



CY 2021 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

MLN Matters Number: MM12063

Related Change Request (CR) Number: 12063

Related CR Release Date: December 4, 2020

Effective Date: January 1, 2021

Related CR Transmittal Number: R10504CP

Implementation Date: January 4, 2021

PROVIDER TYPES AFFECTED

This MLN Matters® Article is for providers and suppliers submitting claims to MACs for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) items or services paid under the DMEPOS fee schedule provided to Medicare beneficiaries.

PROVIDER ACTION NEEDED

This article provides the Calendar Year (CY) 2021 annual update for the Medicare DMEPOS fee schedule. The article includes information on the data files, update factors, and other information related to the update of the fee schedule. Make sure your billing staffs are aware of these updates.

BACKGROUND

We (CMS) update the DMEPOS fee schedule on an annual basis in accordance with statute and regulations. Payment on a fee schedule basis is required for certain DMEPOS and surgical dressings by Sections 1834(a), (h), and (i) of the Social Security Act (the Act). Also, payment on a fee schedule basis is a regulatory requirement at 42 Code of Federal Regulations (CFR) Section 414.102 for Parenteral and Enteral Nutrition (PEN), splints, casts, and Intraocular Lenses (IOLs) inserted in a physician's office. The DMEPOS and PEN fee schedule files contain HCPCS codes that are subject to fee schedule adjustments using information on the payment determined for these items under the DMEPOS Competitive Bidding Program (CBP), as well as codes that are not subject to the CBP or fee schedule adjustments.

Section 1834(a)(1)(F)(ii) of the Act mandates adjustments to the fee schedule amounts for DME items included in the CBP for payment of the items in areas that are not Competitive Bidding Areas (CBAs). Section 1842(s)(3)(B) of the Act provides authority for making adjustments to the fee schedule amounts for enteral nutrients, equipment, and supplies (enteral nutrition) based on information from the CBP. The methodologies for adjusting DMEPOS fee schedule amounts under this authority are established at 42 CFR Section 414.210(g).

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, 2020

Additional information on Section 3712 of the CARES Act is available in Transmittal 10016, [CR 11784](#), of May 8, 2020.

The Interim Final Rule with Comment (IFC) period (CMS-5531-IFC) titled, The Medicare and Medicaid Programs, Basic Health Program and Exchanges; Additional Policy and Regulatory Revisions in Response to the COVID-19 Public Health Emergency and Delay of Certain Reporting Requirements for the Skilled Nursing Facility Quality Reporting Program, was published in the Federal Register on Friday, May 8, 2020. The IFC implements Section 3712 of the CARES Act, which was signed into law on March 27, 2020. Sections 3712(a) and (b) of the CARES Act, respectively, require the following:

- For items and services subject to the fee schedule adjustments furnished in rural or non-contiguous areas, the fee schedule amounts will continue to be based on a blend of 50% of the adjusted fee schedule amounts and 50% of the unadjusted fee schedule amounts (that is, no change from the current fee schedule amounts) through December 31, 2020, or the duration of the COVID-19 Public Health Emergency (PHE), whichever is later.
- For items and services subject to the fee schedule adjustments furnished in non-rural contiguous non-CBAs, the fee schedule amounts will be based on a blend of 75% of the adjusted fee schedule amounts and 25% of the unadjusted fee schedule amounts (that is, an increase in the fee schedule amounts) for claims with dates of service beginning March 6, 2020, and continuing until the end of the COVID-19 PHE.

As the PHE continues, the 2021 DMEPOS and PEN fee schedule update files continue to include the rural and non-contiguous non-CBA 50/50 blended fees and the non-rural contiguous non-CBA 75/25 blended fees required by Section 3712 of the CARES Act.

For the 2021 fee schedule update, the following fee schedule adjustment methodologies apply in non-CBAs based on the areas in which the suppliers furnish items and services:

1. Fee Schedule Amounts for Areas within the Contiguous United States

In accordance with the CARES Act and [42 CFR 414.210\(g\)\(9\)\(iii\)](#), the adjusted fee schedule amounts for items furnished in non-competitively bid rural areas are based on a blend of 50% of the adjusted fee schedule amount and 50% of the unadjusted fee schedule amount for the item, which is updated by the covered item updates specified in Sections 1834(a)(14), 1834(h)(4), and 1842(s)(B) of the Act, for DME, orthotics, and enteral nutrition respectively. Per the CARES Act and Section 414.210(g)(v), the adjusted fee schedule amounts for items furnished in non-competitively bid non-rural areas are based on a blend of 75% of the adjusted fee schedule amount and 25% of the unadjusted fee schedule amount for the item, which is updated by the covered item updates specified in Sections 1834(a)(14), 1834(h)(4), and 1842(s)(B) of the Act, for DME, orthotics, and enteral nutrition respectively.

