

# Program Memorandum Intermediaries/Carriers

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

Transmittal AB-01-40

Date: MARCH 9, 2001

## CHANGE REQUEST 1577

**SUBJECT: Correction to Change Request (CR) 1500 (Transmittal AB-01-26) -- Changes to the 2001 Payment Amounts for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)**

This Program Memorandum (PM) is a follow up to Transmittal Number AB-01-26, dated February 7, 2001, CR 1500. The previous PM contains 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. The February 7, 2001, PM states that the fee schedule update factor for 2001 for durable medical equipment (DME) is equal to 3.7 percent and that the update factor is to be implemented on July 1, 2001. In addition, the February 7, 2001, PM states that the fee schedules for DME furnished on or after July 1, 2001, but before January 1, 2002, are to receive an additional, temporary increase of 3.28 percent. These instructions remain accurate for DME other than oxygen and oxygen equipment. The fee schedules for oxygen and oxygen equipment are not affected by §425 of BIPA of 2000. Therefore, in accordance with §228 of the Balanced Budget Refinement Act (BBRA) of 1999, the fee schedules for 2000 for oxygen and oxygen equipment are to be increased by 0.3 percent for items furnished on or after January 1, 2001, and before January 1, 2002, and 0.6 percent for items furnished on or after January 1, 2002, and before January 1, 2003. The corrections to the chart that appears in the February 7, 2001, PM are identified in bold print below.

Based on changes made by BIPA of 2000, the BBRA 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 listed below. Note that in situations where two update factors are listed for July 1, 2001 (e.g., 3.7 + 3.28), the updates are to be applied in two separate steps and are not to be combined and added in one step. For example, a \$100 fee schedule amount for an item of DME (other than oxygen and oxygen equipment) in effect on December 31, 2000, would first be increased on July 1, 2001, by the covered item update of 3.7%, the result being \$103.70. The \$103.70 amount would then be increased by the additional 3.28 percent update, the result being \$107.10, the payment amount for items furnished from July 1, 2001 through December 31, 2001.

Category	January 1, 2001	July 1, 2001	January 1, 2002
DME (other than oxygen)	0.3*	3.7 + 3.28*	0.6*
<b>Oxygen and Oxygen Equipment</b>	<b>0.3*</b>	<b>see below *</b>	<b>0.6*</b>
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
Reasonable Charge (other than ambulance)	3.7	n/a	CPI-U

\* Temporary increase not to be carried over into future periods, except in the case of oxygen and oxygen equipment, where the 0.3 percent increase applies to items furnished on or after January 1, 2001, and before January 1, 2002.

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

All other instructions contained in PM AB-01-26 remain in effect.

**HCFA Pub. 60 AB**

**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.**