CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2902	**Date: March 11, 2014**
	Change Request 8645

NOTE: Transmittal 2893, dated, February 28, 2014, is being rescinded and replaced by Transmittal 2902, dated March 11, 2014, to remove the "Sensitive/Controversial" label. In addition, the table under section 60 of the manual instructions has been deleted. All other information remains the same.

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

I. SUMMARY OF CHANGES: The DMEPOS fee schedule is updated on a quarterly basis, when necessary, to implement fee schedule amounts for new codes and correct any fee schedule amounts for existing codes. The attached Recurring Update Notification applies to Chapter 23, section 60 of Pub. 100-04 Medicare Claims Processing Manual.

EFFECTIVE DATE: April 1, 2014
IMPLEMENTATION DATE: April 7, 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/Durable Medical Equipment Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule
R	23/60.1/Record Layout for DMEPOS Fee Schedule
R	23/60.2/Quarterly Update Schedule for DMEPOS Fee Schedule
R	23/60.3/Gap-filling DMEPOS Fees

III. FUNDING:
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: 2902	Date: March 11, 2014	Change Request: 8645

NOTE: Transmittal 2893, dated, February 28, 2014, is being rescinded and replaced by Transmittal 2902, dated March 11, 2014, to remove the "Sensitive/Controversial" label. In addition, the table under section 60 of the manual instructions has been deleted. All other information remains the same

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

EFFECTIVE DATE: April 1, 2014
IMPLEMENTATION DATE: April 7, 2014

I. GENERAL INFORMATION

A. Background: The DMEPOS fee schedules are updated on a quarterly basis, when necessary, in order to implement fee schedule amounts for new and existing codes, as applicable, and apply changes in payment policies. The quarterly update process for the DMEPOS fee schedule is located in Pub. 100-04, Medicare Claims Processing Manual, chapter 23, section 60.

B. Policy: This recurring update notification provides instructions regarding the April quarterly update for the 2014 DMEPOS fee schedule. 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), splints and casts, and intraocular lenses (IOLs) inserted in a physician's office.

Splints, Casts and Certain Intraocular lenses

As part of this update, the following HCPCS codes for splints, casts, and certain IOLs are added to the DMEPOS fee schedule file:

A4565, Q4001, Q4002, Q4003, Q4004, Q4005, Q4006, Q4007, Q4008, Q4009, Q4010, Q4011, Q4012, Q4013, Q4014, Q4015, Q4016, Q4017, Q4018, Q4019, Q4020, Q4021, Q4022, Q4023, Q4024, Q4025, Q4026, Q4027, Q4028, Q4029, Q4030, Q4031, Q4032, Q4033, Q4034, Q4035, Q4036, Q4037, Q4038, Q4039, Q4040, Q4041, Q4042, Q4043, Q4044, Q4045, Q4046, Q4047, Q4048, Q4049, V2630, V2631, V2632

Transmittal 2837, Change Request 8523, dated December 13, 2013, titled Change to the Reasonable Charge Update for 2014 for Splints, Casts and Certain Intraocular Lenses instructed the transition of these items from reasonable charge to national fee amounts. Effective for dates of service on or after April 1, 2014, payment for splints and casts and IOLs inserted in a physician's office will be made using national fee schedule amounts, and reasonable charges will no longer be calculated for these items.

For splints and casts, codes A4565 and Q4001-Q4049 are used when supplies are indicated for cast and splint purposes. Payment is in addition to the payment made under the physician fee schedule for the procedure for applying the splint or cast. Per the regulations at 42 CFR §414.106, national fee schedule amounts for 2014 for these items were developed using 2013 reasonable charges updated by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June 2013, which is 1.8%. For each year subsequent to 2014, the fee schedule amounts will be updated by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the preceding year, reduced by the

productivity adjustment as described in section 1886(b)(3)(B)(xi)(II) of the Act.

For intraocular lenses (codes V2630, V2631 and V2632), payment under the DMEPOS fee schedule is only made for lenses implanted in a physician's office. For payment of IOLs inserted in a physician's office furnished from April 1, 2014 through December 31, 2014, regulations at 42 CFR §414.108 require national fee schedules be established based on the CY 2012 national average allowed charges updated by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 24-month period ending with June 2013, which is 3.5%. For each year subsequent to 2014, the fee schedule amounts will be updated by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the preceding year, adjusted by the productivity adjustment as described in section 1886(b)(3)(B)(xi)(II) of the Act. For IOL codes V2630 and V2631, national fee schedules amounts have been established using the fee schedule amounts for comparable code V2632 since there is insufficient allowed charge data for use in calculating the fee schedule amounts.

