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HEALTH AGENCY

MB&RO

CHANGE 91
6010.58-M
DECEMBER 6, 2013

PUBLICATIONS SYSTEM CHANGE TRANSMITTAL FOR TRICARE REIMBURSEMENT MANUAL (TRM), FEBRUARY 2008

The TRICARE Management Activity has authorized the following addition(s)/revision(s).

CHANGE TITLE: **UPGRADE DURABLE MEDICAL EQUIPMENT (DELUXE, LUXURY, OR IMMATERIAL FEATURES)**

CONREQ: 16572

PAGE CHANGE(S): See page 2.

SUMMARY OF CHANGE(S): This change clarifies that if the beneficiary prefers to upgrade an item of Durable Medical Equipment (DME), which otherwise meets the DME benefit requirements, the beneficiary will be solely responsible for the cost that exceeds the cost of what the government would pay for the standard equipment and also provides reimbursement policy for upgrade Durable Equipment (DE)/DME.

EFFECTIVE DATE: Upon direction of the Contracting Officer.

IMPLEMENTATION DATE: Upon direction of the Contracting Officer.

This change is made in conjunction with Feb 2008 TPM, Change No. 101.

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Date: 2013.12.03 14:10:17 -07'00'

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ATTACHMENT(S): **4 PAGE(S)**
DISTRIBUTION: **6010.58-M**

WHEN PRESCRIBED ACTION HAS BEEN TAKEN, FILE THIS TRANSMITTAL WITH BASIC DOCUMENT.

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REMOVE PAGE(S)	INSERT PAGE(S)
CHAPTER 1	
Section 11, pages 3 through 5	Section 11, pages 3 through 6

3.8 Capped rental items. Items in this category are paid 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.

3.9 Upgrade DME (Deluxe, Luxury, or Immaterial Features).

3.9.1 The allowable charge for standard equipment or item of DME may be applied toward any upgraded item, when the beneficiary chooses to upgrade a covered 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, charges for an upgraded DME are the sole responsibility of the beneficiary. Beneficiary's cost-shares and deductible will apply to the basic DME.

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

Example: A beneficiary requests an upgrade DME - the 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 claim line with **GA** modifier will be denied 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.

3.9.3 When the beneficiary upgrades an item of DME, the upgrade charge is not managed by TRICARE, but calculated by the provider or supplier issuing the equipment. 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.

3.9.4 Upgraded items of DME do not count toward the beneficiary's catastrophic cap. However, the beneficiary's responsibility for the standard DME equipment will count towards the catastrophic cap. Charges for deluxe or upgraded items are the beneficiary's responsibility even after the out-of-pocket maximum has been met for covered services.

3.10 Rental fee schedule.

3.10.1 For the first three rental months, the rental 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. After paying the rental fee schedule amount for 15 months, no further payment may be made except for payment for maintenance and servicing.

3.10.2 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

3.10.3 Claims Adjudication Determinations.

3.10.3.1 Adjudication of DME claims involves a two-step sequential process involving the following determinations by the contractor:

Step 1: Whether the equipment meets the definition of 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 physician's 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 must determine whether, given the estimated period of medical necessity, it would be more economical and appropriate for the equipment to be rented or purchased.

3.10.3.2 If the beneficiary opts to rent/purchase, the contractor must 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," medical necessity must be evaluated after the first three months and every six months thereafter. Special care should be taken to avoid payment after termination of TRICARE eligibility or in excess of the total allowable benefit. In making monthly payments, the contractor will report on the TRICARE Encounter Data (TED) only that 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 which the total charge is $770. The contractor determines that payments will be made over a 10 month period. The

allowed charge is $600. The contractor will show the monthly billed charge as $77 and $60 as the allowed.

3.10.4 Notice To Beneficiary. When the contractor makes a determination to rent or purchase, the beneficiary shall be notified of that determination. The beneficiary is not required to follow the contractor's determination. He or she 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 notice should be carefully worded to avoid giving any impression that compliance is mandatory, but should caution the beneficiary concerning the expenses in excess of the allowed amount. Suggested wording is included in Addendum B.

3.11 Oxygen and oxygen equipment. Oxygen and oxygen equipment is to be reimbursed in accordance with Section 12.

3.12 Parenteral/enteral nutrition therapy. Parenteral/enteral pumps can be either rented or purchased.

3.13 Splints and Casts. The reimbursement rates for these items of DMEPOS shall be based on Medicare's pricing.

3.14 Reimbursement Rates.

3.14.1 The DMEPOS pricing information is available at http://www.tricare.mil/DMEPOS and the claims processors are required to replace the existing pricing with the updated pricing information within 10 calendar days of publication on the internet.

3.14.2 The pricing for splints and casts is available at http://www.tricare.mil/DMEPOS and will be updated annually.

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

3.15 Inclusion or exclusion of a fee schedule amount for an item or service does not imply any TRICARE coverage.

3.16 Extensive maintenance which, based on manufacturer recommendations, must be performed by authorized technicians is covered as medically necessary. This may include breaking down sealed components and performing tests that require specialized testing equipment not available to the beneficiary. Maintenance may be covered for patient owned-DME when such maintenance must be performed by an authorized technician.

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

3.17.1 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.

3.17.2 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.

4.0 EXCLUSIONS AND LIMITATIONS

4.1 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.

4.2 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.

4.3 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. Payment is not made for repair, maintenance, and replacement of equipment that requires frequent substantial servicing, oxygen equipment, and capped rental items that the patient has not elected to purchase.

5.0 EFFECTIVE DATES

5.1 September 1, 2005, for the DMEPOS system.

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

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