DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid and State Operations

SMDL #03-006

July 14, 2003

Dear State Medicaid Director:

In this letter, we outline several methods by which states may facilitate the transition of individuals from institutional to community settings through Medicaid coverage of medical equipment (ME) costs. This letter also serves to reiterate the July 25, 2000, State Medicaid Directors' letter on this issue and to encourage states to explore this opportunity for persons with disabilities.

Individuals seeking to move to the community from institutions often require ME for their personal use. In the community, ME is a mandatory component of the home health benefit under the State Plan. As Federal regulations do not define ME, each state determines which equipment to cover under its State Plan. Those adaptive aids that are not covered under a State Plan, as well as communication devices, can often be covered under Medicaid section 1915(c) waivers, other waivers or demonstrations.

Purchases of ME are typically made after the individual has moved into the community. However, the delay in receiving and adapting to such equipment often causes hardships for the individual and/or caregiver(s). The delay may also introduce unnecessary hazards into the transition and the first few weeks of community dwelling. In addition, the equipment is most effectively employed if it is obtained prior to institutional discharge and tested with the individual to ensure proper fit, use, adaptability to individual requirements, and appropriateness for the particular community environment to which the person will move. We further appreciate that it may take time, prior to discharge, to make unique accommodations to the equipment or to afford the individual reasonable opportunity to learn to use the equipment and become as independent and proficient in its use as possible.

We therefore wish to clarify several avenues for states to pursue in order to facilitate successful transitions to the community by making medically necessary ME available to beneficiaries in advance of placement in the community:

1. Utilize a Trial Period. States could arrange for manufacturers and other sellers of ME to make the equipment available for a trial period prior to community placement.

2. Utilize the Nursing Facility Benefit. States have the ability within their rate setting for institutional services to purchase specific ME that has utility within the institutional setting. For such institutional ME that is also tailored to the unique needs of an individual and would assist the beneficiary's participation in the community, States can arrange for its transition to the community with that individual. Any changes to rate methodologies are subject to

existing upper payment limits. Pennsylvania, for example, in conjunction with changing its case-mix methodology in 1996, created an “Exceptional Durable Medical Equipment (DME) Grants” program under which nursing facilities could purchase certain dedicated equipment separately from their per diem rate. Under Pennsylvania's Exceptional Grants program, one option for disposal of such dedicated DME is the transfer of the title to a beneficiary who has been discharged to the community.

3. Utilize an HCBS Waiver. States may claim for such ME furnished prior to the individual’s discharge from the institutional setting and admission to the waiver when: (a) such ME is included as a service or a component of a service in an approved HCBS waiver; (b) such equipment is obtained no sooner than 60 days prior to the scheduled date of transition to a community living arrangement; and (c) the claim is not made until after the individual is discharged from the institutional setting and admitted to the waiver. If the individual dies after the ME is furnished and never enters the waiver, the Centers for Medicare & Medicaid Services (CMS) would allow the state to claim necessary expenditures as an administrative cost. Please refer to attachment 3-b (relating to environmental modifications) of the July 25, 2000, State Medicaid Directors’ letter, for guidance on community transition expenses, accessible at Web site www.cms.gov/states/letters/smd725a0.asp.

In addition, CMS has recently established two Healthcare Common Procedure Coding System (HCPCS) codes to facilitate provider billing of services that enable beneficiaries to use ME as they move into the community: T1028 (assessment of home, physical, and family environment) and S5165 (home modifications, per service). CMS established these codes in order to enable states to comply with the Health Insurance Portability and Accountability Act of 1996 - known as HIPPA.

Finally, although ME coverage is required under Medicaid law, states are not required to purchase equipment needed in the community prior to a person’s discharge. While CMS has highlighted several methods that states may utilize to facilitate provision of medically necessary ME to beneficiaries prior to community placement, it remains a matter of state discretion and a finding of individual need by the state or its agent(s) as to whether to do so.

Any questions concerning this letter may be referred to Mary Jean Duckett at (410) 786-3294.

Sincerely,

/s/

Dennis G. Smith
Director

cc:
CMS Regional Administrators

CMS Associate Regional Administrators
for Medicaid and State Operations

CMS Native American Contacts

Kathryn Kotula
Director, Health Policy Unit
American Public Human Services Association

Joy Wilson
Director, Health Committee
National Conference of State Legislatures

Matt Salo
Director of Health Legislation
National Governors Association

Jim Frogue
Director, Health and Human Services Task Force
American Legislative Exchange Council

Trudi Matthews
Senior Health Policy Analyst
Council of State Governments

Brent Ewig
Senior Director, Access Policy
Association of State and Territorial Health Officials