Subject to coinsurance and deductible rules, Medicare payment for these items is to be equal to the lower of the actual charge for the item or the amount determined under the applicable fee schedule payment methodology.

Payment Category Reclassification of Certain DME

Effective for dates of service on or after April 1, 2014 certain HCPCS codes for DME are reclassified from the payment category for inexpensive or other routinely purchased DME to the payment category for capped rental items, to align with the regulatory definition of routinely purchased equipment found at 42 CFR §414.220(a)(2). These changes were determined through rulemaking (CMS-1526-F) and instructed in Transmittal 1332, Change Request 8566, dated January 2, 2014, titled Rescind and Replace of CR 8409: Reclassification of Certain Durable Medical Equipment from the Inexpensive and Routinely Purchased Payment Category to the Capped Rental Payment Category.

As part of this update to the DMEPOS fee schedule, the methodology used to calculate fee schedule amounts for capped rental items has been used to establish new fee schedule amounts for the following HCPCS codes:

A4639, A7025, E0117, E0144, E0198, E0300, E0620, E0656, E0657, E0740, E0762, E0764, E0849, E0855, E0856, E0984, E0986, E1002, E1003, E1004, E1005, E1006, E1007, E1008, E1010, E1014, , E1029, E1030, E1161, E1232, E1233, E1234, E1235, E1236, E1237, E1238, E1700, E2227, E2310, E2311, E2312, E2313, E2321, E2322, E2325, E2326, E2327, E2328, E2329, E2330, E2351, E2373, E2374, E2376, E2377, E2378, E2500, E2502, E2504, E2506, E2508, E2510, K0607, K0730.

Consistent with the capped rental payment methodology, only rental amounts (RR) will appear on the fee schedule file for the above codes, effective April 1, 2014. The HCPCS codes transitioning to the capped rental payment category with corresponding KC, KF or KE modifiers will continue to have rental amounts associated with these modifiers on the fee schedule file. The capped rental fee schedule amount is calculated based on ten percent of the base year purchase price increased by the covered item update. This is the fee schedule amount for rental months one through three. Beginning with the fourth month, the fee schedule amount is equal to 75 percent of the fee schedule amount paid in each of the first three rental months. All of the payment rules for capped rental items, including guidelines regarding continuous use and transfer of title to the beneficiary following 13 months of continuous use, apply to these codes, effective for claims with dates of service on or after April 1, 2014.

Also effective for dates of service on or after April 1, 2014, contractors shall process and pay claims for capped rental wheelchair accessories on a lump sum purchase basis when used with complex rehabilitative power wheelchairs (wheelchair base codes K0835 – K0864). In this case, the supplier must give the beneficiary the option of purchasing these accessories at the time they are furnished. The purchase fee schedule amount for capped rental accessories furnished in this manner is equal to the rental fee (for months

one through three) multiplied by ten. If the beneficiary declines the purchase option, the supplier must furnish the accessory on a rental basis and payment will be made in accordance with the capped rental payment rules.

Specific Coding and Pricing Issues

As part of this update, effective April 1, 2014, HCPCS code L8680 is not included on the 2014 DMEPOS fee schedule file and the coverage indicator is revised to not payable by Medicare ("I). For neurostimulator devices, HCPCS code L8680 is no longer separately billable for Medicare because payment for electrodes has been incorporated in CPT code 63650 *Percutaneous implantation of neurostimulator electrode array, epidural*. CMS established non-facility practice expense inputs for CPT code 63650 in the Medicare Physician Fee Schedule Final Rule (published November 27, 2013). As a result, practitioners should not report electrode(s) using code L8680 in conjunction with a lead implantation procedure furnished in any setting for Medicare. Also, this change for code L8680 will be available on the HCPCS Quarterly Update Web site at http://www.cms.gov/Medicare/Coding/HCPCSReleaseCodeSets/HCPCS_Quarterly_Update.html.

