

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 1544</b>	<b>Date: June 26, 2008</b>
	<b>Change Request 6007</b>

**SUBJECT: Manual Revisions to Reflect Special Billing Instructions for DMEPOS Items as a Result of the DMEPOS Competitive Bidding Program**

**I. SUMMARY OF CHANGES:** This chapter has been developed to manualize the policies and instructions for the DMEPOS Competitive Bidding Program. The purpose of this installment of chapter 36 is to provide special billing instructions to the Medicare contractors and suppliers for claims subject to the DMEPOS Competitive Bidding Program.

**New / Revised Material**

**Effective Date: July 1, 2008**

**Implementation Date: July 7, 2008**

*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
N	36/50/Special Billing Instructions for the DMEPOS Competitive Bidding Program
N	36/50.1/Electronic Submission of Claims and Mandatory Assignment
N	36/50.2/New Modifiers for DMEPOS Competitive Bidding Billing
N	36/50.3/Billing for Items in Multiple Product Categories
N	36/50.4/Claims Jurisdiction and Billing Procedures for Traveling Beneficiaries
N	36/50.5/Claims for DMEPOS Items Furnished to a Beneficiary by a Skilled Nursing Facility (SNF) or a Nursing Facility (NF)
N	36/50.6/Billing for Mail Order Supplies
N	36/50.7/Claims Submitted for Physicians/Practitioners Who Furnish Competitively Bid Items

N	36/50.8/Billing for Oxygen and Oxygen Equipment
N	36/50.9/Billing for Capped Rental DME Items
N	36/50.9.1/Certificates of Medical Necessity (CMN) and Capped Rental Billing

### III. FUNDING:

#### **SECTION A: For Fiscal Intermediaries and Carriers:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within 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 does 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.

### IV. ATTACHMENTS:

**Business Requirements**

**Manual Instruction**

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



### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
6007.2	<p>A provider education article related to this instruction will be available at <a href="http://www.cms.hhs.gov/MLN MattersArticles/">http://www.cms.hhs.gov/MLN MattersArticles/</a> shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.</p> <p>Contractors shall post this article, or a direct link to this article, on their Web site 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 your 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.</p>		X								

### IV. SUPPORTING INFORMATION

**Section A: For any recommendations and supporting information associated with listed requirements, use the box below:**

*Use "Should" to denote a recommendation.*

X-Ref Requirement Number	Recommendations or other supporting information:
	N/A

**Section B: For all other recommendations and supporting information, use this space: N/A**

### V. CONTACTS

**Pre-Implementation Contact(s):** Angela Costello at [Angela.Costello@cms.hhs.gov](mailto:Angela.Costello@cms.hhs.gov) or (410) 786-1554 and Tracey Hemphill at [Tracey.Hemphill@cms.hhs.gov](mailto:Tracey.Hemphill@cms.hhs.gov) or (410) 786-7169.

**Post-Implementation Contact(s):** Angela Costello at [Angela.Costello@cms.hhs.gov](mailto:Angela.Costello@cms.hhs.gov) or (410) 786-1554 and Tracey Hemphill at [Tracey.Hemphill@cms.hhs.gov](mailto:Tracey.Hemphill@cms.hhs.gov) or (410) 786-7169.

## **VI. FUNDING**

### **Section A: For *Fiscal Intermediaries (FIs) and Carriers*:**

No additional funding will be provided by CMS; contractor activities are to be carried out within 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 does 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.

# Medicare Claims Processing Manual

## Chapter 36-Competitive Bidding Program for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS)

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## **50 - Special Billing Instructions for the DMEPOS Competitive Bidding Program**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Claims for competitively bid items shall be submitted under the general DMEPOS claims billing guidelines specified in Chapter 20, § 110 of the Medicare Claims Processing Manual, with the following exceptions described in this section.*

### **50.1 - Electronic Submission of Claims and Mandatory Assignment**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Under the DMEPOS Competitive Bidding Program, all claims shall be submitted electronically using the ANSI 837P X12, version 4010A1 format, except for MSP claims. (NOTE: Claims with multiple MSP situations may be submitted on a paper claim.) Exceptions to the mandatory electronic billing requirement granted under the Administrative Simplification Compliance Act (ASCA) do not apply to DMEPOS Competitive Bidding claims.*

*All DMEPOS Competitive Bidding Program claims are subject to mandatory assignment. Mandatory assignment denotes that a supplier shall accept the Medicare payment as payment in full for their services. The beneficiary's liability is limited to any applicable deductible plus the 20 percent coinsurance. For additional information concerning mandatory assignment of claims, see Chapter 1, § 30.3.1 of the Medicare Claims Processing Manual.*

### **50.2 - New Modifiers for DMEPOS Competitive Bidding Billing**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Table 1 below describes the modifiers implemented for the DMEPOS Competitive Bidding Program. Specific instructions for the use of each modifier for billing are included in subsequent subsections.*

