



Commercial and Medicare Advantage Claims Payment Policy

Subject: DME Capped Rental

Application: Commercial and Medicare Advantage Products

Policy Number: CP2010101

Related Policies: N/A

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Medicare: 8/2010

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http://www.humana.com/providers/claims/processing_edits.aspx.

Overview

The Centers for Medicare & Medicaid Services (CMS) define certain items as capped rental durable medical equipment (DME). In the Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule, CMS identifies the category as "CR." Capped rental DME items are items such as hospital beds, wheelchairs, nebulizers, CPAP devices, patient lifts, trapeze bars, etc. A supplier provides a capped rental item to a member on a month-to-month rental basis. However, rental payments are capped at 13 months during a period of continuous use (or capped at the purchase amount, when a member exercises an available purchase option). After monthly payments cap (or the purchase amount has been met) for an item, title for the item transfers to the member.

Reimbursement Guidelines

Appropriate modifiers including pricing modifiers, capped rental modifiers and, where appropriate, purchase-decision modifiers are required for capped rental DME items.

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Medicare Advantage Payment Policy

In addition to this policy, claims payments are subject to other plan requirements for the processing and payment of claims, including, but not limited to, requirements of medical necessity and reasonableness and applicable referral or authorization requirements.

Humana Medicare Advantage plans determine the *allowed* amount for a covered charge for an item of capped rental DME in this way:

1. For a capped rental item initially supplied January 1, 2011, or later, a member has a purchase option for an item defined by CMS as a “complex, rehabilitative power wheelchair;” a member has no purchase option for any capped rental item that is not defined as a “complex, rehabilitative power wheelchair.” Humana reserves the right to *allow* at the purchase price, regardless of whether a charge is submitted as a transaction for purchase or rental.
2. When a supplier initially furnishes to a member a covered item classified as capped rental, for which the member has a purchase option, and the supplier submits the charge for the item with modifier BP, Humana will allow purchase of the item.
3. When a charge for a covered item classified as capped rental is submitted and Humana is not allowing purchase of the item (as discussed in the previous provision), Humana allows rental of the item for a period of continuous use not to exceed 13 months, as follows:
 - a. Where an applicable contract exists and the contract payment is not a function of the *Original Medicare DMEPOS Fee Schedule*, Humana *allows* the contracted rental rate.
 - b. Otherwise, Humana *allows*:
 - i. For an item defined by CMS as a “power wheelchair:”
 1. For months one through three of rental, 15 percent of the item’s purchase rate; and
 2. For months four through 13 of rental, 6 percent of the item’s purchase rate.
 - ii. For an item not defined as a “power wheelchair:”
 1. For months one through three of rental, 10 percent of the item’s purchase rate; and
 2. For months four through 13 of rental, 7.5 percent of the item’s purchase rate.
4. After 13 continuous months of covered rental of an item of capped rental DME, the item is purchased.

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Summary of Original Medicare Information

Generally

Items in the capped rental DME category are paid on a monthly rental basis not to exceed a period of continuous use of 13 months with rentals beginning on or after January 1, 2006.

In general, for the first three rental months, the rental fee schedule is calculated to limit the monthly rental to 10 percent of the average of *allowed* purchase prices on assigned claims for new equipment during a base period, updated for inflation. For each of the remaining months, the monthly rental is limited to 7.5 percent of the average *allowed* purchase price. (In other words, the payment is reduced by 25 percent beginning in the fourth month of rental.) After paying the rental fee schedule amount for 13 months, no further payment may be made.

Standard Power Wheelchairs

Prior to January 1, 2011, beneficiaries had the option to either rent or purchase standard power wheelchairs; however, Section 3136 of the Patient Protection and Affordable Care Act of 2010 eliminated the lump-sum purchase option for standard power wheelchairs. Standard power wheelchairs with dates of service on or after January 1, 2011, must be rented following standard capped rental rules.

For standard power wheelchair rentals beginning on or after January 1, 2011, monthly rental payment amounts under the *DMEPOS Fee Schedule* are calculated using a different percentage of the purchase price than the percentage used for regular capped rental items. Payment for the first three months of rental is 15 percent (instead of 10 percent) of the purchase price of the power wheelchair, and payment for months four through 13 is 6 percent (instead of 7.5 percent).

Complex, Rehabilitative Power Wheelchairs

Complex, rehabilitative power wheelchairs can be either rented or purchased. A supplier must give a beneficiary entitled to a complex, rehabilitative power wheelchair the option of purchasing at the time the supplier first furnishes the item.

