CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 4487	**Date: January 3, 2020**
	Change Request 11570

Transmittal 4470, December 6, 2019, is being rescinded and replaced by Transmittal 4487, dated, January 3, 2020 to correct the CY 2020 maintenance and servicing fee for certain oxygen equipment to $73.02 in BR 11570.9. All other information remains the same.

SUBJECT: CY 2020 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

I. SUMMARY OF CHANGES: This recurring update notification provides instructions regarding the CY 2020 annual update for the DMEPOS fee schedule. The DMEPOS fee schedule is updated on an annual basis in accordance with the statute and regulations. The update process for the DMEPOS fee schedule is located in Pub.100-04, Medicare Claims Processing Manual, chapter 23, section 60.

EFFECTIVE DATE: January 1, 2020
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: January 6, 2020

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
R	23/60.3/Gap-filling DMEPOS Fees
R	23/60.3.1/Payment Concerns While Updating Codes

III. FUNDING:
For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Attachment - Recurring Update Notification

Pub. 100-04	Transmittal: 4487	Date: January 3, 2020	Change Request: 11570

Transmittal 4470, December 6, 2019, is being rescinded and replaced by Transmittal 4487, dated, January 3, 2020 to correct the CY 2020 maintenance and servicing fee for certain oxygen equipment to $73.02 in BR 11570.9. All other information remains the same.

SUBJECT: CY 2020 Update for Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Fee Schedule

EFFECTIVE DATE: January 1, 2020
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: January 6, 2020

I. GENERAL INFORMATION

A. Background: This recurring update notification provides instructions regarding the 2020 annual update for the DMEPOS fee schedule. The DMEPOS fee schedules are updated on an annual basis in accordance with the statute and regulations. The update process for the DMEPOS fee schedule is located in publication 100-04, Medicare Claims Processing Manual, chapter 23, section 60.

Payment on a fee schedule basis is required for certain Durable Medical Equipment (DME), prosthetic devices, orthotics, prosthetics, and surgical dressings by §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) §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 Healthcare Common Procedure Coding System (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.

Fee Schedule Adjustment Methodologies

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 using information from the CBP are established in regulations at 42 CFR §414.210(g). The DMEPOS and PEN fee schedule files contain HCPCS codes that are subject to the adjusted fee schedule amounts, as well as codes that are not subject to the fee schedule CBP adjustments. Recent program instructions on these fee schedule adjustments are available in Transmittal 4209, CR 11064, dated January 18, 2019.

For CY 2020, the following Fee Schedule Adjustment Methodologies apply and fee schedule amounts are based on the area in which the items and services are furnished.

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

For claims with dates of service from January 1, 2019 through December 31, 2020, the adjusted fee schedule amounts for items furnished in non-competitively bid rural areas are based on a blend of 50 percent of the adjusted fee schedule amount and 50 percent of the unadjusted fee schedule amount for the item, which is updated by the covered item updates specified in sections 1834(a)(14) and 1842(s)(B) of the Act, for DME and enteral nutrition respectively. For claims with dates of service from January 1, 2019 through December 31, 2020, the adjusted fee schedule amounts for items furnished in other non-competitively bid areas the

adjusted fee schedule amounts are based on 100 percent of the adjusted fee schedule amounts.

To determine the adjusted fee schedule amounts, the average of the Single Payment Amounts (SPAs) from CBAs located in eight different regions of the contiguous United States are used to adjust 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 competitively bid DME items furnished in the contiguous United States, i.e., those included in more than 10 CBAs. Fees schedule amounts for competitively bid 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.

Additionally, 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 CBA established for that MSA.

The CBP and SPAs generated from the CBP that are used to adjust the fee schedule amounts expired on January 1, 2019. In accordance with regulations at §414.210(g)(4), the fee adjusted fee schedule amounts will be increased by 1.6 percent on January 1, 2020 based on the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) for the 12-month period ending June 30, 2019.