To determine the adjusted fee schedule amounts, we use the average of the Single Payment Amounts (SPAs) from CBAs located in eight different regions of the contiguous United States to adjust the fee schedule amounts for the states located in each of the eight regions. These

Regional SPAs (RSPAs) are also subject to a national ceiling (110% of the average of the RSPAs for all contiguous states plus the Washington, D.C.) and a national floor (90% of the average of the RSPAs for all contiguous states plus D.C.). This method applies to competitively bid items furnished in the contiguous United States (those included in more than 10 CBAs). Fee schedule amounts for competitively bid items included in 10 or fewer CBAs are adjusted so that they are equal to 110% of the average of the SPAs for the 10 or fewer CBAs.

ZIP codes associated with the address used for pricing a DMEPOS claim determine the rural fee schedule payment applicability for codes with rural and non-rural adjusted fee schedule amounts. The DMEPOS Rural ZIP code file contains the ZIP codes designated as rural areas. ZIP codes for non-continental Metropolitan Statistical Areas (MSAs) are not included in the DMEPOS Rural ZIP code file. The DMEPOS Rural ZIP code file is updated on a quarterly basis as necessary. Regulations at [42 CFR 414.202](#) define a rural area to be a geographical area represented by a postal ZIP code where at least 50% of the total geographical area of the ZIP code is estimated to be outside any MSA. A rural area also includes any ZIP Code within an MSA that is excluded from a CBA established for that MSA.

2. Fee Schedule Amounts for Areas outside the Contiguous United States

In accordance with the CARES Act and 42 CFR 414.210(g)(9)(iii), fee schedule amounts for items furnished in areas outside the contiguous United States (such as Alaska, Guam, and Hawaii) are based on a blend of 50% of the adjusted fee schedule amount and 50% of the unadjusted fee schedule amounts updated by the covered item updates specified in Sections 1834(a)(14), 1834(h)(4) and 1842(s)(B) of the Act. Areas outside the contiguous United States receive adjusted fee schedule amounts 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. Fee Schedule Amounts for Items Where Contracts Were Not Awarded in Round 2021 of the CBP in CBAs and Former CBAs

Round 2021 of the DMEPOS CBP begins on January 1, 2021, and extends through December 31, 2023. On October 27, 2020, CMS announced that it will only award Round 2021 CBP contracts to bidders in the off-the-shelf back and knee brace product categories (see <https://www.cms.gov/files/document/round-2021-dmepos-cbp-single-payment-amts-fact-sheet.pdf>). We will not award Round 2021 CBP contracts to bidders that bid in any of the other 13 product categories that were included in Round 2021 of the CBP. Also, in 3 of the 130 CBAs, we will award no contracts for Round 2021 and these areas (Colorado Springs, Colo., Miami-Fort Lauderdale-West Palm Beach, Fla., and Worcester, Mass.) will remain as former CBAs during this round.

For items that we included in Round 2021 but where contracts haven't been awarded in Round 2021 of the CBP, pursuant to 42 CFR 414.210(g)(10), we base the fee schedules for these items and services furnished in CBAs on the SPAs in effect in the CBA on the last day before the CBP contract period of performance ended (that is, December 31, 2018), increased by the

projected percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) for the 12-month period on the date after the contract periods ended. Fee schedule amounts are increased once every 12 months on the anniversary date of the first day after the contract period ended with the CPI-U.

For CY 2019, the fee schedule amounts for these items were adjusted based on the SPAs for each specific CBA, increased by the projected percentage change in the CPI-U of 2.5% for the 12-month period ending January 1, 2019. For CY 2020, the adjusted fee schedule amounts were increased by the projected change in the CPI-U of 2.4%. For 2021, the 2020 adjusted fee schedule amounts are increased by the projected percentage change in the CPI-U of 0.6% for the 12-month period ending January 1, 2021.

