CMS Manual System

Pub. 100-04 Medicare Claims Processing

Department of Health & Human Services (DHHS)
Centers for Medicare & Medicaid Services (CMS)

Transmittal 461 **Date: FEBRUARY 4, 2005**

CHANGE REQUEST 3674

SUBJECT: Processing Durable Medical Equipment (DME), Orthotics, Prosthetics, Drugs, and Surgical Dressings Claims for Indian Health Services (IHS) and Tribally Owned and Operated Hospitals or Hospital Based Facilities including Critical Access Hospitals (CAHs).

Clarification of billing rules for drug administration (injections) occurring without a medically indicated outpatient encounter.

I. SUMMARY OF CHANGES: Indian Health Services (IHS) and Tribally Owned and Operated Hospitals or Hospital Based Facilities including CAHs may process Part B DME, Orthotics, Prosthetics, Drugs and Surgical Dressings Claims.

Drug administration (injections) occurring without a medically indicated outpatient encounter may not be billed using the All Inclusive Rate (AIR).

NEW/REVISED MATERIAL - EFFECTIVE DATE: July 1, 2005
***IMPLEMENTATION DATE: July 5, 2005**

Disclaimer for manual changes only: The revision date and transmittal number apply to the 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:
(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	19/10/ General
R	19/50/1.2/ Other Part B Services
R	19/50/1.2.2/ Prosthetics and Orthotics
R	19/50/1.2.3/ Prosthetic Devices
R	19/50/1.2.4/ Surgical Dressings and Splints and Casts
N	19/50/1.2.6.1/ Drugs Dispensed by IHS Hospital-Based or Freestanding Facilities
R	19/70/2.1.1/ Claims Processing for DMEPOS
R	19/70/2.1.2/ Enrollment for DMEPOS
R	19/70/2.1.3/ Claims Submission for DMEPOS

***III. FUNDING: These instructions shall be implemented within your current operating budget.**

IV. ATTACHMENTS:

X	**Business Requirements**
X	**Manual Instruction**
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

***Medicare contractors only**

Attachment - Business Requirements

Pub. 100-04	Transmittal: 461	Date: February 4, 2005	Change Request 3674

SUBJECT: Processing Claims for Durable Medical Equipment (DME), Orthotics, Prosthetics, Drugs, and Surgical Dressings Claims submitted by Indian Health Services (IHS) and Tribally-Owned and Operated Hospitals and Hospital Based Facilities, including Critical Access Hospitals (CAHs).

Clarification of the All Inclusive Rate (AIR) billing rules for drug administration (injections) occurring without a medically indicated outpatient encounter.

NOTE: Facilities operated by IHS and tribally-owned and operated hospitals and hospital-based facilities, including critical access hospitals (CAHs), will be referred to as IHS/Tribal facilities in the following business requirements.

I. GENERAL INFORMATION

A. Background: MMA §630 of 2003 allows IHS/Tribal facilities to bill for Part B services that are not covered under §1848 of the Social Security Act. Section 630 of the MMA expands the scope of items and services for which payment may be made to IHS/Tribal facilities to include all other Part B covered items and services for a 5-year period beginning January 1, 2005. These additional Part B services are paid for under the same situations and subject to the same terms and conditions with the exception of those Part B services which are included in the AIR. Section 1880 of the Act provides for payment to IHS/tribal facilities for services paid under the physician fee schedule.

In an effort to ensure that the AIR is paid appropriately, any injection (e.g., B-12) that requires only a licensed professional's administration will not be billed as a visit payable at the AIR. A visit cannot be billed if the injection is the only service the facility provides. If the patient receives an injection and no qualifying visit takes place; the charges/expenses for the injection should be combined with the expenses/charges for the next qualifying visit. The qualifying visit should be for the condition being treated with the injection or drug.

B. Policy: IHS/Tribal facilities may bill for all Part B services which are not paid under the Medicare Physician Fee Schedule and which are not included in the Medicare IHS AIR.

