

## Methodologies for Adjusting Fee Schedule Amounts for Certain DME and PEN Codes using Information from DMEPOS Competitive Bidding Programs (CBPs)

Section 1834(a)(1)(F)(ii) of the Act mandates the adjustment of fee schedule amounts for certain DME items furnished on or after January 1, 2016, based on information from competitive bidding programs (CBPs). Also effective January 1, 2016, fee schedule amounts for enteral nutrients, equipment, and supplies (enteral nutrition) are adjusted based on information from CBPs in accordance with section 1842(s)(3)(B) of the Act.

The payment methodologies for adjusting fee schedule amounts based on information from CBPs were finalized in the calendar year 2015 final rule published in the Federal Register on November 6, 2014, and titled "Medicare Program; End-Stage Renal Disease Prospective Payment System, Quality Incentive Program, and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies" (79 FR 66120; CMS-1614-F). There are three general methodologies used to establish the adjusted fee schedule amounts:

### 1. For Areas within the Contiguous United States

The average of Single Payment Amounts from CBPs located in eight different regions of the contiguous United States are used to establish the fee schedule amounts for the states located in each of the eight regions. These regional SPAs or RSPAs are also subject to a national ceiling (110% of the average of the RSPAs for all contiguous states plus the District of Columbia) and a national floor (90% of the average of the RSPAs for all contiguous states plus the District of Columbia). This methodology applies to enteral nutrition and most DME items furnished in the contiguous United States (i.e., those included in more than 10 CBAs).

Also, the fee schedule amounts for areas within the contiguous United States that are designated as rural areas are adjusted to equal the national ceiling amounts described above. Regulations at §414.202 define a rural area to be a geographical area represented by a postal ZIP code where at least 50 percent of the total geographical area of the ZIP code is estimated to be outside any metropolitan statistical area (MSA). A rural area also includes any ZIP Code within an MSA that is excluded from a competitive bidding area established for that MSA.

### 2. For Areas outside the Contiguous United States

The fee schedule amounts for items furnished in areas outside the contiguous United States (e.g., Alaska, Guam, and Hawaii) are adjusted so that they are equal to the higher of the average of SPAs for CBAs in areas outside the contiguous United States (currently only applicable to Honolulu, Hawaii) or the national ceiling amounts described above and calculated based on SPAs for areas within the contiguous United States.

### 3. For Items Included in 10 or Fewer CBAs

The fee schedule amounts for DME items included in 10 or fewer CBAs are adjusted so that they are equal to 110 percent of the average of the SPAs for the 10 or fewer CBAs. This methodology applies to all areas (i.e., non-contiguous and contiguous).

Effective January 1, 2016 through June 30, 2016, the adjusted fee schedule amounts are based on a blend of 50 percent of the fee schedule amount that would have gone into effect on January 1, 2016, if

not adjusted based on information from the CBP, and 50 percent of the adjusted fee schedule amount. Beginning July 1, 2016, the adjusted fee schedule amounts will reflect 100 percent of the adjusted fee schedule amounts.

#### Updating the DMEPOS Fee Schedule

The CMS issues instructions for implementing and/or updating DMEPOS payment amounts on a semiannual basis (January and July), with quarterly updates as necessary (April and October). Updates to the codes adjusted using information from the competitive bidding program (CBP) will be made each time the payment amounts under the CBPs are adjusted or additional CBPs or payment amounts are established for the items and services. When applicable, these updates will be included in the quarterly DMEPOS change request instructions. The DMEPOS fee schedule is provided to DME MACs, the Pricing, Data Analysis and Coding Contractor (PDAC), Part A MACs, HHH MACs 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 the intermediaries, regional home health intermediaries, Railroad Retirement Board (RRB), Indian Health Service and United Mine Workers. The fee schedule for parenteral and enteral nutrition (PEN) is released to the PDAC and DME MACs in a separate file. These files are also available through the CMS Website for interested parties like the State Medicaid agencies and managed care organizations.

As part of the annual or July update, CMS provides a list of new items that will be subject to the DME, prosthetics and orthotics, surgical dressings, or PEN fee schedules for which the DME MACs must gap-fill base fee schedule amounts. These gap-filled base fees are submitted to CMS Central Office for inclusion in the following July or January DMEPOS Fee Schedule File Update. The gap-filled codes are contained in the annual and July DMEPOS Fee Schedule file and are identifiable by a gap-fill indicator of "1." These codes have associated pricing amounts of 0 until fees are added to the file in July or January.