

Program Memorandum Intermediaries/Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

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CHANGE REQUEST 1500

SUBJECT: Changes to the 2001 Payment Amounts for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)

This Program Memorandum (PM) forwards instructions for implementing changes to the 2001 payment amounts for DMEPOS mandated by §§425 and 426 of the Benefits Improvement and Protection Act (BIPA) of 2000. This material should be shared with providers, suppliers, and the SADMERC.

DMEPOS Update Factors for 2001

In accordance with BIPA of 2000, the fee schedule update factors for 2001 for both DME (BIPA §425) and prosthetics and orthotics (BIPA §426) are equal to 3.7 percent (the percentage increase in the consumer price index for all urban consumers for the 12-month period ending with June 2000). Sections 425 and 426 specify that these update factors are to be implemented on July 1, 2001. To account for the timing of the implementation of the 3.7 percent update factors (i.e., July rather than January), BIPA of 2000 provides for temporary increases in the fee schedule amounts for items furnished on or after July 1, 2001, but before January 1, 2002. The temporary increases are 3.28 percent for DME and 2.6 percent for prosthetics and orthotics. For services furnished before July 1, 2001, payment will be based on the 2001 fee schedule amounts in effect prior to enactment of BIPA of 2000.

Based on changes made by BIPA of 2000, the Balanced Budget Refinement Act of 1999, and the Balanced Budget Act of 1997, the DMEPOS pricing updates (percentage increases) for the pricing periods beginning January 2001, July 2001 (where applicable), and January 2002 are as follows:

Category	January 1, 2001	July 1, 2001	January 1, 2002
DME	0.3*	3.7 + 3.28*	0.6*
Prosthetics & Orthotics	1.0*	3.7 + 2.6*	1.0
Ostomy/Tracheostomy/Urologicals	0.0	3.7 + 3.28*	0.0
Surgical Dressings	0.0	3.7 + 3.28*	0.0
Therapeutic Shoes	0.3*	3.7 + 3.28*	0.6*
Parenteral & Enteral Nutrition	0.0	n/a	0.0
Other Reasonable Charge Items**	3.7	n/a	CPI-U

* Temporary increase not to be carried over into future periods

** Other than ambulance services

Contractors must publish this information on their Internet website and in their next regularly scheduled bulletin.

July 2001 DMEPOS Fee Schedule File

The July 2001 fee schedules for DME, prosthetics and orthotics, and surgical dressings will be calculated by the Division of Health Plans and Provider Data (DHPPD) in the Center for Health Plans and Providers. The DHPPD will electronically release the July 2001 DMEPOS Fee Schedule file (filename: MU00.@BF12393.DMEPOS01.V0504) to the SADMERC, DMERCs, local Part B carriers, intermediaries, regional home health intermediaries (RHHIs), Railroad Retirement Board,

Indian Health Service, and United Mine Workers via the National Data Mover on May 4, 2001. The fee schedule file will be available through the HCFA homepage by June 1, 2001 for interested parties like the State Medicaid agencies and managed care organizations. These fee schedules are to be implemented on July 1, 2001. Beginning July 1, 2001, contractors are to make payment based on these fee schedules for all claims with dates of service on or after July 1, 2001.

Systems Changes

In order to meet the requirements of §§425 and 426 of BIPA of 2000, standard system maintainers, DMERCs, local carriers, and intermediaries, including RHHIs, must be able to carry 4 pricing periods online for payment amounts. The systems must be able to accommodate up to 4 pricing periods over a 2 year span that would be identified by dates of service. The systems should be designed so that, by default, the second period begins on July 1 with the payment amount being effective for claims with dates of service July 1 through December 31 (see example below).

Period 1: price A effective for dates of service 1/1/01 through 6/30/01
Period 2: price B effective for dates of service 7/1/01 through 12/31/01
Period 3: price C effective for dates of service 1/1/02 through 6/30/02
Period 4: price D effective for dates of service 7/1/02 through 12/31/02

These systems changes must be implemented by July 1, 2001.

The *effective date* for this PM is July 1, 2001.

The *implementation date* for this PM is July 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after July 1, 2002.

Any questions regarding these instructions should be directed to Joel Kaiser on (410) 786-4499. Questions regarding the transmission of the fee schedule file should be directed to Mary Anne Stevenson on (410) 786-1818. Questions regarding the required systems changes should be directed to Joanne Spalding on (410) 786-3352.