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

Fee schedule amounts for items furnished in areas outside the contiguous United States (i.e., noncontiguous areas such as Alaska, Guam, Hawaii) are based on a blend of 50 percent of the adjusted fee schedule amount and 50 percent of the unadjusted fee schedule amounts updated by the covered item updates specified in sections 1834(a)(14) 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.

For the CY January 1, 2020 fee schedule update, the adjusted fee schedule amounts in non-bid areas will receive a CPI-U update per §414.210(g) of 1.6 percent due to the adjustments being based on SPAs from competitive bidding programs that are no longer in effect.

KE Modifier

Additionally, because the rural and non-contiguous fee schedule amounts are based in part on unadjusted fee schedule amounts, the fees for certain items included in the 2008 Original Round One CBP, denoted with the KE modifier, appear on the fee schedule file only for items furnished in rural and non-contiguous areas. Instructions and a list of the applicable KE HCPCS codes are available in Transmittal 1630, CR 6270, dated November 7, 2008. From June 1, 2018 through December 31, 2020, the rural and non-contiguous KE fee schedule amounts will be based on a blend of 50 percent of the adjusted fee schedule amount and 50 percent of the unadjusted KE fee schedule amount updated by the covered item updates specified in sections 1834(a)(14) and 1842(s)(B) of the Act. The non-rural fees for these KE codes will be populated with zeros on the fee schedule file since KE is not a valid option for areas without blended fees.

For certain accessories used with base equipment included in the CBP in 2008 (e.g. power wheelchairs, walkers, and negative pressure wound therapy pumps), the unadjusted fee schedule amounts include a 9.5 percent reduction in accordance with Federal law if these accessories were also included in the 2008 CBP. The 9.5 percent fee reduction only applies to these accessories when they are furnished for use with the base equipment included in the 2008 CBP. Beginning June 1, 2018, in cases where accessories included in the

2008 CBP are furnished for use with base equipment that was not included in the 2008 CBP (e.g., manual wheelchairs, canes and aspirators), for beneficiaries residing in rural or non-contiguous, non-competitive bid areas, suppliers should append the KE modifier to the HCPCS code for the accessory. Suppliers should not use the KE modifier with accessories that were included in the 2008 CBP and furnished for use with base equipment that was not included in the 2008 CBP when these accessories are furnished to beneficiaries residing in non-rural, non-competitive bid areas. The KE modifier is not billable for items furnished in former competitive bid areas effective January 1, 2019 (see payment methodology below).

3. Fee Schedule Amounts for former Competitive Bidding Areas (CBAs)

The Round 2 Recompete, National Mail-Order Recompete, and Round 1 2017 contract periods of performance expired on December 31, 2018. Due to a delay, contracts will not be in effect January 1, 2019 – December 31, 2020 resulting in a gap in the CBP. During the gap period in the DMEPOS CBP, any Medicare enrolled DMEPOS supplier may furnish any DMEPOS item, including items that were formerly included in the CBP. In addition, payment for all items and services that were included in the CBP are based on the lower of the supplier's charge for the item or fee schedule amounts adjusted in accordance with sections 1834(a)(1)(F) and 1842(s)(3)(B) of the Social Security Act. The fee schedules for items and services furnished in former CBAs are based on the SPAs in effect in the CBA on the last day before the CBP contract period of performance ended, increased by the projected percentage change in the CPI-U for the 12-month period on the date after the contract periods ended. The 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 items furnished in areas that were CBAs as of December 31, 2018, were adjusted based on the Single Payment Amounts (SPAs) for each specific CBA, increased by the projected percentage change in the CPI-U of 2.5 percent for the 12-month period ending January 1, 2019. For CY 2020, the adjusted fee schedule amounts are increased by the projected percentage change in the CPI-U of 2.4 percent for the 12-month period ending January 1, 2020.

The ZIP code associated with the address used for pricing a DMEPOS claim determines 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 MSA 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 §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 MSA. A rural area also includes any ZIP Code within an MSA that is excluded from a competitive bidding area established for that MSA.

The ZIP code associated with the permanent address of the beneficiary determines applicability of the adjusted fee schedule amounts in former CBAs. During a gap in the CBP, a former CBA ZIP code file will contain the ZIP codes and will be updated on a quarterly basis as necessary.

