State of Vermont
Agency of Human Services
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Global Commitment Register

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GCR 17-091
FINAL

Fee-for-Service Payments for Durable Medical Equipment, Prosthetics/Orthotics, and Supplies

Policy Summary:

The Department of Vermont Health Access (DVHA) has changed the methodology and rates paid to suppliers of Durable Medical Equipment, Prosthetics/Orthotics, and Supplies (DMEPOS). These changes are in accordance with the 21st Century Cures Act (Cures Act) of 2016 (P.L. 114-255) and are part of the DVHA's ongoing strategy to modernize the way it pays for healthcare services.

Changes to calendar year (CY) 2018 DMEPOS rates included the adoption of:

1. Payment for DMEPOS based on percentage of Medicare;
2. Revised capped rental policies to better reflect Medicare billing practices and payments.
3. Equipment rental policies to ensure that DVHA pays no more than the billed charge for the purchase, plus any previous rentals.

A detailed description of these changes, as well as future changes under consideration, can be found below.

Effective Date:
January 1, 2018

Authority/Legal Basis:
Global Commitment to Health Waiver: Waiver authority #5 [Section 1902(a)(13), 1902(a)(30)]; Special Term and Condition #28.

The following State Plan page reflects this change:

- Attachment 4.19-B page 17

Click here for the State Plan on the DVHA website.

Population Affected:
All Medicaid

Fiscal Impact:
The annualized fiscal impact is estimated to be $1,792,000.

Public Comment Period:
The public comment period was December 20, 2017 – January 22, 2018. The comments and State responses can be viewed here.

Additional Information:

1. The adoption of a payment based on percentage of Medicare; applies to those items and services with a corresponding Medicare rate.

   Effective January 1, 2018, DVHA uses a percentage of Medicare for setting DMEPOS rates. This applies to those codes for which there is a corresponding Medicare rate. For CY2018, DVHA reimburses at 100% of the Medicare rate.

   The Medicare rate used to set rates was the Vermont-specific, Non-Rural Rate (VNR rate). DVHA used the most recently available Medicare fee schedule; for CY 2018 rates, the most recently available fee schedules were the Medicare VNR CY 2017 final rates.

   At the present time, DVHA does not intend to become a Medicare competitive bid region. Should Vermont become a Medicare competitive bid region in the future, it will adopt the lowest of the VNR and the applicable competitive single payment amount. The DVHA will publish notification related to a change of this nature through a proposed Global Commitment Register notice.

2. The adoption of revised capped rental policies to better reflect Medicare billing practices and payments.

   As of January 1, 2018, for those codes which Medicare classified as falling into their "Capped Rental" (CR) classification in CY2017, will be paid in the following manner:
   - Like Medicare, only the RR modifier can be billed for these codes, except for a subset of capped rental codes for which there is a purchase option.
   - For CR items not classified as "Power Wheel Chairs", the purchase price reflected on the fee schedule will be equal to the RR * 10. The DVHA RR rate in months 1 – 10 will be equal to the Medicare Rate (Medicare RR Rate * 10)/10 but not adjusted differentially in months 1-3 and 4-13 as Medicare does.
   - For CR items classified as "Power Wheel Chairs", the purchase price will be equal to the Medicare RR / 0.15 to reflect that Medicare RR rates for these items represents 15% of the purchase price. The DVHA RR rate therefore, will be equal to the purchase price/10. DVHA will not adjust the RR rate in months 1 -3 and 4 -13 as Medicare does. At this time, DVHA will follow Medicare's classification of what is considered "Power Wheel Chairs". A list of these codes will be provided upon request.
   - At month 10, payments are capped and DVHA assumes ownership.

In parallel with the rate update, DVHA updated its provider manual to reflect these changes. DVHA may audit and recuperate payments should a provider not use the RR modifier.

3. The adoption of inexpensive equipment rental policies ensures that DVHA pays no more than the billed charge for the purchase plus any previous rentals.

   For the inexpensive class of services, it is not uncommon for beneficiaries to rent for variable amounts of time prior to purchasing an item. If the previous rental payments are not subtracted from the claim for the eventual purchase, DVHA violates a general pricing policy in that total payments will be in excess of the total payment rate or billed charges for the new equipment.

   DVHA explored changes to its claims adjudication system to reconcile payments however, there are significant systems limitations and resources needed to implement. Instead, DVHA implemented a policy as of January 1, 2018, that providers deduct any previous rental charges from billed charges should a purchase follow a rental period. Like the policy related to capped rentals (CR), DVHA may audit and recuperate payments should a provider does not deduct the previous rental charges from the subsequent purchase of the equipment.

4. Areas under consideration for future updates.

   In a second phase of the update, DVHA will review the following:

   (a) All codes paid in a method other than a fee schedule and propose a sub-set for which setting a rate would be appropriate.
   (b) Transitional payment based on New England Medicaid Survey data or historic data for items and services for which there is no corresponding Medicare rate.
   (c) Supply items for which Medicare pays separately.

Current DVHA fee schedules can be viewed at this link.