II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
8645.1	The DME MACs, Part B MACs, and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T140401.V0221). The file is available for download on or after February 21, 2014.		X		X					EDCs
8645.1.1	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					EDCs
8645.2	The Part A MACs, Part HHH MACs, and/or EDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T140101.V0221.FI). The file is available for download on or after February 21, 2014.	X		X						EDCs
8645.2.1	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						EDCs
8645.3	Contractors shall use the 2014 DMEPOS fee schedule amounts from the DMEPOS fee schedule file(s) of business requirements 1 and 2 to pay claims with dates	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	of service on or after April 1, 2014.									
8645.4	A/B MACs shall be aware effective for dates of service on or after April 1, 2014, HCPCS codes for splints and casts (codes A4565 and Q4001-Q4049) and intraocular lenses (IOLs) implanted in a physician's office (codes V2630, V2631, and V2632) , which were previously paid on a reasonable charge basis, are included in the DMEPOS fee schedule file.	X	X	X						
8645.4.1	Effective for dates of service on or after April 1, 2014, contractors shall make payment for splint and cast codes using the national fee schedule amounts included in the DMEPOS fee schedule file or Attachment B of Transmittal 2837, CR 8523, dated December 13, 2013, titled Change to the Reasonable Charge Update for 2014 for Splints, Casts and Certain Intraocular Lenses.	X	X							
8645.4.2	Effective for dates of service on or after April 1, 2014, contractors shall pay claims for IOL codes V2630, V2631, and V2632 inserted in a physician's office using the national fee schedule amounts included in the DMEPOS fee schedule file or Attachment B of Transmittal 2837, CR 8523, dated December 13, 2013, titled Change to the Reasonable Charge Update for 2014 for Splints, Casts and Certain Intraocular Lenses.	X	X							
8645.5	Effective for claims with dates of service on or after April 1, 2014, contractors shall pay for the following codes on a capped rental fee schedule basis as indicated in the DMEPOS fee schedule file. A4639, A7025, E0117, E0144, E0198, E0300, E0620, E0656, E0657, E0740, E0762, E0764, E0849, E0855, E0856, E0984, E0986, E1002, E1003, E1004, E1005, E1006, E1007, E1008, E1010, E1014, , E1029, E1030, E1161, E1232, E1233, E1234, E1235, E1236, E1237, E1238, E1700, E2227, E2310, E2311, E2312, E2313, E2321, E2322, E2325, E2326, E2327, E2328, E2329, E2330, E2351, E2373, E2374, E2376, E2377, E2378, E2500, E2502, E2504, E2506, E2508, E2510, K0607, K0730. Consistent with the capped rental payment methodology, only rental amounts (RR) will appear on the fee schedule file for the above codes, effective April 1, 2014. The HCPCS codes transitioning to the capped rental payment category with corresponding KC, KF or KE modifiers will continue to have rental			X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	amounts associated with these modifiers on the fee schedule file. Previous instructions on the transition of these codes were issued in Transmittal 1332, CR 8566, dated January 2, 2014, titled Rescind and Replace of CR 8409: Reclassification of Certain Durable Medical Equipment from the Inexpensive and Routinely Purchased Payment Category to the Capped Rental Payment Category.									
8645.5.1	Effective for dates of service on or after April 1, 2014, contractors shall pay for capped rental wheelchair accessories on a lump sum purchase basis when these items are furnished for use with complex rehabilitative power wheelchairs (wheelchair base codes K0835 – K0864)			X	X					
8645.6	Contractors shall end-date HCPCS code L8680, effective March 31, 2014. The HCPCS coverage indicator is revised to not payable by Medicare ("I") effective April 1, 2014.		X		X				X	
8645.7	CWF shall remove HCPCS code L8680 from CWF category 3 and 67 effective April 1, 2014.								X	
8645.8	Effective for claims with dates of service on or after April 1, 2014, the CWF shall remove the following HCPCS codes from CWF category 71 (Reasonable Charge): A4565 Q4001 through Q4049 V2630 through V2632								X	

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
8645.9	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 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.	X	X	X	X	

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:
8645.5	Transmittal 1332, Change Request 8566, dated January 2, 2014 titled Rescind and Replace of CR8409: Reclassification of Certain Durable Medical Equipment from the Inexpensive and Routinely Purchased Payment Category to the Capped Rental Payment Category
8645.4	Transmittal 2837, Change Request 8523, dated December 13, 2013, Change to the Reasonable Charge Update for 2014 Splints, Casts, and Certain Intraocular Lenses. Attachment B contains the 2014 National Fee Schedule Amounts for Splints, Casts and Certain IOLs, effective April 1, 2014.