Regulations for Pricing New DMEPOS Items

Effective January 1, 2020, regulations on methodologies for establishing fees for new DMEPOS items are published in the CY 2020 End-Stage Renal Disease (ESRD)/ DMEPOS final rule, CMS-1713-F, which is available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/ESRDpayment/End-Stage-Renal-Disease-ESRD-Payment-Regulations-and-Notices.html

Corresponding updates to Chapter 23, sections 60.3 and 60.3.1 of the Internet-Only-Manual (IOM 100-04) are made to reflect the regulations.

B. Policy: The DMEPOS fee schedule file contains fee schedule amounts for non-rural and rural areas. Additionally, the PEN fee schedule file includes state fee schedule amounts for enteral nutrition items and national fee schedule amounts for parenteral nutrition items.

The CMS is scheduled to release the following files on or after November 29, 2019:

1. CY 2020 DMEPOS Fee Schedule file (filename:MU00.@BF12393.DMEPOS.T200101.V1129) for the Pricing, Data Analysis and Coding (PDAC) Contractor, DME MACs and A/B MACs PartB
2. CY 2020 DMEPOS Fee Schedule file (filename:MU00.@BF12393.DMEPOS.T200101.V1129.FI) for the A/B Medicare Administrative Contractors (MACs) Part A, A/B MACs Part Home Health and Hospice (HHH), Railroad Retirement Board (RRB), Indian Health Service, and United Mine Workers
3. CY 2020 Fee schedule for PEN for the PDAC and DME MACs (filename: MU00.@BF12393.PEN.CY20.V1129)
4. CY 2020 DMEPOS Rural ZIP Code file containing Quarter 1, 2020 rural ZIP Codes is scheduled to be released for the contractors(filename:MU00.@DMECBIC.RURZIP.C20Q01.V1129)

The CMS will also release the following files to pay claims for items and services in former CBAs. Additional program instructions for these files are available in Transmittal 4397, CR 11462 dated September 20, 2019:

1. CY 2020 Former CBA Fee schedulefile
2. CY 2020 CBA ZIP Codefile

The following CY 2020 DMEPOS fee schedule and ZIP code Public Use Files (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 https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule.html:

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

New Codes Added

New DMEPOS codes added to the HCPCS file, effective January 1, 2020, where applicable, are listed in Business Requirement (BR) 7 of this instruction. The new codes are not to be used for billing purposes until they are effective on January 1, 2020.

As part of this update, fees are not added to the DMEPOS fee schedule file for new HCPCS codes effective January 1, 2020. Until national Medicare coverage and payment guidelines have been established for these codes, the Medicare coverage and payment determinations for these items shall be made based on the discretion of the Medicare contractors processing claims for these items. The DME MACs and A/B MACs Part B shall establish local fee schedule amounts to pay claims for the new codes when applicable, and pay in accordance with the payment rules associated with each payment determination (e.g., an item determined to be an expensive item of DME that is reasonable and necessary and not otherwise excluded from coverage by statute, regulations, an NCD or program instructions, must be paid on a capped rental basis in accordance with regulations at CFR 414.229).

Codes Deleted

There are no HCPCS codes deleted from the DMEPOS fee schedule files effective January 1, 2020.

Therapeutic Shoe Modification Codes

CMS is also adjusting the fee schedule amounts for shoe modification codes A5503 through A5507 as part of this update in order to reflect more current allowed service data. Section 1833(o)(2)(C) of the Act required that the 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 or A5513). 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 2020, CMS is 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 and A5513 will be weighted based on the approximated total allowed services for each code for items furnished during the calendar year 2018. The fee schedule amounts for shoe modification codes A5503 through A5507 are being revised to reflect this change, effective January 1, 2020.