In an effort to allow IHS/Tribal facilities an opportunity to ensure that these charges are not included in the AIR and to acquire the appropriate certifications, IHS/Tribal facilities may begin billing for all of these Part B services on July 1, 2005:

- Durable medical equipment (DME) – used in the patient's home
- Prosthetics and orthotics
- Surgical dressings
- Drugs (DMERC)
- Therapeutic shoes – furnished in accordance with requirements of section 1861(s)(12)

NOTE: See sections 100 through 140 of chapter 15 of the Benefit Policy Manual for a description of DMEPOS. IHS/Tribal facilities may not bill for items and services that fall outside the scope of the benefits described in these sections.

All IHS/Tribal facilities that wish to bill Medicare and furnish DME and DMERC drugs must enroll with the National Supplier Clearinghouse (NSC) as a "DME supplier", and comply with the supplier standards specified in 42 CFR § 424.57, and submit all DME claims to the appropriate DMERC based on current DME jurisdiction rules. (NOTE: In order to bill drugs to the DMERCs, the supplier must be a pharmacy and a pharmacy license must also be on file at the NSC. The NSC will give the pharmacy supplier a specific identifier.)

The IHS/Tribal facilities will submit claims to the appropriate DMERC for DME, therapeutic shoes and DMERC drugs. Hospital or outpatient pharmacy facilities dispensing prescriptions for an extended treatment must bill to the DMERC. Pharmacies located in hospitals or hospital-based facilities must apply for and receive an NSC supplier number to bill for these prescriptions. Prosthetics, orthotics, and surgical dressings shall be billed to the designated Fiscal Intermediary (FI).

The AIR shall not be paid for the service of administering medications without a qualifying outpatient visit. Expenses/charges for services and supplies furnished incident to services, performed by licensed personnel, for services which are covered under this benefit are allowable expenses/charges on the facility cost report. Those charges are part of the visit charges, this includes drugs and services of facility health care staff e.g. a nurse administering an injection during a covered office visit.

C. Provider Education: A Medlearn Matters provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement
"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)					
		F I	R H H	C a r	D M E	Shared System Maintainers	Other

						FISS	MCS	VMS	CWF	
3674.1	Effective July 1, 2005, the VMS and DMERCs shall accept and process claims for DME, therapeutic shoes, and drugs paid by the DMERCs that are submitted by IHS/Tribal facilities. These claims shall be identified by specialty code "A9". The place of service will be identified as "12" for "home".				X			X	X	NSC
3674.2	A DMERC that receives an EMC claim that does not conform to the standard claims processing filing jurisdiction rule shall forward EMC claims to the appropriate DMERC for processing. For paper claims, the DMERCs will follow their usual procedures for claims outside their jurisdictions.				X			X		
3674.3	DMERCs shall deny claims received from IHS/Tribal facilities with a date of service prior to July 1, 2005. DMERCs shall deny these claims using reason code 26 (expenses incurred prior to coverage).				X			X		
3674.4	DMERCs shall deny claims received from IHS/Tribal facilities for an item/service that is not covered in this instruction. Use reason code 96 (non-covered charges).				X			X		
3674.5	VMS and DMERCs shall identify claims submitted by IHS/Tribal facilities (A9 indicator) and waive coinsurance and deductibles for these beneficiaries.				X			X		NSC
3674.6	VMS and DMERCs shall apply all current edits (except coinsurance and deductible edits), including Certificate of Medical Necessity (CMN) requirements, to the IHS/Tribal facility claims.				X			X		
3674.7	VMS and DMERCs shall suppress MSNs for all claims from IHS/Tribal facilities.				X			X		
3674.8	The DMERCs shall accept and process claims for DME furnished by IHS/Tribal facilities. Payment for DME claims shall be based on the DME fee schedule.				X			X		

