.com/palmetto/cbicrd2.nsf/DocsCat/Single%20Payment%20Amounts

CY 2014 Fee Schedule Update Factor of 1.0 Percent

For CY 2014, the update factor of 1.0 percent is applied to the applicable CY 2013 DMEPOS fee schedule amounts.

In accordance with the statutory sections 1834(a)(14) and 1886(b)(3)(B)(xi)(II) of the Act, the DMEPOS fee schedule amounts are to be updated for 2014 by the percentage increase in the consumer price index for all urban consumers (United States city average) or CPI-U for the 12-month period ending with June of 2013, adjusted by the change in the economy-wide productivity equal to the 10-year moving average of changes in annual economy-wide private non-farm business multi-factor productivity (MFP). The MFP adjustment is 0.8 percent and the CPI-U percentage increase is 1.8 percent. Thus, the 1.8 percentage increase in the CPI-U is reduced by the 0.8 percentage increase in the MFP resulting in a net increase of 1.0 percent for the update factor.

2014 Update to the Labor Payment Rates

Included in Attachment A are the CY 2014 allowed payment amounts for HCPCS labor payment codes K0739, L4205 and L7520. Since the percentage increase in the Consumer Price Index for all urban consumers (CPI- U) for the twelve month period ending with June 30, 2013, is 1.8%, this change is applied to the 2013 labor payment amounts to update the rates for CY 2014. The 2014 labor payment amounts in Attachment A are effective for claims submitted using HCPCS codes K0739, L4205 and L7520 with dates of service from January 1, 2014 through December 31, 2014.

2014 National Monthly Payment Amounts for Stationary Oxygen Equipment

As part of this update, we are implementing the 2014 national monthly payment amount for stationary oxygen equipment (HCPCS codes E0424, E0439, E1390 and E1391), effective for claims with dates of service on or after January 1, 2014. We include the updated national 2014 monthly payment amount of $178.24 for stationary oxygen equipment codes in the DMEPOS fee schedule. As required by statute, the payment amount must be adjusted on an annual basis, as necessary, to ensure budget neutrality of the new payment class for oxygen generating portable equipment (OGPE). Also, the updated 2014 monthly payment amount of $178.24 includes the 1.0 percent update factor for the 2014 DMEPOS fee schedule. Thus, the 2013 rate changed from $177.36 to the 2014 rate of $178.24.

When updating the stationary oxygen equipment fees, corresponding updates are made to the fee schedule amounts for HCPCS codes E1405 and E1406 for oxygen and water vapor enriching systems. Since 1989, the fees for codes E1405 and E1406 have been established based on a combination of the Medicare payment amounts for stationary oxygen equipment and nebulizer codes E0585 and E0570, respectively.

2014 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

Also updated for 2014 is the payment amount for maintenance and servicing for certain oxygen equipment. Payment for claims for maintenance and servicing of oxygen equipment was instructed in Transmittal 635, Change Request (CR) 6792, dated February 5, 2010 and Transmittal 717, Change Request (CR) 6990, dated June 8, 2010. To summarize, payment for maintenance and servicing of certain oxygen equipment can occur every 6 months beginning 6 months after the end of the 36th month of continuous use or end of the supplier's or manufacturer's warranty, whichever is later for either HCPCS code E1390, E1391, E0433 or K0738, billed with the "MS" modifier. Payment cannot occur more than once per beneficiary, regardless of the combination of oxygen concentrator equipment and/or transfilling equipment used by the beneficiary, for any 6-month period.

