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# Program Memorandum Intermediaries/Carriers

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

Transmittal AB-01-98

Date: JULY 19, 2001

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## CHANGE REQUEST 1692

**SUBJECT: Durable Medical Equipment Regional Carrier (DMERC) Denial Code for Durable Medical Equipment (DME) Furnished in Skilled Nursing Facilities (SNFs)**

This Program Memorandum (PM) revises the group code to be used in connection with denials of Part B payment for DME that is furnished to a skilled nursing facility (SNF) resident, during a stay that the Part A Prospective Payment System does not cover. (Section 1861(n) of the Social Security Act limits the Part B DME benefit to coverage of items that are furnished for use in a beneficiary's home, and specifically excludes SNFs from the definition of a "home" for this purpose.)

In PM transmittal number AB-98-59 (Change Request 616, October 1998), Medicare Summary Notice (MSN) message number 16.2 ("This service cannot be paid when provided in this location/facility.") was mapped to provider remittance advice group code CO (Contractual Obligation), and claim adjustment reason code 58 (denial based on an inappropriate or invalid place of service). The group code CO indicates the provider's financial liability, while group code PR (Patient Responsibility Adjustment) indicates an adjustment that involves the patient's financial responsibility.

The use of the CO group code indicates that the beneficiary cannot be charged for the denied services. However, since DME provided in the SNF setting (as explained above) is a noncovered service under Part B, the use of the CO group code is not appropriate in this situation, since it is permissible to charge the beneficiary for types of services that Medicare does not cover. In this situation, use group code PR with reason code 58. Do not use group code CO.

Intermediaries and/or their standard systems must complete system changes as needed to correct reporting of the group code in this situation by October 2001. Also, notify your SNFs in a regularly scheduled newsletter/bulletin by October 2001 of the change in remittance advice reporting policy in this situation (DMERCs should include similar notification of this change in their routine educational and outreach activities). Notify the SNFs that, effective October 2001, they may resubmit claims for services in this situation if previously denied with group code CO rather than PR, if a SNF requires a corrected remittance advice to obtain payment from a secondary payer.

**The implementation date of this PM is October 1, 2001.**

**The effective date of this PM is October 1, 1998.**

**These instructions should be implemented within your current operating budget.**

**This PM should be discarded after October 1, 2003.**

**DMERCs need not search their files to revise the denial code. However, they should correct the code on any denied claims that are brought to their attention.**

**DMERCs should contact the appropriate lead regional office project officer with any questions related to this PM.**

**CMS-Pub. 60AB**