For complex, rehabilitative power wheelchair rentals beginning on or after January 1, 2011, monthly rental payment amounts under the *DMEPOS Fee Schedule* are calculated using a different percentage of the purchase price than the percentage used for regular capped rental items. Payment for the first three months of rental is 15 percent (instead of 10 percent) of the purchase price of the complex, rehabilitative power wheelchair, and payment for months four through 13 is 6 percent (instead of 7.5 percent). The purchase fee schedule amount for complex, rehabilitative power wheelchairs is equal to the monthly rental fee schedule amount divided by 0.15.

Periods of Continuous Use

A period of continuous use allows for temporary interruptions in the use of equipment. In order for a new rental period to begin, interruptions must exceed 60 consecutive days plus the days remaining in the rental month in which the use ceases (not calendar month, but the 30-day rental period). When an interruption continues beyond the end of the rental month in which use ceases, no additional payment is made until the use of the item resumes. A new date of service is established when use resumes.

Unreimbursed months of interruption do not apply toward the capped rental month limit (13 months for rentals beginning on or after January 1, 2006).

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In addition to this policy, claims payments are subject to other plan requirements for the processing and payment of claims, including, but not limited to, requirements of medical necessity and reasonableness and applicable referral or authorization requirements.

1. When a covered item classified as capped rental DME is submitted with modifier NU, Humana will allow purchase, less any previous months' rental, only in the 13th month.
2. When a covered item classified as capped rental DME is submitted with modifier RR, Humana allows the monthly rental rate. (Humana reserves the right to allow at the purchase price regardless of the submission of an RR modifier). Humana will allow:
 - a. For an item defined by CMS as a "power wheelchair:"
 - i. For months one through three of rental, 15 percent of the item's purchase rate; and
 - ii. For months four through 13 of rental, 6 percent of the item's purchase rate.
 - b. For an item not defined as a "power wheelchair:"
 - i. For months one through three of rental, 10 percent of the item's purchase rate; and
 - ii. For months four through 13 of rental, 7.5 percent of the item's purchase rate.
3. When the Medicare DMEPOS Fee Schedule has no rental rate for a HCPCS code for a piece of capped rental DME, Humana will allow purchase of the item. However, at Humana's option, Humana may allow rental of such an item if there is an applicable contracted rental rate.
4. After 13 continuous months of covered rental of an item of capped rental DME, the item is purchased.

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Definitions and References

Definitions of italicized terms used in this policy:

- ***Allowable (amount):*** The amount actually due to a provider for a covered service, including any member responsibility.
- ***Allow:*** When a Humana plan determines the *allowable* amount for a covered service.
- ***Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule:*** A file published by the Centers for Medicare and Medicaid Services (CMS) that includes, among other information, codes that indicate the CMS-defined DMEPOS categories for DMEPOS items.

Applicable Modifiers:

Not an all-inclusive list.

- ***BP:*** The beneficiary has been informed of the purchase and rental options and has elected to purchase the item.
- ***BR:*** The beneficiary has been informed of the purchase and rental options and has elected to rent the item.
- ***KH:*** DMEPOS item, initial claim, purchase or first month rental.
- ***KI:*** DMEPOS item, second or third month rental.
- ***KJ:*** DMEPOS, parenteral and enteral nutrition (PEN) pump or capped rental, months four to 15 [only months four to 13 for capped rental items].
- ***NU:*** Purchase modifier for new equipment.
- ***RR:*** Rental.

Medicare Advantage Resources:

- [Social Security Act, Section 1834\(a\)\(7\)](#)
- [Medicare Claims Processing Manual, Chapter 20](#)
 - Sections 30.5
 - Sections 30.5.4
- [NHIC, DME MAC Jurisdiction A, Supplier Manual, Chapter 10](#)
- [National Government Services, Jurisdiction B DME MAC, Supplier Manual, Chapter 15](#)
- [Cigna Government Services, DME MAC Jurisdiction C, Supplier Manual, Chapter 5](#)
- [Noridian, Jurisdiction D DME MAC, Supplier Manual, Chapter 5](#)
- [CMS Manual System Change Request 7116, October 15, 2010, recommunicated January 14, 2011](#)

Commercial Resources:

- American Medical Association Coding with Modifiers: A Guide to Correct CPT® and HCPCS Modifier Usage Third Edition
- [CMS Guidelines - Medicare Claims Processing Manual Chapter 20, Durable Medical Equipment, Prosthetics, Orthotics and Supplies \(DMEPOS\)](#)

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