

Chapter 1

Section 11

Claims For Durable Equipment (DE) And Durable Medical Equipment, Prosthetics, Orthotics, And Supplies (DMEPOS)

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1.0 APPLICABILITY

1.1 This policy is mandatory for DE, such as wheelchairs, iron lungs, and hospital beds.

1.2 This policy is mandatory for reimbursement of DMEPOS provided by either network or non-network providers. The contractor may use alternative network reimbursement methodologies when approved by the Defense Health Agency (DHA) and the contractor specifically includes them in the network provider agreement.

2.0 ISSUE

How are claims for DE and DMEPOS to be reimbursed?

3.0 POLICY

For coverage policy on DMEPOS see the TRICARE Policy Manual (TPM), Chapter 8, Section 2.1. Reimbursement for DE and DMEPOS is established by fee schedules. The DMEPOS fee schedule is referred to, all-inclusively, as the DMEPOS fee schedule. The contractor shall calculate the maximum allowable amount as the lower of the billed charge, the negotiated rate (network providers) or the DMEPOS fee schedule amount.

4.0 REIMBURSEMENT

4.1 Prior to January 1, 2016, the DMEPOS fee schedule was categorized by state. Beginning January 1, 2016, Medicare fee schedule amounts for certain items were adjusted based on information from the DMEPOS competitive bidding program, and for some items, the adjusted DMEPOS fee schedule amounts for items furnished in rural areas within the state will be different than the adjusted DMEPOS fee schedule amounts in other areas of the state. The ZIP Codes for areas defined as rural areas are based on current ZIP Code boundaries. The contractor shall calculate the allowed amount using what was in effect in the specific geographic location at the time covered services and supplies were provided to a beneficiary. For DMEPOS delivered to the beneficiary's home, the contractor shall use the home address as the controlling factor in pricing and the contractor shall use the home address to determine the DMEPOS allowed amount.

4.2 The contractor may take into account the following for DE/Durable Medical Equipment (DME) item payment:

4.2.1 The lower of the total rental cost for the period of medical necessity or the reasonable purchase cost; and

4.2.2 Delivery charge, pick-up charge, shipping and handling charges, and taxes.

4.3 The DMEPOS fee schedule classifies most items into one of six categories.

- Inexpensive or other routinely purchased DE/DME;
- Items requiring frequent and substantial servicing;
- Customized items;
- Other prosthetic and orthotic devices;
- Capped rental items; or
- Oxygen and oxygen equipment.

4.4 Inexpensive or routinely purchased DE/DME.

4.4.1 Payment for this type of equipment is for rental or lump sum purchase. The contractor shall ensure the total payment does not exceed the actual charge of the fee for a purchase.

4.4.2 Inexpensive DE/DME. This category is defined as equipment whose purchase price does not exceed \$150.

4.4.3 Other routinely purchased DE/DME. This category consists of equipment that is purchased at least 75% of the time and includes equipment that is an accessory used in conjunction with a nebulizer, aspirator, or ventilators that are either continuous airway pressure devices or intermittent assist devices with continuous airway pressure devices.

4.4.4 Modifiers used in this category are as follows (not an all-inclusive list):

RR Rental

NU Purchase of new equipment. Only used if new equipment was delivered.

UE Purchase of used equipment. Used equipment that has been purchased or rented by someone before the current purchase transaction. Used equipment also includes equipment that has been used under circumstances where there has been no commercial transaction (e.g., equipment used for trial periods or as a demonstrator).

4.5 Items requiring frequent and substantial servicing.

4.5.1 Equipment in this category is paid on a rental basis only. The contractor shall base payment on the monthly DMEPOS fee schedule amounts until the medical necessity ends. The contractor shall not make payment for the purchase of equipment, maintenance and servicing, or for replacement of items in this category.

4.5.2 Supplies and accessories are not allowed separately.

4.5.3 For oxygen and oxygen supplies see [Section 12](#) and the TPM, [Chapter 8, Section 10.1](#).

4.6 Certain customized items.

4.6.1 In order to be considered a customized item, a covered item (including a wheelchair) must be uniquely constructed or substantially modified for a specific beneficiary according to the description and orders of a physician and be so different from another item used for the same purpose that the two items cannot be grouped together for pricing purposes. See the TPM, [Chapter 8, Section 2.1, paragraph 3.6.2](#).

