



# Commercial and Medicare Advantage Claims Payment Policy

## Subject: Durable Medical Equipment (DME) Inexpensive/Other Routinely Purchased

**Application:** Commercial & Medicare Advantage Products

**Policy Number:** CP2009100

**Related Policies:** DME TENS

**Original Effective Date:** Commercial: 10/2009

Medicare: 6/2009

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[http://www.humana.com/providers/claims/processing\\_edits.aspx](http://www.humana.com/providers/claims/processing_edits.aspx).

### Overview

The Centers for Medicare & Medicaid Services (CMS) define certain items as “inexpensive” and “other routinely purchased” durable medical equipment (DME). In the *Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule*, CMS identifies the category as “IN.”

### Reimbursement Guidelines

- Appropriate rental or purchase pricing modifiers are required for DME items.
- Used equipment is purchased and *allowed* at a reduced percentage of the new item purchase price (typically 75 percent).

[Medicare Advantage & Commercial Payment Policy](#)

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### Commercial and 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.

An item of inexpensive or other routinely purchased DME will be considered “purchased” in a month if the total of all amounts *allowed* by Humana, through that month, equals or exceeds the applicable purchase amount for that item. The total *allowed* over time (for one or multiple charges) for such an item may not exceed the purchase amount for that item. A Humana plan will determine the *allowed* amount for a covered charge for an item of inexpensive or other routinely purchased DME as follows (but, as explained above, limited to the extent that the total *allowed* amount for the item, over time, may not exceed the purchase amount for the item):

1. When a covered item classified as inexpensive or other routinely purchased DME is submitted with *modifier NU*, Humana *allows* purchase.
2. When a covered item classified as inexpensive or other routinely purchased 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*).
3. When a covered item classified as inexpensive or other routinely purchased DME is submitted with *modifier UE*, Humana *allows* purchase at the used equipment rate.
4. When the *Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule* has no rental rate for a HCPCS code for a piece of inexpensive or other routinely purchased DME, Humana allows 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.

Although transcutaneous electrical nerve stimulator (TENS) units are items of inexpensive or other routinely purchased DME, payment for TENS units differs from payment for other such items. See the specific TENS policy for details [<link to TENS policy 1112ALL0213-H>](#).

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### **Summary of Original Medicare Information**

#### **Generally**

The Centers for Medicare & Medicaid Services (CMS) classify an item or service that meets the statutory requirements of durable medical equipment, prosthetics, orthotics and supplies (DMEPOS) into one of several payment classes. One payment class is "Inexpensive or Other Routinely Purchased DME."

Inexpensive DME is equipment with a purchase amount that does not exceed \$150. Other routinely purchased DME is equipment that is acquired at least 75 percent of the time by purchase. [Medicare Claims Processing Manual, Chapter 20, Sections 30.1A., 30.1B; Social Security Act Section 1834(a)(2)]

#### **Payment for Inexpensive or Other Routinely Purchased DME**

Contractors pay for rentals or lump-sum purchases of covered items of inexpensive or other routinely purchased DME.<sup>1</sup> The decision whether to rent or purchase an item generally resides with the beneficiary. The total payment amount<sup>2</sup> (including the total of all rental payments) for a covered piece of inexpensive or other routinely purchased DME may not exceed the fee schedule amount recognized for the purchase of that item. (There is one exception to this rule, for transcutaneous electrical nerve stimulator units; see the specific TENS policy for details.) [Medicare Claims Processing Manual, Chapter 20, Sections 30.1, 30.1.2; Medicare Benefit Policy Manual, Chapter 15, Section 110; 42 CFR Section 414.220(b)(3)]

#### **Used DME versus New DME**

Used equipment is any equipment that has been purchased or rented by someone before the current purchase transaction. Used equipment also includes equipment that has been used under circumstances where there has been no commercial transaction (for example, a piece of equipment used for a trial period or as a demonstrator).<sup>3</sup>

However, if a beneficiary rented a piece of brand new equipment and subsequently purchased it, the payment amount for the purchase should be high enough so that the total combined rental and purchase amounts at least equal the fee schedule for the purchase of comparable new equipment. The payment amount may be established in this manner only to the extent it does not exceed the actual charge made for purchase. (Medicare Claims Processing Manual, Chapter 20, Sec. 30.1.1.)

#### **Showing Whether Rented or Purchased, Whether Purchased Equipment is New or Used**

Claims must specify whether equipment is rented or purchased.

For purchased equipment, the itemized bill or claim must also indicate whether equipment is new or used. (*Medicare Claims Processing Manual*, Chapter 20, Section 130.9)

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<sup>1</sup> Some items of inexpensive or other routinely purchased DME have only purchase rates; those items are not rented.

<sup>2</sup> Note that each reference to "payment amount" or "purchase amount" is a reference to allowed amount (including any member responsibility) for a piece of DME, not a reference to the actual amount the carrier pays out for the item.

<sup>3</sup> The fact that a piece of equipment is used does not preclude the rental of the equipment, but does limit the total that may be allowed for the item, as a used piece, to less than would be allowable for a piece that was new when initially supplied to the patient.

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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 & Medicaid Services (CMS) that includes, among other information, codes that indicate the CMS-defined DMEPOS categories for DMEPOS items.
- ***Modifier NU:*** Purchase modifier for new equipment.
- ***Modifier NR:*** Purchase modifier to indicate equipment was new when initially rented.
- ***Modifier RR:*** Rental.
- ***Modifier UE:*** Purchase modifier to indicate used equipment.

### Medicare Advantage Resources:

- [Social Security Act Section 1834\(a\)\(2\)](#)
- [42 CFR Section 414.220\(b\)\(3\)](#)
- [42 CFR Section 422.100](#)
- [42 CFR Section 422.216](#)
- [Medicare Benefit Policy Manual, Chapter 15, Section 110](#)
- [Medicare Claims Processing Manual, Chapter 20](#)
  - Section 30.1
  - Section 30.1A
  - Section 30.1B
  - Section 30.1.2
  - Section 130.9

### Commercial Resources:

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

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