Per 42 CFR §414.210(5)(iii), the 2010 maintenance and servicing fee for certain oxygen equipment was based on 10 percent of the average price of an oxygen concentrator. For CY 2011 and subsequent years, the maintenance and servicing fee is adjusted by the covered item update for DME as set forth in §1834(a)(14) of the Act. Thus, the 2013 maintenance and servicing fee is adjusted by the 1 percent MFP-adjusted covered item update factor to yield a CY 2014 maintenance and servicing fee of $68.73 for oxygen concentrators and transfilling equipment.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility											
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				Other
		A	B	HHH					FISS	MCS	VMS	CWF	
8531.1	The DME MACs, Part B MACs and/or EDCs		X		X								EDCs

Number	Requirement	Responsibility											
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				Other
		A	B	HHH					FISS	MCS	VMS	CWF	
	shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T140101.V1204). The file is available for download on or after December 4, 2013.												
8531.1.1	Notification of successful receipt shall be sent notification via email to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity receiving the file (e.g., contractor name and number).		X		X								EDCs
8531.2	The Part A MACs, RHHIs and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T140101.V1204.FI). The file is available for download on or after December 4, 2013.	X		X				X					EDCs
8531.2.1	Notification of successful receipt shall be sent via email to price_file_receipt@cms.hhs.gov stating the name of the file received and the entity receiving the file (e.g., contractor name and number).	X		X				X					EDCs
8531.3	The DME MACs and/or EDCs shall retrieve the PEN fee schedule file (filename: MU00.@BF12393.PEN.CY14.V1204). The file is available for download on or after December 4, 2013.				X								EDCs
8531.4	Contractors shall use the 2014 DMEPOS fee schedule payment amounts to pay claims for items furnished from January 1, 2014 through December 31, 2014.	X	X	X	X			X					
8531.5	The DME MACs shall use the 2014 PEN fee schedule payment amounts to pay claims for items furnished from January 1, 2014 through December 31, 2014.				X								
8531.6	The HCPCS codes listed below are being added to the HCPCS on January 1, 2014, and shall be added to the CWF categories (in parentheses) and payment category as follows: A7047 (04, 60) IN										X	X	

Number	Requirement	Responsibility											
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				Other
		A	B	HHH					FISS	MCS	VMS	CWF	
	E0766 (02, 60) FS E1352 (07, 60) N/A L5969 (03, 60) PO L8679 (03, 67) PO L0455 (03, 60) PO L0457 (03, 60) PO L0467 (03, 60) PO L0469 (03, 60) PO L0641-L0643 (03, 60) PO L0648-L0651 (03, 60) PO L1812 (03, 60) PO L1833 (03, 60) PO L1848 (03, 60) PO L3678 (03, 60) PO L3809 (03, 60) PO L3916 (03, 60) PO L3918 (03, 60) PO L3924 (03, 60) PO L3930 (03, 60) PO L4361 (03, 60) PO L4387 (03, 60) PO L4397 (03, 60) PO												
8531.7	Contractors shall use 2014 allowed payment amounts for code K0739 in Attachment A to pay claims for DME items with dates of service from	X	X	X	X			X					

Number	Requirement	Responsibility											
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				Other
		A	B	HHH					FISS	MCS	VMS	CWF	
	January 1, 2014, through December 31, 2014.												
8531.8	Contractors shall use the 2014 allowed payment amounts for codes L4205 and L7520 in Attachment A to pay claims for orthotic and prosthetic items with dates of service from January 1, 2014, through December 31, 2014.	X	X	X	X			X					
8531.9	The maintenance and servicing fee for certain oxygen equipment shall be $68.73 for claims with dates of service January 1, 2014 thru December 31, 2014. Payment is based on the lower of the supplier's actual charge or the maintenance and servicing fee.			X	X			X	X				
8531.10	Contractors shall implement changes to the 2014 DMEPOS fee schedules in accordance with the schedule outlined below.* **Changes to DDS*:** April 4, 2014; Sept 1, 2014 **DDS Transmit Files:** May 13, 2014; Nov 18, 2014 **Implement:** July 1, 2014; Jan 1, 2015 *DME MACs or carriers will forward changes to CMS/Division Data Systems: price_file_receipt @cms.hhs.gov.				X								

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Other
		A	B	HHH					
8531.11	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is	X	X	X	X			X	

Number	Requirement	Responsibility							
		A/B MAC			DME MAC	FI	CARRIER	RHHI	Other
		A	B	HHH					
	released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.								

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
9	Instructions on payment for maintenance and servicing of certain oxygen equipment are located in CRs 6792 and 6990.