4.6.2 The beneficiary's physician must prescribe the customized equipment and provide information regarding the patient's physical and medical status to warrant the equipment medically necessary, reasonable, and appropriate for the beneficiary's condition.

4.6.3 See the TPM, [Chapter 8, Section 2.1](#) for further information regarding customization of DME.

4.7 Capped rental items. **The contractor shall pay for** items in this category on a monthly rental basis not to exceed a period of continuous use of 15 months or on a purchase option basis not to exceed a period of continuous use of 13 months.

4.8 The Purchase Option for Capped Rental Items

4.8.1 In the tenth month of a rental, the beneficiary is given a purchase option. If the purchase option is exercised by the beneficiary, **the contractor shall** continue to pay rental fees **but** not exceed a period of continuous use of 13 months and ownership of the equipment passes to the beneficiary. Ownership of the equipment **shall** pass to the beneficiaries after 13 continuous months of rental.

4.8.2 If the purchase option is not exercised, **the contractor shall** continue to pay rental fees until the 15 month cap is reached and **the contractor shall not make** further payment other than for maintenance and servicing fees, until medical necessity ends.

4.8.3 In the case of electric wheelchairs only, the **contractor shall give the** beneficiary a purchase option at the time the equipment is first provided. The modifiers used with these items are:

BR Beneficiary has elected to rent

BP Beneficiary has elected to purchase

BU Beneficiary has not informed the supplier of his/her decision

4.8.4 Modifiers used for capped rental items are:

KH First rental month

KI Second and third rental months

KJ Fourth to fifteenth rental months

4.9 Upgrade DE/DME (Deluxe, Luxury, or Immaterial Features).

4.9.1 The **contractor may apply the** allowable charge for standard equipment or item of DE/DME may be applied toward any upgraded item, when the beneficiary chooses to upgrade a covered DE/DME, to include additional features that are intended primarily for comfort or convenience, or features beyond those required by the beneficiary's medical condition. Under this arrangement, **the beneficiary has sole responsibility** upgraded DE/DME **charges. The contractor shall apply** beneficiary's cost-shares and deductible will apply to the basic DE/DME.

4.9.2 The DE/DME provider **shall** identify non-payable upgrades to DE/DME using the appropriate Healthcare Common Procedure Coding System (HCPCS)/Current Procedural Terminology (CPT) modifiers.

Example: A beneficiary requests an upgrade DE/DME - the DE/DME provider bills beneficiary for non-payable upgrade, modifier **GA** on first line for item that is provided and modifier **GK** on second line for item that is covered. TRICARE cost-shares medically necessary item only (**GK** line item). The **contractor shall deny** claim line with **GA** modifier as not medically necessary with the beneficiary responsibility (**PR**) message on the Explanation of Benefits (EOB). The claim line with the **GK** modifier will continue through the usual claims processing.

4.9.3 When the beneficiary upgrades an item of DE/DME, the upgrade charge is not managed by TRICARE, but the provider or supplier issuing the equipment **shall calculate the charge**. As a result, upgraded charges, clerical or calculation errors in connection with the upgraded equipment are not subject to appeal but are subject to administrative review by the contractor upon request from the beneficiary.

Note: The upgrade charge is the difference between the provider's or supplier's charge for the deluxe or upgraded item, and the allowable charge amount for the "covered" (standard) item.

4.9.4 **The contractor shall not count** upgraded items of DE/DME toward the beneficiary's catastrophic cap. However, the **contractor shall count the** beneficiary's responsibility for the standard DE/DME equipment towards the catastrophic cap. **The beneficiary is responsible** deluxe or upgraded item **charges** even after the **beneficiary meets the** out-of-pocket maximum for covered services.

4.10 Rental fee schedule.

4.10.1 For the first three rental months, the rental DMEPOS fee schedule is calculated so as to limit the monthly rental of 10% of the average of allowed purchase prices on claims for new equipment during a base period, updated to account for inflation. For each of the remaining months, the monthly rental is limited to 7.5% of the average allowed purchase price.

4.10.2 After paying the rental DMEPOS fee schedule amount for 15 months, **the contractor shall not make** further payment except for reasonable and necessary maintenance and servicing.

Reasonable and necessary charges for maintenance and servicing are those made for parts and labor not otherwise covered under a manufacturer's or supplier's warranty.