Diabetic Testing Supplies

The fee schedule amounts for non-mail order Diabetic Testing Supplies (DTS) (without KL modifier) for codes A4233, A4234, A4235, A4236, A4253, A4256, A4258, A4259 are not updated by the annual covered item update. In accordance with 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, dated May 17, 2013 and Transmittal 2661, CR 8204, dated February 22, 2013. The National Mail-Order Recompete DTS SPAs are available at the following website: https://www.dmecompetitivebid.com/palmetto/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 recompeted. The National Mail Order Recompete CBP for mail order diabetic supplies was effective July 1, 2016 to December 31, 2018. As of January 1, 2020, 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, 2020, 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. The 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 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 percent. 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 percent for the 12-month period ending January 1, 2020. The national mail order adjusted fee schedule amounts will be used in paying mail order diabetic testing supply claims in all parts of the United States, including the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and the American Samoa.

2020 Fee Schedule Update Factor of 0.9 Percent

For CY 2020, an update factor of .9 percent 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 the statutory sections 1834(a)(14) of the Act, certain DMEPOS fee schedule amounts are updated for 2020 by the percentage increase in the consumer price index for all urban consumers (United

States city average) CPI- U for the 12-month period ending June 30, 2019, 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 0.7 percent and the CPI-U percentage increase is 1.6 percent. Thus, the 1.6 percentage increase in the CPI-U is reduced by the 0.7 percentage increase in the MFP resulting in a net increase of 0.9 percent for the update factor.

2020 Oxygen and Oxygen Equipment Fee Schedule Amounts

Consistent with the requirements set forth in section 1834(a)(9)(D)(ii) of the Act, a budget neutrality offset must be applied 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), OGPE add-on (E0433, E1392, and K0738), stationary contents (E0441 and E0442), portable contents (E0443 and E0444) and portable liquid contents for high flow patients (E0447). For CY 2020, the offset percentage varies by geographic area and ranges from 7 to 10 percent in areas that are not former CBAs.

2020 Maintenance and Servicing Payment Amount for Certain Oxygen Equipment

Also updated for 2020 is 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, dated February 5, 2010 and Transmittal 717, CR 6990, dated June 8, 2010. To summarize, 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 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 percent 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 §1834(a)(14) of the Act. Thus, the 2019 maintenance and servicing fee is adjusted by the 0.9 percent MFP-adjusted covered item update factor to yield a CY 2020 maintenance and servicing fee of $73.02 for oxygen concentrators and transfilling equipment.

2020 Update to the Labor Payment Rates

Included in Attachment A are the CY 2020 allowed payment amounts for HCPCS labor payment codes K0739, L4205 and L7520. Since the percentage increase in the Consumer Price Index for all urban consumers (CPI- U) for the twelve-month period ending with June 30, 2019 is 1.6 percent, this change is applied to the 2020 labor payment amounts to update the rates for CY 2020. The 2020 labor payment amounts in Attachment A are effective for claims submitted using HCPCS codes K0739, L4205 and L7520 with dates of service from January 1, 2020 through December 31, 2020.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
11570.1	The DME MACs, A/B MACs Part B and/or Virtual		X		X					VDC

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	Data Centers (VDCs) shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T200101.V1129). The file is available for download on or after November 29, 2019.									
11570.1.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).		X		X					VDC
11570.2	The A/B MACs Part A, A/B MACs Part HHH and/or VDCs shall retrieve the DMEPOS fee schedule file (filename: MU00.@BF12393.DMEPOS.T200101.V1129.FI). The file is available for download on or after November 29, 2019.	X		X						VDC
11570.2.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).	X		X						VDC
11570.3	The DME MACs and/or VDCs shall retrieve the PEN fee schedule file (filename: MU00.@BF12393.PEN.CY20.V1129). The file is available for download on or after November 29, 2019.				X					VDC
11570.3.1	Contractors shall notify CMS of successful receipt via email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).				X					VDC
11570.4	The DME MACs, A/B MACs Part B, A/B MACs Part A, A/B MACs Part HHH and/or VDCs shall retrieve the CY 2020 Rural ZIP Code file (filename: MU00.@DMECBIC.RURZIP.C20Q01.V1129) on or after November 29, 2019.	X	X	X	X					VDC
11570.4.1	Contractors shall notify CMS of successful receipt via	X	X	X	X					VDC