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 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 23 - Fee Schedule Administration and Coding Requirements

60 - Durable Medical Equipment Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule
(Rev. 2902, Issued: March 11, 2014, Effective: 04-01-14, Implementation: 04-07-14)

The CMS issues instructions for implementing and/or updating the DMEPOS fee schedule payment amounts on a semiannual basis (January and July), with quarterly updates as necessary (April and October). The DMEPOS fee schedule is provided to DME MACs, the Pricing, Data Analysis and Coding Contractor (PDAC), and *Part B MACs* via CMS' mainframe telecommunication system.

The DMEPOS fee schedules are calculated by CMS. A separate DMEPOS Fee Schedule file is released to *Part A MACs* Railroad Retirement Board (RRB), Indian Health Service and United Mine Workers. This fee schedule is also available *on the* CMS please
site for *other* interested parties like the State Medicaid agencies and managed care organizations. The fee schedule for parenteral and enteral nutrition (PEN) is released to the PDAC and DME MACs in a separate file. All annual updates to fee schedules are to be implemented on January 1 for claims with dates of service on or after January 1.

As part of the annual or July update, the CMS provides a list of new items that will be subject to the DME, prosthetics and orthotics, surgical dressings, *splints and casts, certain intraocular lenses* or PEN fee schedules for which *contractors* must gap-fill base fee schedule amounts. The CMS identifies which codes apply to *Part B MAC* or DME MAC for gap-filling. *Contractors* submit the base fees for new codes to CMS CO. Once *contractors* submit base fees for a given code, they do not have to resubmit those base fees. *Contractors* are notified when and where to submit the base fees.

The codes to be gap-filled are contained in the DMEPOS Fee Schedule file and are identifiable by a gap-fill indicator of "1." These codes have associated pricing amounts of 0. For further information see section 60.3.

After receiving the gap-filled base fees, CMS Division of Data Systems (DDS) will develop national fee schedule floors and ceilings and fee schedule amounts for these codes. *Part B MACs* should note that the DDS files will not contain fee schedule amounts for noncontinental areas under local carrier jurisdiction. *Part B MACs* must update their fee schedules using the appropriate covered item updates.

Upon successful receipt of the file(s), contractors send notification of receipt via E-MAIL to price_file_receipt@cms.hhs.gov stating the name of the file received and the entities for which they were received (e.g., contractor name and *Part A MAC* number.

60.1 - Record Layout for DMEPOS Fee Schedule

(Rev. 2902, Issued: March 11, 2014, Effective: 04-01-14, Implementation: 04-07-14)

Sort Sequence: Category, HCPCS, 1st Modifier, 2nd Modifier State

Field Name	Pic	Position	Comment
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	X(2)	10 - 11	
2nd Modifier	X(2)	12 - 13	
Jurisdiction	X	14	D = DME MAC Jurisdiction L = Local Part B Carrier jurisdiction J = Joint DME MAC/Local Carrier jurisdiction
Category	X(2)	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 *TS = Therapeutic Shoes* *SC = Splints and Casts* *IL = Intraocular Lenses*
HCPCS Action	X	17	Indicates active/delete status in HCPCS file A = Active Code D = Deleted Code, price provided for grace period processing only
Region	X(2)	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	X(2)	20 - 21	

Field Name	Pic	Position	Comment
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.
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**: 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. Since non-mail order (no-KL) codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, and A4259 are priced using National Mail order single payment amounts, they are not subject to ceilings and floors. *Splints, casts and intraocular lenses are national fee schedule amounts not subject to ceilings.* 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**: 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. Since non-mail order (no-KL) codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, and A4259 are priced using National Mail order single payment amounts, they are not subject to ceilings and floors. *Splints, casts and intraocular lenses are national fee schedule amounts not subject to 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.

Field Name	Pic	Position	Comment
			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	Set to spaces

60.2 – Quarterly Update Schedule for DMEPOS Fee Schedule

(Rev. 2902, Issued: March 11, 2014, Effective: 04-01-14, Implementation: 04-07-14)

Following is an approximate schedule for making additions (for new HCPCS codes) and corrections to base-year amounts for the DMEPOS fee schedule.