4.10.3 Modifiers used in this category are as follows:

RR	Rental
KH	First month rental
KI	Second and third month rental
KJ	Fourth to fifteenth months
BR	Beneficiary elected to rent
BP	Beneficiary elected to purchase
BU	Beneficiary has not informed supplier of decision after 30 days
MS	Maintenance and Servicing
NU	New equipment
UE	Used equipment
NR	New when rented

4.10.4 Claims Adjudication Determinations.

4.10.4.1 The contractor shall use a two-step sequential process adjudication of DE/DME claims. The contractor shall determine:

Step 1: Whether the equipment meets the definition of DE/DME, is medically necessary, and is otherwise covered; and

Step 2: Whether the equipment should be rented or obtained through purchase (including lease/purchase). To arrive at a determination, the following information is required:

- A statement of the patient's prognosis and the estimated length of medical necessity for the equipment.
- The reasonable monthly rental charge.
- The reasonable purchase cost of the equipment.
- The contractor shall determine whether, given the estimated period of medical necessity, it would be more economical and appropriate for the equipment to be rented or purchased.

4.10.4.2 If the beneficiary opts to rent/purchase, the contractor shall establish a mechanism for making regular monthly payments without requiring the claimant to submit a claim each month. (It is not required or expected that the contractor will automate the automatic payment; the volume of this type claim will be quite low.) In cases of "indefinite needs," the contractor shall evaluate medical necessity after the first three months and every six months thereafter. The contractor shall take special

care to avoid payment after termination of TRICARE eligibility or in excess of the total allowable benefit. In making monthly payments, the contractor **shall** report on the TRICARE Encounter Data (TED) only **the** portion of the billed charge which is applicable to that monthly payment. (See the TRICARE Systems Manual (TSM), [Chapter 2](#).) For example, a wheelchair is being purchased for **a** total charge of \$770. The contractor determines that payments will be made over a 10-month period. The allowed charge is \$600. **In this example, the contractor shall** show the monthly billed charge as \$77 and \$60 as the allowed.

4.10.5 Notice To Beneficiary. When the contractor makes a determination to rent or purchase, the **contractor shall notify the** beneficiary of that determination. The beneficiary is not required to follow the contractor's determination. **The beneficiary** may purchase the equipment even though the contractor has determined that rental is more cost effective. However, payment for the equipment will be based on the contractor's determination. Because of this, the **contractor shall carefully word the** notice **to the beneficiary** to avoid giving any impression that compliance is mandatory, but **the contractor shall** caution the beneficiary concerning the expenses in excess of the allowed amount. Suggested wording is included in [Addendum B](#).

4.11 Automatic Mailing/Delivery of DMEPOS

The contractor shall ensure that all DMEPOS services are medically necessary and appropriate, to include refills of repetitive services and/or supplies, and any automatically dispensed quantities of supplies on a predetermined regular basis.

4.12 Oxygen and oxygen equipment. The contractor shall reimburse oxygen and oxygen equipment in accordance with [Section 12](#).

4.13 Parenteral **and** enteral nutrition (PEN) therapy. **PEN** pumps can be either rented or purchased. **The contractor shall base reimbursement rates for these items on pricing set forth in paragraphs 4.17 through 4.18.4.**

4.14 Splints and casts. The **contractor shall base** reimbursement rates for these items of DMEPOS on pricing **set forth in paragraphs 4.17 through 4.18.4.**

4.15 Refer to [Addendum D](#) for breastfeeding supply payment.

4.16 Replacement And Repair

4.16.1 **The contractor shall cover** extensive maintenance **that is** based on manufacturer recommendations **and is** performed by authorized technicians as medically necessary. This may include breaking down sealed components and performing tests that require specialized testing equipment not available to the beneficiary. **The contractor shall cover** maintenance for patient owned-DME when such maintenance **is** performed by an authorized technician.

4.16.2 Replacement and Repair of DMEPOS. The following modifiers are to be used to identify repair and replacement of an item.

4.16.2.1 RA - Replacement of an item. The **RA** modifier on claims denotes instances where an item is furnished as a replacement for the same item which has been lost, stolen, or irreparable damaged.

4.16.2.2 RB - Replacement of a part of DME furnished as part of a repair. The **RB** modifier indicates replacement parts of an item furnished as part of the service of repairing the item.