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	email to price_file_receipt@cms.hhs.gov stating the name of the file received (e.g., DMEPOS) and the entity receiving the file (e.g., include states, contractor/carrier numbers, quarter, and if Part A, Part B, or both).									
11570.5	Contractors shall use the DMEPOS files specified in BRs 11570.1 - 11570.2 and the Rural Zip Code file in BR 11570.4 to pay claims for items with dates of service from January 1, 2020 through December 31, 2020.	X	X	X	X					
11570.6	The DME MACs shall use the PEN fee schedule file and Rural Zip Code file in BRs 11570.3 - 11570.4 to pay claims for items with dates of service from January 1, 2020 through December 31, 2020.				X					
11570.7	The HCPCS codes listed below are being added to the HCPCS effective January 1, 2020; the Common Working File (CWF) shall add the following categories (in parentheses) and payment categories to its system as follows: 1. A4226 (60) 2. B4187 (09, 60) PEN 3. E0787 (60) 4. E2398 (60) 5. K1001 (60) 6. K1002 (60) 7. K1003 (60) 8. K1004 (67) 9. K1005 (60) 10. L2006 (60) 11. L8033 (03,60) PO								X	
11570.8	Contractors shall use 2020 allowed payment amounts for code K0739, L4205, and L7520 in Attachment A	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	to pay claims with dates of service from January 1, 2020 through December 31, 2020.									
11570.9	Contractors shall use the 2020 maintenance and servicing fee for certain oxygen equipment of $73.02 for claims with dates of service January 1, 2020 thru December 31, 2020. Payment is based on the lower of the supplier's actual charge or the maintenance and servicing fee.			X	X	X				
11570.10	Contractors shall implement changes to the 2020 DMEPOS fee schedules in accordance with the schedule outlined below. DME MACs or A/B MACs Part B shall forward changes to CMS/Division Data Systems: price_file_receipt@cms.hhs.gov Changes to CMS/Division Data Systems: April 1, 2020; May 22, 2020; Sept 1, 2020, Nov 30, 2020		X		X					
11570.10.1	Fees are not added to the DMEPOS fee schedule file for new HCPCS codes effective January 1, 2020. Contractors shall establish local fee schedule amounts, where applicable, to pay claims for the new codes that are effective January 1, 2020 until national coverage and payment guidelines are established. Payment shall be made based on the discretion of the contractor.		X		X					
11570.11	Contractors shall be aware of the changes made to the gap-fill and continuity of pricing instructions in Chapter 23, Sections 60.3 and 60.3.1 of the IOM		X		X					

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
11570.12	MLN Article: CMS will make available an MLN Matters provider education	X	X	X	X	

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
	article that will be marketed through the MLN Connects weekly newsletter shortly after the CR is released. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1, instructions for distributing MLN Connects information to providers, posting the article or a direct link to the article on your website, and including the article or a direct link to the article in your bulletin or newsletter. You may supplement MLN Matters articles with localized information benefiting your provider community in billing and administering the Medicare program correctly. Subscribe to the "MLN Matters" listserv to get article release notifications, or review them in the MLN Connects weekly newsletter.					

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
5	Additional claims systems instructions are found in Change Request 9239 Implementation of Adjusted DMEPOS Fee Schedule Amounts Using Information from the National Competitive Bidding Program (CBP).
9	Instructions on payment for maintenance and servicing of certain oxygen equipment are located in CRs 6792 and 6990.

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Anita Greenberg, Anita.Greenberg@cms.hhs.gov , Karen Jacobs, Karen.Jacobs@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question

and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 1

Medicare Claims Processing Manual
Chapter 23 - Fee Schedule Administration and Coding Requirements

60.3 - Gap-filling DMEPOS Fees
(Rev. 4487, Issued: 01-03-2020, Effective: 01-01-20, Implementation: 01-06-20)

If a HCPCS code is new and describes items and services that have a fee schedule pricing history (classified and paid for previously under a different code), the fee schedule amounts for the new code are established using the process included in section 60.3.1 of this manual.