KE Modifier

As the revised fee schedule amounts are based in part on unadjusted fee schedule amounts, the January 2021 DMEPOS fee schedule files will also continue to incorporate fee schedule amounts for certain codes billed in conjunction with modifier KE for all non-CBA areas. Background information on the KE modifier is in Transmittal 1630, [CR 6270](#). In cases where accessories included in the Initial Round One CBP in 2008 are furnished for use with base equipment that was not included in the 2008 CBP (for example, manual wheelchairs where the KU modifier does not apply, canes, and aspirators), for beneficiaries residing in non-rural areas, suppliers should append the KE modifier to the HCPCS code for the accessory.

KU Modifier

The Further Consolidated Appropriations (FCA) Act, 2020 (Pub. L. 116-94) was signed into law on December 20, 2019. Section 106 of the FCA Act mandates that, during the period beginning on January 1, 2020, and ending June 30, 2021, adjustments to the Medicare fee schedule amounts for certain DME based on information from CBPs not be applied to wheelchair accessories (including seating systems) and seat and back cushions furnished in connection with complex rehabilitative manual wheelchairs (HCPCS codes E1161, E1231, E1232, E1233, E1234 and K0005) and certain manual wheelchairs currently described by HCPCS codes E1235, E1236, E1237, E1238, and K0008).

As a result, KU modifier fees for wheelchair accessory and seat and back cushion HCPCS codes impacted by this change continue to be included in the DMEPOS fee schedule file and are effective for dates of service through June 30, 2021. The fees for items denoted with the HCPCS modifier KU represent the unadjusted fee schedule amounts (the CY 2015 fee schedule amount updated to the present CY by the DMEPOS covered item updates). Additional instructions, as well as the applicable complex rehabilitative and certain manual wheelchair accessory codes associated with this provision are listed in Transmittal 10019, [CR 11635](#), dated May 7, 2020.

Public Use Files (PUFs)

The following 2021 DMEPOS fee schedule and ZIP code PUFs will be available for State Medicaid Agencies, managed care organizations, and other interested parties shortly after the

release of the above files on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule.html>. These include:

1. DMEPOS Fee schedule PUF
2. DME PEN Fee schedule PUF
3. DMEPOS Rural ZIP code PUF
4. Former CBA Fee schedule PUF
5. Former CBA National Mail Order diabetic testing supply fee schedule PUF
6. Former CBA ZIP Code PUF

Beginning January 1, 2021, the former CBA ZIP code file will contain the CBA ZIP codes for the items in the 13 product categories where contracts were not awarded in from Round 2021 of the CBP. We will update this ZIP file on a quarterly basis as necessary.

2021 Fee Schedule Update Factor of 0.2%

For CY 2021, an update factor of 0.2% is applied to certain DMEPOS fee schedule amounts. Fee schedule amounts that are adjusted using information from CBPs are not subject to the annual DMEPOS covered item update but will be updated pursuant to the applicable adjustment methodologies outlined in 42 CFR 414.210(g).

In accordance with Section 1834(a)(14) of the Act, certain DMEPOS fee schedule amounts are updated for 2021 by the percentage increase in the Consumer Price Index for all CPI-U for the 12-month period ending June 30, 2020, adjusted by the change in the economy-wide productivity equal to the 10-year moving average of changes in annual economy-wide private non-farm business Multi-Factor Productivity (MFP). The MFP adjustment is 0.4% and the CPI-U percentage increase is 0.6%. Thus, the 0.6% increase in the CPI-U is reduced by the 0.4% increase in the MFP resulting in a net increase of 0.2% for the update factor.

New Codes Added

There are no DMEPOS codes added to the HCPCS file, effective January 1, 2021.

For gap-filling pricing purposes, the deflation factors for 2020 by payment category are:

- 0.425 for Oxygen
- 0.427 for Capped Rental
- 0.429 for Prosthetics and Orthotics
- 0.544 for Surgical Dressings
- 0.592 for Parental and Enteral Nutrition
- 0.891 for Intraocular Lenses
- 0.906 for Splints and Casts

You'll find instructions for Gap-filling DMEPOS fees are available in Chapter 23, Section 60.3 of the Medicare Claims Processing Manual (Pub. 100-04), which is part of CR 12063.