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
3674.9	The DMERCs shall accept and process claims for drugs billed to the DMERCs furnished by IHS/Tribal facilities. Payment for drugs billed to the DMERCs shall be based on the Average Sales Price (ASP) drug file.				X			X		
3674.10	The DMERC shall accept and process claims for therapeutic shoes furnished by IHS/Tribal facilities.				X			X		
3674.11	The FI shall inform all IHS/Tribal facilities providing DME and drugs that they must enroll with the National Supplier Clearinghouse (NSC). The NSC shall accept and process enrollment applications from IHS/Tribal facilities providing DME and drugs beginning March 1, 2005.	X								NSC
3674.12	The FI shall accept and process claims for orthotics, prosthetics, and surgical dressings furnished by IHS/Tribal facilities, with dates of service on or after July 1, 2005.	X								
3674.13	The FI shall accept and process claims for Part B services, which are not paid for under the physician fee schedule, furnished by IHS/Tribal facilities, with dates of service on or after July 1, 2005 **if** RC 051X does not appear on the claim. (RC 051X is reserved for billing the AIR on 13X and the CAH facility specific visit rate for outpatient services on 85X type of bills for patient encounters in an outpatient setting).	X								
3674.13.1	All such services are to be paid on the applicable fee schedule/appropriate payment amount.	X								
3674.14	The FI shall accept and process claims for orthotics furnished by IHS/Tribal facilities with dates of service on or after July 1, 2005. Use Revenue Code (RC) 0274 with the appropriate HCPCS code(s).	X				X				

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
3674.15	The FI shall accept and process claims for prosthetics furnished by IHS/Tribal facilities, with dates of service on or after July 1, 2005. Use RC 0274 and the appropriate HCPCS code(s) are required.	X				X				
3674.16	The FI shall accept and process claims for surgical dressings furnished by IHS/Tribal facilities, with dates of service on or after July 1, 2005. Use RC 0623 and the appropriate HCPCS code(s) are required.	X				X				
3674.17	The FI shall instruct all IHS/ Tribal facilities to show on the 13X TOB only those items payable on the DMEPOS fee schedule when billing for prosthetics, orthotics or surgical dressings.	X				X				
3674.18	The FI shall instruct all IHS/ Tribal facilities to use an outpatient claim type of bill (TOB) 13X when billing for drugs, drug administrations or treatments that do not occur during a qualified visit. Such services are to be included in the next qualified visit by the same beneficiary. (Does not include DMERC drugs).	X								
3674.18.1	Qualified visits paid on the AIR rate shall be submitted on separate claims to the FI. The normal claims methodology for billing the AIR applies.	X								

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions:

X-Ref Requirement #	Instructions CR 3288, CR 3587

B. Design Considerations:

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

Effective Date*: July 1, 2005 **Implementation Date:** July 5, 2005 **Pre-Implementation Contact(s):** Pat Barrett at 410-786-0508 or pbarrett@cms.hhs.gov **Post-Implementation Contact(s):** Appropriate Regional Office	**Medicare contractors shall implement these instructions within their current operating budgets.**

***Unless otherwise specified, the effective date is the date of service.**

10 - General

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

The Indian Health Service (IHS) is the primary health care provider to the American Indian/Alaska Native (AI/AN) Medicare population. The Indian health care system, consisting of tribal, urban, and federally operated IHS health programs, delivers a spectrum of clinical and preventive health services to its beneficiaries via a network of hospitals, clinics, and other entities. While §§1814(c) and 1835(d) of the Social Security Act (the Act), as amended, generally prohibit payment to any Federal agency, an exception is provided for IHS facilities under §1880. Prior to the enactment of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA), payment for Medicare services provided in IHS facilities was limited to services provided in hospitals and skilled nursing facilities. Effective July 1, 2001, §432 BIPA extended payment to services of physician and non-physician practitioners furnished in hospitals and ambulatory care clinics. This means that clinics associated with hospitals and freestanding clinics that are owned and operated by IHS or that are tribally owned but IHS operated are considered to be IHS and are authorized to bill only the selected carrier for Part B services identified in §432 of BIPA 2000. Other clinics associated with hospitals and freestanding clinics that are not considered to be IHS (i.e., IHS owned but tribally operated or tribally owned and operated) can continue to bill the local Part B carrier for the full range of covered Medicare services and are not restricted to the limitations of the BIPA provision.