The DME MACs and *A/B MACs* Part B shall gap-fill the DMEPOS fee schedule for items for which charge data were unavailable during the fee schedule data base year using the fee schedule amounts for comparable equipment. *Fee schedule amounts for new HCPCS codes for items and services without a fee schedule pricing history are established using existing fee schedule amounts for comparable items when items with existing fee schedule amounts are determined to be comparable to the new items and services. A comparison can be based on, but not limited to the following components: physical, mechanical, electrical, function and intended use, and additional attributes and features. When examining whether an item is comparable to another item, the analysis can be based on the items as a whole, its subcomponents, or a combination of items. A new product does not need to be comparable within each category, and there is no prioritization to the categories.*

Examples of Attributes in Each Component Category

- *Physical: Aesthetics, Design, Customized vs. Standard, Material, Portable, Size, Temperature Range/Tolerance, Weight*
- *Mechanical: Automated vs. Manual, Brittleness, Ductility, Durability, Elasticity, Fatigue, Flexibility, Hardness, Load Capacity, Flow-Control, Permeability, Strength*
- *Electrical: Capacitance, Conductivity, Dielectric Constant, Frequency, Generator, Impedance, Piezo-electric, Power, Power Source, Resistance*
- *Function and Intended Use: Function, Intended Use*
- *Additional Attributes and Features: "Smart", Alarms, Constraints, Device Limitations, Disposable, Parts, Features, Invasive vs. Non-Invasive.*

If unable to identify comparable item(s), other sources of pricing data can be used to calculate the gap-filled fee schedule amount for the new item. These sources include using supplier *or commercial* price lists with prices in effect during the fee schedule data base year. Data base "year" refers to the time period mandated by the statute and/or regulations from which Medicare allowed charge data is to be extracted in order to compute the fee schedule amounts for the various DMEPOS payment categories. For example, the fee schedule base year for inexpensive or routinely purchased durable medical equipment is the 12 month period ending June 30, 1987. Supplier price lists include catalogues and other retail price lists (such as internet retail prices) that provide information on commercial pricing for the item. Potential appropriate sources for such commercial pricing information can also include *payments made by Medicare Advantage plans as well as* verifiable information from supplier invoices and non-Medicare payer data (e.g., fee schedule amounts comprised of the median of the commercial pricing information adjusted as described below). DME MACs and *A/B MACs* shall gap-fill based on current instructions released each year for implementing and updating the payment amounts.

If the only available price information is from a period other than the base period, apply the deflation factors that are included in the current year implementation instructions against current pricing in order to approximate the base year price for gap-filling purposes.

The deflation factors for gap-filling purposes are:

Year*	**OX**	**CR**	**PO**	**SD**	**PE**	**SC**	**IL**
1987	0.965	0.971	0.974	n/a	n/a	n/a	n/a
1988	0.928	0.934	0.936	n/a	n/a	n/a	n/a
1989	0.882	0.888	0.890	n/a	n/a	n/a	n/a
1990	0.843	0.848	0.851	n/a	n/a	n/a	n/a
1991	0.805	0.810	0.813	n/a	n/a	n/a	n/a
1992	0.781	0.786	0.788	n/a	n/a	n/a	n/a
1993	0.758	0.763	0.765	0.971	n/a	n/a	n/a
1994	0.740	0.745	0.747	0.947	n/a	n/a	n/a
1995	0.718	0.723	0.725	0.919	n/a	n/a	n/a
1996	0.699	0.703	0.705	0.895	0.973	n/a	n/a
1997	0.683	0.687	0.689	0.875	0.951	n/a	n/a
1998	0.672	0.676	0.678	0.860	0.936	n/a	n/a
1999	0.659	0.663	0.665	0.844	0.918	n/a	n/a
2000	0.635	0.639	0.641	0.813	0.885	n/a	n/a
2001	0.615	0.619	0.621	0.788	0.857	n/a	n/a
2002	0.609	0.613	0.614	0.779	0.848	n/a	n/a
2003	0.596	0.600	0.602	0.763	0.830	n/a	n/a
2004	0.577	0.581	0.582	0.739	0.804	n/a	n/a
2005	0.563	0.567	0.568	0.721	0.784	n/a	n/a
2006	0.540	0.543	0.545	0.691	0.752	n/a	n/a
2007	0.525	0.529	0.530	0.673	0.732	n/a	n/a
2008	0.500	0.504	0.505	0.641	0.697	n/a	n/a
2009	0.508	0.511	0.512	0.650	0.707	n/a	n/a
2010	0.502	0.506	0.507	0.643	0.700	n/a	n/a
2011	0.485	0.488	0.490	0.621	0.676	n/a	n/a
2012	0.477	0.480	0.482	0.611	0.665	n/a	n/a
2013	0.469	0.472	0.473	0.600	0.653	n/a	0.983
2014	0.459	0.462	0.464	0.588	0.640	0.980	0.963
2015	0.459	0.462	0.463	0.588	0.639	0.978	0.962
2016	0.454	0.457	0.458	0.582	0.633	0.969	0.952
2017	0.447	0.450	0.451	0.572	0.623	0.953	0.937
2018	0.435	0.437	0.439	0.556	0.605	0.927	0.911
2019	*0.427*	*0.430*	*0.431*	*0.547*	*0.595*	*0.912*	*0.896*