**Table 1: Modifiers Implemented for DMEPOS Competitive Bidding Billing**

<b>Modifier</b>	<b>Effective Date</b>	<b>Definition</b>
<i>KG</i>	<i>7/1/07</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding Program Number 1</i>
<i>KK</i>	<i>7/1/07</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding Program Number 2</i>
<i>KU</i>	<i>7/1/07</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding</i>

		<i>Program Number 3</i>
<i>KL</i>	<i>7/1/07</i>	<i>DMEPOS Item Delivered Via Mail</i>
<i>KT</i>	<i>7/1/07</i>	<i>Beneficiary Resides in a Competitive Bidding Area and Travels Outside that Competitive Bidding Area and Receives a Competitive Bid Item</i>
<i>KV</i>	<i>1/1/08</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding Program that is Furnished as Part of a Professional Service</i>
<i>KW</i>	<i>1/1/08</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding Program Number 4</i>
<i>KY</i>	<i>1/1/08</i>	<i>DMEPOS Item Subject to DMEPOS Competitive Bidding Program Number 5</i>

### ***50.3 – Billing for Items in Multiple Product Categories***

***(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)***

*New HCPCS modifiers were developed to facilitate implementation of various policies that apply to certain competitive bidding items. The KG, KK, KU, KW, and KY modifiers are pricing modifiers that suppliers must use to identify when the same supply or accessory HCPCS code is furnished in multiple competitive bidding product categories. For example, HCPCS code E0981 (Wheelchair Accessory, Seat Upholstery, Replacement Only, Each) is found in both the standard and complex rehabilitative power wheelchair competitive bidding product categories. Contract suppliers for the standard power wheelchair product category shall submit E0981 claims using the KG modifier, whereas contract suppliers for the complex rehabilitative power wheelchair product category shall use the KK modifier. All suppliers, including grandfathered suppliers, shall submit claims for competitive bid items using the aforementioned competitive bidding modifiers. The KG and KK modifiers are used in Round I of the competitive bidding program and the KU, KW and KY modifiers are reserved for future program use.*

### ***50.4 - Claims Jurisdiction and Billing Procedures for Traveling Beneficiaries***

***(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)***

*Claims for non-mail order competitively bid items furnished to beneficiaries who maintain a permanent residence in a CBA, but who are traveling outside of their CB when they obtain the item, must be submitted with a “KT” modifier to indicate a traveling beneficiary. Claims for competitively bid items furnished to beneficiaries who obtain the item outside of their CBA that do not have a “KT” modifier shall be denied. Jurisdiction for these claims remains with DME MAC with jurisdiction for the beneficiary based on the beneficiary’s permanent residence. Claims for mail order competitively bid items that have a “KT” modifier shall be denied.*



### **50.5 - Claims for DMEPOS Items Furnished to a Beneficiary by a Skilled Nursing Facility (SNF) or Nursing Facility (NF)**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*For purposes of claims adjudication under DMEPOS Competitive Bidding, beneficiaries who maintain a permanent residence in a CBA and, while a resident of a SNF or NF outside of a CBA, obtain a competitively bid item from that SNF or NF are treated as traveling beneficiaries when their permanent address is within a CBA. As a result, the SNF or NF shall submit a “KT” modifier on any claims for competitively bid items furnished to beneficiaries, under these circumstances.*

*A claim must include a place of service “31” to indicate that the beneficiary resides in a SNF or “32” to indicate that the beneficiary resides in a NF, as applicable. See § 20.5.2 for the policies applicable to SNFs and NFs that furnish competitively bid items under DMEPOS Competitive Bidding Program.*

### **50.6 - Billing for Mail Order Items**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*The “KL” modifier has been established for use in submitting claims for mail order DMEPOS items (e.g., diabetic supplies). Beneficiaries who maintain a permanent residence in CBAs for which there is a competitive bidding program for mail order diabetic supplies may choose to obtain their diabetic supplies through mail order or at a storefront.*

*A beneficiary who resides in a CBA and chooses to obtain their diabetic supplies through mail order must obtain these supplies from a contract supplier for mail order diabetic supplies for the CBA where they maintain a permanent residence. Claims for mail order diabetic supplies furnished to beneficiaries who maintain a permanent residence in a CBA must be billed with the modifier “KL”. If the beneficiary chooses to obtain their diabetic supplies at a storefront, DMEPOS competitive bidding rules do not apply and these claims will be processed under the normal guidelines for supply claims. See § 20.5.3 for additional information on mail-order contract suppliers of diabetic supplies.*

### **50.7 – Claims Submitted for Physicians and Treating Practitioners Who Furnish Competitively Bid Items**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Under DMEPOS Competitive Bidding, physicians and treating practitioners may furnish certain competitively bid items without submitting a bid and being awarded a contract. This exception requires that the items be furnished by the physician or treating practitioner to his or her own patients as part of his or her professional service.*