Prior to enactment of § 630 of the Medicare Modernization Act (MMA) of 2003, IHS facilities were not allowed to bill for other part B services, which are not covered under §1848 of the Act. Section 630 of the MMA expands the scope of items and services for which payment may be made to IHS facilities to include all other part B covered items and services for a five year period beginning January 1, 2005.

The following facilities, which were unable to bill for practitioner services prior to BIPA, may now be paid as described in the manual:

- Outpatient departments of IHS operated hospitals that meet the definition of provider-based in 42 CFR 413.65; and
- Outpatient clinics (freestanding) operated by the IHS.

The following facilities, which were not limited by §1880, may be paid for services under BIPA or may be paid under another authority under which they qualify.

- Outpatient departments of tribally operated hospitals that are operated by a tribe or tribal organization; and
- Other outpatient facilities that are tribally operated regardless of ownership. This includes Federally Qualified Health Centers (FQHCs).

Under §630 of the MMA, in addition to the foregoing listed entities, the following types of entities may bill for §630 MMA services as described in §§50 and 70 of this chapter.

- Other IHS freestanding clinics that are operated by IHS, Indian tribes or tribal organizations.
- Any IHS, tribe, or tribal organization supplier of a service payable under §630 of MMA.
- ***All IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs starting July 1, 2005.***

50.1.2 – Other Part B Services

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

IHS, tribe and tribal organization facilities can bill for all part B services, which are not paid under the physician fee schedule and which are not included in the Medicare IHS all-inclusive rate (AIR).

For the five-year period beginning January 1, 2005, IHS, tribe, and tribal organization facilities may bill Medicare for the following part B services:

- Durable medical equipment
- Prosthetics and orthotics
- Surgical dressings, and splints and casts
- Therapeutic shoes
- Drugs (DMERC and Part B drugs)
- Clinical laboratory services, and
- Ambulance services

Durable medical equipment, therapeutic shoes and DMERC drugs must be billed to the DMERC**.** ***Prosthetics, orthotics, and surgical dressings are payable on the DMEPOS fee schedule. If provided by an IHS/Tribally owned and/or operated hospital or hospital-based facility, they are billed to the designated FI; if provided by another entity, these items must be billed to the DMERC.*** Suppliers must enroll with the National Supplier Clearinghouse to obtain a Supplier Number to bill the DMERC.

Splints and casts, Part B Drugs, clinical laboratory services and ambulance services from non-hospital or non-hospital-based facilities must be billed to TrailBlazer. Providers must enroll with TrailBlazer.

In an effort to allow IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs an opportunity to insure that these charges are not included in the AIR and to acquire the appropriate certifications, IHS/Tribally owned and operated hospitals and hospital-based facilities including CAHs may begin billing for Part B services beginning July 1, 2005. IHS/Tribal owned and operated hospital-based ambulance services, including CAH-based ambulance services are allowed to bill for ambulance services beginning January 1, 2005.

50.1.2.2 – Prosthetics and Orthotics

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

For the five-year period beginning January 1, 2005, Part B payment may be made to IHS, tribe and tribal organization facilities that furnish prosthetics (artificial legs, arms, and eyes) and orthotics (leg, arm, back, and neck braces). See section 130 of chapter 15 of the Benefit Policy manual for more information on this benefit.

Beginning July 1, 2005, IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing the designated FI for prosthetics, orthotics, and surgical dressings.

