
Program Memorandum

Carriers

Department of Health and
Human Services (DHHS)
Centers for Medicare and Medicaid
Services (CMS)

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Date: SEPTEMBER 13, 2001

CHANGE REQUEST 1858

SUBJECT: Payment for Home Dialysis Supplies and Equipment

These instructions pertain to DMERC pricing and processing of claims for home dialysis supplies and equipment. The statute requires that Medicare payment for home dialysis supplies and equipment be determined using the reasonable charge payment methodology. The reasonable charge for an item is generally set at the lowest of the supplier's actual charge for the item, the supplier's customary charge for the service, the prevailing charge in the locality for the item (the prevailing charge may not exceed the 75th percentile of the customary charges of suppliers in the locality), or the inflation indexed charge (IIC). The IIC is the lowest of the customary charge, prevailing charge, or IIC from the previous year, updated by an inflation adjustment factor. However, whenever supplier charges are not available for use in determining reasonable charges, as is usually the case for new HCPCS codes, the initial reasonable charges must be "gap-filled" using other pricing methods.

The amount of Medicare payment for home dialysis supplies and equipment may not exceed \$1,490.85 per month for patients on all forms of dialysis except continuous cycling peritoneal dialysis (CCPD). For CCPD, total payment may not exceed \$1,974.45 per month. It has been determined that the DMERCs have been paying incorrectly for home dialysis supplies and equipment. In most cases, DMERCs have based payment on the supplier's actual charges, limited by the monthly cap instead of the reasonable charges, limited by the monthly cap.

In addition, most suppliers have been billing for dialysis supplies using codes describing "kits" of supplies. The use of kit codes such as A4820, A4900, A4901, A4905, and A4914 allows suppliers to bill for supply items without separately identifying the supplies that are being furnished to the patient. Effective January 1, 2002, these kit codes will be deleted and suppliers will be required to bill for dialysis supplies using existing and newly developed HCPCS codes for individual dialysis supplies. The following are the HCPCS codes for dialysis supplies and equipment that will be effective for claims received on or after January 1, 2002:

A4651 A4652 A4656 A4657 A4660 A4663 A4680 A4690 A4706 A4707 A4708 A4709
A4712 A4714 A4719 A4720 A4721 A4722 A4723 A4724 A4725 A4726 A4730 A4736
A4737 A4740 A4750 A4755 A4760 A4765 A4766 A4770 A4771 A4772 A4773 A4774
A4801 A4802 A4860 A4870 A4911 A4913 A4918 A4927 A4928 A4929 E1500 E1510
E1520 E1530 E1540 E1550 E1560 E1570 E1575 E1580 E1590 E1592 E1594 E1600
E1610 E1615 E1620 E1625 E1630 E1632 E1635 E1636 E1637 E1638 E1639 E1699

The DMERCs are to gap-fill reasonable charge amounts for 2002 for all of the codes above other than codes A4913 and E1699, the codes used for miscellaneous supplies and equipment that don't fall under any of the other HCPCS codes. The gap-filled amounts should be established using price lists in effect as of December 31, 2000 if available. These gap-filled payment amounts will apply to all claims with dates of service from January 1, 2002 through December 31, 2002.

The *effective date* for this Program Memorandum (PM) is January 1, 2002.

The *implementation date* for this PM is January 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after October 1, 2002.

If you have any questions, contact Joel Kaiser at 410-786-4499.