Codes Deleted

There are no HCPCS codes deleted from the DMEPOS fee schedule files effective January 1, 2021.

2021 Oxygen and Oxygen Equipment Fee Schedule Amounts

Per Section 1834(a)(9)(D)(ii) of the Act, we apply a budget neutrality offset to all oxygen payment classes and items including:

- Stationary oxygen equipment and oxygen contents (E0424, E0439, E1390, and E1391)
- Portable oxygen equipment add-on (E0431 and E0434)
- Oxygen generating portable equipment add-on (E0433, E1392, and K0738)
- Stationary contents (E0441 and E0442)
- Portable contents (E0443 and E0444)
- Portable liquid contents for high-flow patients (E0447)

For CY 2021, the offset percentage is a reduction and varies by geographic area and is about 5% in non-CBA areas and about 9 percent in CBA areas. Because oxygen and oxygen equipment furnished in CBAs are not included in the Round 2021 CBP, these oxygen and oxygen equipment fees will receive an update of 0.6 percent (CPI-U) that when combined with the statutorily required budget neutrality offset, on average, will be 0.7 percent reduction, such that the net result, in most cases will be a slight decrease to the oxygen fees for 2021. Similarly, in non-CBAs, the oxygen offset percentage may exceed the annual updates applied to the blended amounts resulting in a reduction in oxygen fees for 2021. For context, the reduction in oxygen fees will be no more than 23 cents in CBAs and in non-CBAs.

Therapeutic Shoe Modification Codes

We are adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 as part of this update in order to reflect most current allowed service data. Section 1833(o)(2)(C) of the Act require payment amounts for shoe modification codes A5503 through A5507 be established in a manner that prevented a net increase in expenditures when substituting these items for therapeutic shoe insert codes (A5512, A5513, and A5514). To establish the fee schedule amounts for the shoe modification codes, the base fees for codes A5512 and A5513 were weighted based on the approximated total allowed services for each code for items furnished during the second quarter of calendar year 2004.

For 2021, we are updating the weighted average insert fees used to establish the fee schedule amounts for the shoe modification codes with more current allowed service data for each insert code. The base fees for A5512, A5513, and A5514 will be weighted based on the approximated total allowed services for each code for items furnished during CY 2019. We are revising the fee schedule amounts for shoe modification codes A5503 through A5507 to reflect this change, effective January 1, 2021.

Diabetic Testing Supplies (DTS)

The fee schedule amounts for non-mail order DTS (without KL modifier) for codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, and A4259 are not updated by the annual covered item update. Per Section 1834(a)(1)(H) of the Act, the fee schedule amounts for these codes were adjusted in CY 2013 so that they are equal to the SPAs for mail-order DTS established in implementing the national mail order CBP under Section 1847 of the Act. Initial program instructions on these fees are available in Transmittal 2709, [CR 8325](#) and Transmittal 2661, [CR 8204](#). The National Mail-Order Recompete DTS SPAs are available at <http://www.dmecompetitivebid.com/cbic/cbic.nsf/DocsCat/Home>.

The non-mail order DTS amounts on the fee schedule will be updated each time the single payment amounts are updated. This can happen no less often than every time the mail order CBP contracts are re-competed.

The National Mail Order Recompete CBP for mail-order diabetic supplies was effective July 1, 2016, to December 31, 2018. As of January 1, 2021, payment for non-mail order diabetic supplies at the National Mail-Order Recompete SPAs will continue in accordance with Section 1834(a)(1)(H) of the Act and these rates will remain in effect until new SPA rates are established under the national mail-order program.

Effective January 1, 2021, the fee schedule amounts for mail-order DTS (with KL modifier) are adjusted using the methodology for areas that were formerly CBAs during periods when there is a temporary lapse in the CBP. The National Mail-Order Recompete DTS SPAs of December 31, 2018, are increased by the projected percentage change in the CPI-U for the 12-month period on the date after the contract periods ended.

We increase the fee schedule amounts once every 12 months on the anniversary date of the first day after the contract period ended with the CPI-U. For dates of service between January 1, 2019, and December 31, 2019, the National Mail-Order Recompete SPAs are updated by the projected change of 2.5%. For CY 2020, the adjusted CY 2019 mail-order DTS fees are updated by the projected percentage change in the CPI-U of 2.4% for the 12-month period ending January 1, 2020. For CY 2021, the adjusted CY 2020 mail-order DTS fees are updated by the projected percentage change in the CPI-U of 0.6% for the 12-month period ending January 1, 2021.