50.1.2.3 – Prosthetic Devices

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

For the five-year period beginning January 1, 2005, Part B payment may be made to IHS, tribe and tribal organization facilities that furnish prosthetic devices which replace all or part of an internal body organ (including contiguous tissue), or replace all or part of the function of a permanently inoperative or malfunctioning internal body organ. Parenteral and enteral nutrients, equipment, and supplies and ostomy, tracheostomy, and urological supplies meet the definition of this benefit. See section 120 of chapter 15 of the Benefit Policy manual for more information on this benefit.

Beginning July 1, 2005, IHS/ Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing the designated FI for prosthetic devices.

50.1.2.4 – Surgical Dressings, Splints and Casts

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

For the five-year period beginning January 1, 2005, Part B payment may be made to IHS, tribe and tribal organization facilities that furnish surgical dressings and splints, casts, and other devices used for reductions of fractures and dislocations. See section 100 of chapter 15 of the Benefit Policy manual for more information on this benefit.

Beginning July 1, 2005, IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing the designated FI for Surgical Dressings. Splints and casts are included in the AIR for hospitals and hospital-based facilities.

50.1.2.6.1 – Drugs Dispensed by IHS Hospital-Based or Freestanding Facilities

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

For the five-year period beginning January 1, 2005, Part B payment may be made to IHS/Tribally owned and operated facilities including CAHs functioning as retail

pharmacies dispensing pharmaceuticals to AI/AN Medicare beneficiaries. These drugs are billed to the appropriate DMERC. Drugs dispensed for self-administration are only covered when billed to the DMERC if also specifically covered under Medicare.

70.2.1.1 – Claims Processing for DMEPOS

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

Effective January 1, 2005, the DMERCs shall process claims for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies, and Drugs (DMEPOS) submitted by IHS, tribe and tribal organizations. DMERCs may only be billed by free-standing clinics, not by hospital-based clinics or hospital outpatient departments. Hospitals and hospital-based clinics already bill the designated FI for DME used in the home.

Beginning July 1, 2005, IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing the regional DMERC for DME.

The DMERCs shall identify the IHS, tribe and tribal organization facilities by specialty code.

The DMERCs shall identify DMEPOS claims submitted by IHS, tribe and tribal organization facilities and waive coinsurance and deductible for these beneficiaries.

The DMERCs shall apply all other edits, including Certificate of Medical Necessity (CMN) requirements.

The Medicare Summary Notice (MSN) messages for these claims shall be suppressed. CoPay and ***Deductibles*** shall be waived.

Payment for these claims shall be based on the DMEPOS fee schedule. These claims will be priced using the appropriate DMEPOS fee schedule based on the beneficiary's address.

70.2.1.2 – Enrollment for DMEPOS

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

IHS, tribe and tribal organizations that do not currently have a supplier number and want to bill for DMEPOS items must enroll with the National Supplier Clearinghouse (NSC). The NSC must start accepting enrollment applications from IHS, tribe and tribal organization facilities providing DMEPOS beginning September 1, 2004.

Beginning July 1, 2005, IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing for DME. The NSC must start accepting enrollment applications from IHS, Tribally owned and operating hospitals or hospital - based facilities including CAHs providing DME beginning April 1, 2005.

70.2.1.3 – Claims Submission for DMEPOS

(Rev. 461, Issued: 02-04-05, Effective: 07-01-05, Implementation: 07-05-05)

CIGNA (Region D DMERC) shall accept all DMEPOS claims submitted by outpatient (freestanding) clinics operated by the IHS and will forward EMC claims to the appropriate DMERC for processing. CIGNA will follow usual procedures for paper claims. If the outpatient clinics (freestanding) operated by the IHS choose to send the claims directly to the appropriate DMERC that has jurisdiction for the claim that DMERC will process the claim.

Beginning July 1, 2005, IHS/Tribally owned and operated hospitals or hospital-based facilities including CAHs may begin billing the appropriate DMERC for DME.