4.17 For service dates on or before June 30, 2021, the contractor shall base reimbursement rates on Medicare's DMEPOS and PEN fee schedule amount. If there is no Medicare rate, the contractor shall reimburse the DE or DMEPOS item or service using state prevailing rates. For more information regarding the reimbursement of items and supplies under the state prevailing rate, refer to [Chapter 3, Section 1](#), and [Chapter 5, Sections 1 and 3](#).

4.18 For service dates on or after July 1, 2021, the requirements in [paragraphs 1.0 through 4.16.2.2](#) shall continue to apply and the contractor shall base reimbursement rates using the following methodology:

4.18.1 The contractor shall base the reimbursement rate on Medicare's DMEPOS and PEN fee schedule amount. The contractor shall download and implement these pricing files within 10 days of publication on the CMS website at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule>.

4.18.2 If there is no Medicare rate, the contractor shall reimburse the DE or DMEPOS item or service using TRICARE's DMEPOS fee schedule rates.

4.18.2.1 DHA will establish, update, and calculate the TRICARE DMEPOS fee schedule rates. DHA will update TRICARE fee schedule annually (January 1) by the same update factor used in Medicare's DMEPOS and PEN fee schedule. DHA will make quarterly updates (April 1, July 1, and October 1) as necessary to add new codes and adjust rates in the fee schedule. DHA will post the fee schedule and periodic adjustments on the DHA website at <https://health.mil/Military-Health-Topics/Business-Support/Rates-and-Reimbursement/Durable-Medical-Equipment-Prosthetics-Orthotics-and-Supplies>.

4.18.2.2 When billing DE, DMEPOS, or PEN items, the provider shall report the number of units based on the description of the Health Common Procedure Coding System (HCPCS) code.

4.18.2.3 The provider shall always include the modifier code RR on rental items and modifier code UE on used items. Any HCPCS codes billed with the UE modifier will result in a 25% reduction in the purchase rate listed in the TRICARE DMEPOS fee schedule. The contractor shall apply the 25% reduction to the purchase rate, as the TRICARE fee schedule does not have purchase rates listed for used items.

4.18.2.4 The contractor shall download and implement these pricing files within 10 days of publication on DHA's website (see [paragraph 4.18.2.1](#)).

Note: The TRICARE fee schedule includes wigs and breastfeeding supplies assigned to a specific procedure code (i.e., a code not classified as unlisted, miscellaneous, not otherwise classified, or custom). DHA calculated the base-year rates using the amounts established in [Addendum D](#), and the TRICARE Policy Manual (TPM), [Chapter 8, Section 12.1](#).

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4.18.3 If there is no Medicare or TRICARE DMEPOS fee schedule rate, the contractor shall reimburse the DE or DMEPOS item or service using state prevailing rates. Refer to Chapter 3, Section 1, and Chapter 5, Sections 1 and 3.

4.18.4 See the TRICARE Operations Manual (TOM), Chapter 1, Section 4 regarding updating and maintaining TRICARE reimbursement systems.

5.0 EXCLUSIONS AND LIMITATIONS

5.1 A cost that is non-advantageous to the Government shall not be allowed even when the equipment cannot be rented or purchased within a “reasonable distance” of the beneficiary’s current address. The charge for delivery and pick up is an allowable part of the cost of an item; consequently, distance does not limit access to equipment.

5.2 Line-item interest and carrying charges for equipment purchase shall not be allowed. A lump-sum payment for purchase of an item of equipment is the limit of the Government cost-share liability. Interest and carrying charges result from an arrangement between the beneficiary and the equipment vendor for prorated payments of the beneficiary’s cost-share liability over time.

5.3 Routine periodic servicing such as testing, cleaning, regulating, and checking that is generally expected to be done by the owner. Normally, the purchasers are given operating manuals that describe the type of service an owner may perform. The contractor shall not make payment for repair, maintenance, and replacement of equipment that requires frequent substantial servicing, oxygen equipment, and capped rental items that the beneficiary has not elected to purchase.

6.0 EFFECTIVE DATES

6.1 September 1, 2005, for the DMEPOS system.

6.2 April 1, 2011, for reimbursement of splints and casts.

6.3 July 1, 2021, for the TRICARE-specific DMEPOS fee schedule.

- END -