* Year price in effect

Payment Category Key:
OX Oxygen & oxygen equipment
(DME) CR Capped rental (DME)
IN Inexpensive/routinely purchased
(DME) FS Frequently serviced (DME)
SU DME supplies
PO Prosthetics &
orthotics SD Surgical
dressings
OS Ostomy, tracheostomy, and urological
supplies PE Parental and enteral nutrition

TS Therapeutic
Shoes SC Splints
and Casts
IL Intraocular Lenses inserted in a physician's office IN, FS, OS and SU category deflation factors=PO deflation factors

After deflation, the result must be increased by 1.7 percent and by the cumulative covered item update to complete the gap-filling (e.g., an additional .6 percent for a 2002 DME fee).

Note that when gap-filling for capped rental items, it is necessary to first gap-fill the purchase price then compute the base period fee schedule at 10 percent of the base period purchase price.

For used equipment, establish fee schedule amounts at 75 percent of the fee schedule amount for new equipment.

When gap-filling, for those DME MAC or *A/B MAC* Part B areas where a sales tax was imposed in the base period, add the applicable sales tax, e.g., five percent, to the gap-filled amount where the gap-filled amount does not take into account the sales tax, e.g., where the gap-filled amount is computed from pre-tax price lists or from another DME MAC or *A/B MAC* Part B area without a sales tax. Likewise, if the gap-filled amount is calculated from another DME MAC's or *A/B MAC's* fees where a sales tax is imposed, adjust the gap- filled amount to reflect the applicable local sales tax circumstances.

Contractors send their gap-fill information to CMS. After receiving the gap-filled base fees each year, CMS develops national fee schedule floors and ceilings and new fee schedule amounts for these codes and releases them as part of the July update file each year and during the quarterly updates.

If within 5 years of establishing fee schedule amounts using supplier or commercial prices, the supplier or commercial prices decrease by less than 15 percent, CMS can make a one-time adjustment to the fee schedule amounts using the new prices. The new supplier or commercial prices would be used to establish the new fee schedule amounts in the same way that the older prices were used, including application of the deflation formula of this section.

60.3.1 - Payment Concerns While Updating Codes

(Rev. 4487, Issued: 01-03-2020, Effective: 01-01-20, Implementation: 01-06-20)

The instructions in section 30.2.1 of this chapter originally appeared in section 4509.1 of the Medicare Carriers Manual (HCFA-Pub. 14-3) and apply to all Part B items and services, including DMEPOS items and services. The language in section 30.2.1 was amended to address coding changes and continuity of pricing in the specific context of physician services and this was an error. The instructions should not have been revised to read as if they only applied to updated codes for physician services. These basic instructions have always applied, and continue to apply, to DMEPOS items and services as well as physician services and are repeated in this section so that it is clear that these instructions also apply to DMEPOS items and services.