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Anita Greenberg, Anita.Greenberg@cms.hhs.gov , Karen Jacobs, Karen.Jacobs@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR) or Contractor Manager, as applicable.

VI. FUNDING

Section A: For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers:
No additional funding will be provided by CMS; Contractors activities are to be carried out with their operating budgets

Section B: For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS do not construe this as a change to the MAC Statement of Work. The contractor is not

obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

Attachments (2)

Attachment A

2014 Fees for Codes K0739, L4205, L7520

STATE	K0739	L4205	L7520
AK	$27.40	$31.22	$36.73
AL	14.55	21.68	29.43
AR	14.55	21.68	29.43
AZ	17.99	21.66	36.21
CA	22.32	35.59	41.48
CO	14.55	21.68	29.43
CT	24.30	22.16	29.43
DC	14.55	21.66	29.43
DE	26.79	21.66	29.43
FL	14.55	21.68	29.43
GA	14.55	21.68	29.43
HI	17.99	31.22	36.73
IA	14.55	21.66	35.23
ID	14.55	21.66	29.43
IL	14.55	21.66	29.43
IN	14.55	21.66	29.43
KS	14.55	21.66	36.73
KY	14.55	27.76	37.64
LA	14.55	21.68	29.43
MA	24.30	21.66	29.43
MD	14.55	21.66	29.43
ME	24.30	21.66	29.43
MI	14.55	21.66	29.43
MN	14.55	21.66	29.43
MO	14.55	21.66	29.43
MS	14.55	21.68	29.43
MT	14.55	21.66	36.73
NC	14.55	21.68	29.43
ND	18.13	31.16	36.73
NE	14.55	21.66	41.04
NH	15.62	21.66	29.43
NJ	19.63	21.66	29.43
NM	14.55	21.68	29.43
NV	23.18	21.66	40.12
NY	26.79	21.68	29.43
OH	14.55	21.66	29.43
OK	14.55	21.68	29.43
OR	14.55	21.66	42.32
PA	15.62	22.30	29.43
PR	14.55	21.68	29.43
RI	17.34	22.32	29.43

STATE	K0739	L4205	L7520
SC	$14.55	21.68	29.43
SD	16.26	21.66	39.35
TN	14.55	21.68	29.43
TX	14.55	21.68	29.43
UT	14.59	21.66	45.83
VA	14.55	21.66	29.43
VI	14.55	21.68	29.43
VT	15.62	21.66	29.43
WA	23.18	31.77	37.74
WI	14.55	21.66	29.43
WV	14.55	21.66	29.43
WY	20.28	28.89	41.04

Attachment B – Prefabricated Orthotic Codes Split into Two Codes*
Effective January 1, 2014

Fee from Existing Code	Crosswalk to New Off-The-Shelf and Revised Custom Fitted Orthotic Codes
L0454	L0455 and L0454
L0456	L0457 and L0456
L0466	L0467 and L0466
L0468	L0469 and L0468
L0626	L0641 and L0626
L0627	L0642 and L0627
L0630	L0643 and L0630
L0631	L0648 and L0631
L0633	L0649 and L0633
L0637	L0650 and L0637
L0639	L0651 and L0639
L1810	L1812 and L1810
L1832	L1833 and L1832
L1847	L1848 and L1847
L3807	L3809 and L3807
L3915	L3916 and L3915
L3917	L3918 and L3917
L3923	L3924 and L3923
L3929	L3930 and L3929
L4360	L4361 and L4360
L4386	L4387 and L4386
L4396	L4397 and L4396

* Code descriptors available in the CY 2014 HCPCS file.