*The professional service must be furnished on the same date as the date that the DME item is initially furnished. In addition, physicians and treating practitioners must submit their office visit claim on the same day that they submit the DME claim to ensure timely*

*and accurate claims processing. Physicians and treating practitioners who provide DME items in their offices shall continue to be paid even though they are not a contract supplier for the items. See § 20.6 for additional information.*

*Physicians and treating practitioners that are located in a CBA must submit the “KV” modifier on claims for competitively bid items and related accessories that are furnished in accordance with this exception to receive payment for these items for the CBA where the beneficiary maintains a permanent residence. Physician and treating practitioner submitted competitive bidding claims that do not have an accompanying office visit will be denied. Physicians and treating practitioners located outside a CBA who furnish DME competitively bid items and/or related accessories as part of a professional service to traveling beneficiaries who maintain a permanent residence in a CBA must also affix the “KV” modifier to claims submitted for these items.*

### **50.8 - Billing for Oxygen and Oxygen Equipment**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Noncontract suppliers of oxygen and oxygen equipment may elect to become “grandfathered suppliers” and continue furnishing these items and services to beneficiaries after the start of the DMEPOS Competitive Bidding Program, if the beneficiary agrees to the arrangement. This grandfathering process only applies to suppliers that began furnishing oxygen and oxygen equipment to beneficiaries in a CBA prior to the implementation of the competitive bidding program for that area and choose to continue to furnish the grandfathered oxygen and oxygen equipment to these same beneficiaries in the CBA after the start of the DMEPOS Competitive Bidding Program. See §20.6 for additional information on payments to noncontract suppliers.*

*If a noncontract supplier does not want to continue furnishing oxygen and oxygen equipment to its existing customers/beneficiaries, the beneficiaries must use a contract supplier to obtain the oxygen and oxygen equipment. Ordinarily, the title to the oxygen equipment would transfer to the beneficiary after rental payments have been made for 36 months of continuous use. However, Medicare allows for a minimum of 10 months of payments to be made to a contract supplier for oxygen and oxygen equipment furnished to a beneficiary who changes suppliers under the DMEPOS Competitive Bidding Program because the current supplier chose not to become a grandfathered supplier. Therefore, under the DMEPOS Competitive Bidding Program, up to 45 continuous payments could be made for the oxygen and oxygen equipment. The beneficiary is liable for co-payments for all paid oxygen and oxygen equipment claims.*

### **50.9 - Billing for Capped Rental DME Items**

**(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)**

*Noncontract suppliers of capped rental DME equipment may elect to become “grandfathered suppliers” and continue furnishing equipment to their existing beneficiaries after the start of the DMEPOS Competitive Bidding Program, if the beneficiary agrees to the arrangement. This grandfathering process only applies to*

*suppliers that began furnishing the capped rental DME item to beneficiaries in a CBA prior to the implementation of the competitive bidding program for that area and choose to continue to furnish the grandfathered item to these same beneficiaries in the CBA after the start of the DMEPOS Competitive Bidding Program. See §20.6 for additional information on payments to noncontract suppliers.*

*If a noncontract supplier does not want to continue furnishing capped rental DME to its existing customers/beneficiaries after the start of the DMEPOS Competitive Bidding Program, the beneficiary must use a contract supplier to obtain the item. Ordinarily, the title to the capped rental DME item would transfer to the beneficiary after rental payments have been made for 13 months of continuous use. However, for beneficiaries that switch from a noncontract supplier to a contract supplier, the 13 month capped rental period starts over again. In this case, Medicare allows for a minimum of 13 months of rental payments to be made to a contract supplier because their current supplier chose not to become a grandfathered supplier. Therefore, under DMEPOS Competitive Bidding Program, when a beneficiary switches from a noncontract supplier to a contract supplier, up to 25 continuous payments could be made for the capped rental DME item. The beneficiary is liable for co-payments for all paid capped rental DME equipment claims.*

### ***50.9.1 - Certificates of Medical Necessity (CMN) and Capped Rental Billing***

***(Rev. 1544, Issued: 06-26-08, Effective: 07-01-08, Implementation: 07-07-08)***

*Suppliers are not required to obtain a new Certificate of Medical Necessity (CMN) for situations in which a beneficiary who was receiving a capped rental item prior to the implementation of DMEPOS Competitive Bidding goes to a new supplier after the implementation of the DMEPOS Competitive Bidding Program (e.g., the previous supplier decides not to become a grandfathered supplier), unless the beneficiary's medical necessity for the item has changed. Notwithstanding this situation, the new supplier shall bill using the appropriate modifiers for their first rental month (KH), the second and third rental months (KI), and all subsequent rental months (KJ).*