The national mail order adjusted fee schedule amounts will be used in paying mail-order diabetic testing supply claims throughout the United States, as well as Washington D.C., Puerto Rico, the U.S. Virgin Islands, Guam, and American Samoa.

2021 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

We updated for 2021 the payment amount for maintenance and servicing for certain oxygen equipment. Payment for claims for maintenance and servicing of oxygen equipment was instructed in Transmittal 635, [CR 6792](#) and Transmittal 717, [CR 6990](#).

Payment for maintenance and servicing of certain oxygen equipment can occur every 6 months beginning 6 months after the end of the 36th month of continuous use or the end of the

supplier's or manufacturer's warranty, whichever is later for either HCPCS code E1390, E1391, E0433 or K0738, billed with the "MS" modifier. Payment cannot occur more than once per beneficiary, regardless of the combination of oxygen concentrator equipment and/or transfilling equipment used by the beneficiary, for any 6-month period.

Per 42 CFR 414.210(e)(5)(iii), the 2010 maintenance and servicing fee for certain oxygen equipment was based on 10% of the average price of an oxygen concentrator. For CY 2011 and subsequent years, the maintenance and servicing fee is adjusted by the covered item update for DME as set forth in Section 1834(a)(14) of the Act.

Thus, the 2020 maintenance and servicing fee is adjusted by the 0.2% MFP-adjusted covered item update factor to yield a CY 2020 maintenance and servicing fee of \$73.17 for oxygen concentrators and transfilling equipment.

2021 Labor Payment Amounts for Repairs & Service Codes

Attachment A on page 14 of [CR 12063](#) lists the CY 2021 allowed payment amounts for HCPCS labor payment codes:

- K0739 Repair or non-routine service for Durable Medical Equipment other than oxygen equipment requiring the skill of a technician, labor component, per 15 minutes
- L4205 Repair of orthotic device, labor component, per 15 minutes
- L7520 Repair prosthetic device, labor component, per 15 minutes

Since the percentage increase in the CPI-U for the 12-month period ending with June 30, 2020, is 0.6%, we applied this change to the 2020 labor payment amounts to update the rates for CY 2021. The 2021 labor payment amounts are effective for claims submitted using HCPCS codes K0739, L4205, and L7520 with dates of service from January 1, 2021, through December 31, 2021.

ADDITIONAL INFORMATION

The official instruction, CR 12063, issued to your MAC regarding this change, is available at <https://www.cms.gov/files/document/r10504cp.pdf>.

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

DOCUMENT HISTORY

Date of Change	Description
April 12, 2021	We replaced article links with links to related CRs.
December 7, 2020	Initial article released.

Disclaimer: Paid for by the Department of Health & Human Services. This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents. CPT only copyright 2019 American Medical Association. All rights reserved.

Copyright © 2013-2020, the American Hospital Association, Chicago, Illinois. Reproduced by CMS with permission. No portion of the AHA copyrighted materials contained within this publication may be copied without the express written consent of the AHA. AHA copyrighted materials including the UB-04 codes and descriptions may not be removed, copied, or utilized within any software, product, service, solution or derivative work without the written consent of the AHA. If an entity wishes to utilize any AHA materials, please contact the AHA at 312-893-6816. Making copies or utilizing the content of the UB-04 Manual, including the codes and/or descriptions, for internal purposes, resale and/or to be used in any product or publication; creating any modified or derivative work of the UB-04 Manual and/or codes and descriptions; and/or making any commercial use of UB-04 Manual or any portion thereof, including the codes and/or descriptions, is only authorized with an express license from the American Hospital Association. To license the electronic data file of UB-04 Data Specifications, contact Tim Carlson at (312) 893-6816. You may also contact us at ub04@healthforum.com

The American Hospital Association (the "AHA") has not reviewed, and is not responsible for, the completeness or accuracy of any information contained in this material, nor was the AHA or any of its affiliates, involved in the preparation of this material, or the analysis of information provided in the material. The views and/or positions presented in the material do not necessarily represent the views of the AHA. CMS and its products and services are not endorsed by the AHA or any of its affiliates.