If a HCPCS code is new and describes items and services that have a fee schedule pricing history (classified and paid for previously under a different code), the following instructions apply in situations where the CMS CO does NOT provide pricing guidance related to implementation of fee schedule for DMEPOS items and services.

Because a HCPCS code is new does not necessarily mean that Medicare payment on a fee schedule basis has never been made for the item and service described by the new code. *DME MACs* and *A/B MACs Part B* make every effort to determine whether the item and service has a pricing history. If there is a pricing history, *the previous fee schedule amount for the old code(s) are* map*ped to* the new code*(s)* to ensure continuity of pricing.

Since there are different kinds of coding implosions and explosions, the way the principle is applied varies.

When the code for an item is divided into several codes for the components of that item, the total of the separate fee schedule amounts established for the components must not be higher than the fee schedule amount for the original item. When there is a single code that describes two or more distinct complete items (for example, two different but related or similar items), and separate codes are subsequently established for each item, the fee schedule amounts that applied to the single code continue to apply to each of the items described by the new codes. When the codes for the components of a single item are combined in a single global code, the fee schedule amounts for the new code are established by totaling the fee schedule amounts used for the components (that is, use the total of the fee schedule amounts for the components as the fee schedule amount for the global code). When the codes for several different items are combined into a single code, the fee schedule amounts for the new code are established using the average (arithmetic mean), weighted by allowed services, of the fee schedule amounts for the formerly separate codes.

Attachment A

2020 Fees for Codes K0739, L4205, L7520

STATE	K0739	L4205	L7520
AK	$30.04	$34.24	$40.28
AL	$15.95	$23.77	$32.28
AR	$15.95	$23.77	$32.28
AZ	$19.73	$23.74	$39.71
CA	$24.48	$39.02	$45.47
CO	$15.95	$23.77	$32.28
CT	$26.64	$24.30	$32.28
DC	$15.95	$23.74	$32.28
DE	$29.36	$23.74	$32.28
FL	$15.95	$23.77	$32.28
GA	$15.95	$23.77	$32.28
HI	$19.73	$34.24	$40.28
IA	$15.95	$23.74	$38.63
ID	$15.95	$23.74	$32.28
IL	$15.95	$23.74	$32.28
IN	$15.95	$23.74	$32.28
KS	$15.95	$23.74	$40.28
KY	$15.95	$30.43	$41.26
LA	$15.95	$23.77	$32.28
MA	$26.64	$23.74	$32.28
MD	$15.95	$23.74	$32.28
ME	$26.64	$23.74	$32.28
MI	$15.95	$23.74	$32.28
MN	$15.95	$23.74	$32.28
MO	$15.95	$23.74	$32.28
MS	$15.95	$23.77	$32.28
MT	$15.95	$23.74	$40.28
NC	$15.95	$23.77	$32.28
ND	$19.88	$34.16	$40.28
NE	$15.95	$23.74	$45.00
NH	$17.14	$23.74	$32.28
NJ	$21.52	$23.74	$32.28
NM	$15.95	$23.77	$32.28
NV	$25.41	$23.74	$43.98
NY	$29.36	$23.77	$32.28
OH	$15.95	$23.74	$32.28
OK	$15.95	$23.77	$32.28
OR	$15.95	$23.74	$46.40
PA	$17.14	$24.46	$32.28
PR	$15.95	$23.77	$32.28
RI	$19.02	$24.48	$32.28

STATE	K0739	L4205	L7520
SC	$15.95	$23.77	$32.28
SD	$17.83	$23.74	$43.15
TN	$15.95	$23.77	$32.28
TX	$15.95	$23.77	$32.28
UT	$15.99	$23.74	$50.25
VA	$15.95	$23.74	$32.28
VI	$15.95	$23.77	$32.28
VT	$17.14	$23.74	$32.28
WA	$25.41	$34.83	$41.38
WI	$15.95	$23.74	$32.28
WV	$15.95	$23.74	$32.28
WY	$22.25	$31.69	$45.00