- The DME MACs identify instances where base year fees are incorrect and forward requests for revisions to their regional offices. The DME MACs also identify those instances where fee schedule amounts are replaced by inherent reasonableness (IR) limits/payment amounts, should the authority for making IR adjustments be restored. Contractors must use the file layout in §60.1 above to submit all revisions. Regional offices will review those requests and, upon concurrence, forward them to the Division of Data Systems (DDS) and the Division of DMEPOS Policy (DDP) in *CMS Central Office*. Those transmissions must occur within the timeframes established by CMS.

- Requests for revisions must be accompanied by a narrative description.

- For inherent reasonableness (IR) changes, the effective date of the revised payment amount must be provided. The format provides a field for those dates.

- DDS will recalculate the current year fee schedule amounts as appropriate.

- DDS will transmit the entire DMEPOS file to the DME MACs, PDAC, *and* A/B MACs using the file layout described in §60.1 above. An indicator in the record field will identify those instances where pricing amounts have changed. These transmissions must occur within the dates specified each year by CMS. DDP must also receive a copy of the corrected fees.

- Concurrently, DDP issues instructions for implementing the revised fee schedule amounts.

- DME MACs and *A/B MACs* should give providers 30 days' notice before revised payment amounts are implemented. Dates for implementation are provided by CMS.

- *DME MACs and A/B MACs* should make adjustments on those claims that were processed incorrectly if brought to their attention. Adjustments may be made retroactively to January 1 unless otherwise specified.

- CMS will furnish the revised payment amounts to RRB, Indian Health Service and United Mine Workers. DME MACs and *A/B MACs shall* provide the data to the State Medicaid Agencies.

- Fee Schedule Disclaimer: Whenever the *MACs or other contractors* 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."

- CMS will release specific timeframes for quarterly changes for DMEPOS Fees.

60.3 - Gap-filling DMEPOS Fees

(Rev. 2902, Issued: March 11, 2014, Effective: 04-01-14, Implementation: 04-07-14)

The DME MACs and *Part B MACs* 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	*SC*	*IL*
1987	0.965	0.971	0.974	n/a	n/a	*n/a*	*n/a*
1988	0.928	0.934	0.936	n/a	n/a	*n/a*	*n/a*
1989	0.882	0.888	0.890	n/a	n/a	*n/a*	*n/a*
1990	0.843	0.848	0.851	n/a	n/a	*n/a*	*n/a*
1991	0.805	0.810	0.813	n/a	n/a	*n/a*	*n/a*
1992	0.781	0.786	0.788	n/a	n/a	*n/a*	*n/a*
1993	0.758	0.763	0.765	0.971	n/a	*n/a*	*n/a*
1994	0.740	0.745	0.747	0.947	n/a	*n/a*	*n/a*
1995	0.718	0.723	0.725	0.919	n/a	*n/a*	*n/a*
1996	0.699	0.703	0.705	0.895	0.973	*n/a*	*n/a*
1997	0.683	0.687	0.689	0.875	0.951	*n/a*	*n/a*
1998	0.672	0.676	0.678	0.860	0.936	*n/a*	*n/a*
1999	0.659	0.663	0.665	0.844	0.918	*n/a*	*n/a*
2000	0.635	0.639	0.641	0.813	0.885	*n/a*	*n/a*
2001	0.615	0.619	0.621	0.788	0.857	*n/a*	*n/a*
2002	0.609	0.613	0.614	0.779	0.848	*n/a*	*n/a*
2003	0.596	0.600	0.602	0.763	0.830	*n/a*	*n/a*
2004	0.577	0.581	0.582	0.739	0.804	*n/a*	*n/a*
2005	0.563	0.567	0.568	0.721	0.784	*n/a*	*n/a*
2006	0.540	0.543	0.545	0.691	0.752	*n/a*	*n/a*
2007	0.525	0.529	0.530	0.673	0.732	*n/a*	*n/a*
2008	0.500	0.504	0.505	0.641	0.697	*n/a*	*n/a*
2009	0.508	0.511	0.512	0.650	0.707	*n/a*	*n/a*
2010	0.502	0.506	0.507	0.643	0.700	*n/a*	*n/a*
2011	0.485	0.488	0.490	0.621	0.676	*n/a*	*n/a*
2012	0.477	0.480	0.482	0.611	0.665	*n/a*	*n/a*
2013	0.469	0.472	0.473	0.600	0.653	*n/a*	*0.983*

* 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
SC	*Splints and Casts*
IL	*Intraocular Lenses inserted in a physician's office*

IN, FS, OS and SU category deflation factors=PO deflation factors

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: 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.

Contractors 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.