Medicare Claims Processing Manual
Chapter 23 - Fee Schedule Administration and Coding Requirements

60.3 - Gap-filling DMEPOS Fees
(Rev. 2836, Issued: 12-13-13, Effective: 01-01-14, Implementation: 01-06-14)

The DME MACs and local carriers must gap-fill the DMEPOS fee schedule for items for which charge data were unavailable during the fee schedule data base year using the fee schedule amounts for comparable equipment, using properly calculated fee schedule amounts from a neighboring carrier, or using supplier price lists with prices in effect during the fee schedule data base year. Data base "year" refers to the time period mandated by the statute and/or regulations from which Medicare allowed charge data is to be extracted in order to compute the fee schedule amounts for the various DMEPOS payment categories. For example, the fee schedule base year for inexpensive or routinely purchased durable medical equipment is the 12 month period ending June 30, 1987. Mail order catalogs are particularly suitable sources of price information for items such as urological and ostomy supplies which require constant replacement. DME MACs will gap-fill based on current instructions released each year for implementing and updating the new year's payment amounts.

If the only available price information is from a period other than the base period, apply the deflation factors that are included in the current year implementation instructions against current pricing in order to approximate the base year price for gap-filling purposes.

The deflation factors for gap-filling purposes are:

Year*	OX	CR	PO	SD	PE
1987	0.965	0.971	0.974	n/a	n/a
1988	0.928	0.934	0.936	n/a	n/a
1989	0.882	0.888	0.890	n/a	n/a
1990	0.843	0.848	0.851	n/a	n/a
1991	0.805	0.810	0.813	n/a	n/a
1992	0.781	0.786	0.788	n/a	n/a
1993	0.758	0.763	0.765	0.971	n/a
1994	0.740	0.745	0.747	0.947	n/a
1995	0.718	0.723	0.725	0.919	n/a
1996	0.699	0.703	0.705	0.895	0.973
1997	0.683	0.687	0.689	0.875	0.951
1998	0.672	0.676	0.678	0.860	0.936
1999	0.659	0.663	0.665	0.844	0.918
2000	0.635	0.639	0.641	0.813	0.885
2001	0.615	0.619	0.621	0.788	0.857
2002	0.609	0.613	0.614	0.779	0.848
2003	0.596	0.600	0.602	0.763	0.830
2004	0.577	0.581	0.582	0.739	0.804
2005	0.563	0.567	0.568	0.721	0.784
2006	0.540	0.543	0.545	0.691	0.752
2007	0.525	0.529	0.530	0.673	0.732
2008	0.500	0.504	0.505	0.641	0.697
2009	0.508	0.511	0.512	0.650	0.707
2010	0.502	0.506	0.507	0.643	0.700
2011	0.485	0.488	0.490	0.621	0.676

2012	0.477	0.480	0.482	0.611	0.665
2013	*0.469*	*0.472*	*0.473*	*0.600*	*0.653*

* Year price in effect

Payment Category Key:

OX	Oxygen & oxygen equipment (DME)
CR	Capped rental (DME)
IN	Inexpensive/routinely purchased (DME)
FS	Frequently serviced (DME)
SU	DME supplies
PO	Prosthetics & orthotics
SD	Surgical dressings
OS	Ostomy, tracheostomy, and urological supplies
PE	Parental and enteral nutrition
TS	Therapeutic Shoes

After deflation, the result must be increased by 1.7 percent and by the cumulative covered item update to complete the gap-filling (e.g., an additional .6 percent for a 2002 DME fee).

Note that when gap-filling for capped rental items, it is necessary to first gap-fill the purchase price then compute the base period fee schedule at 10 percent of the base period purchase price.

For used equipment, establish fee schedule amounts at 75 percent of the fee schedule amount for new equipment.

When gap-filling, for those carrier areas where a sales tax was imposed in the base period, add the applicable sales tax, e.g., five percent, to the gap-filled amount where the gap-filled amount does not take into account the sales tax, e.g., where the gap-filled amount is computed from pre-tax price lists or from another carrier area without a sales tax. Likewise, if the gap-filled amount is calculated from another carrier's fees where a sales tax is imposed, adjust the gap-filled amount to reflect the applicable local sales tax circumstances.

DME MACs and local carriers send their gap-fill information to CMS. After receiving the gap-filled base fees each year, CMS develops national fee schedule floors and ceilings and new fee schedule amounts for these codes and releases them as part of the July update file each year and during the quarterly updates.