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To: Eligibility Services – Regional Director for MEPD  
Regional Attorneys  
Hearings Officers

From: Joanne Molina  
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Subject: Durable Medical Equipment Exception Processing

This bulletin is being sent to the Office of Eligibility Services’ (OES) Regional Director for Medicaid for the Elderly and People with Disabilities (MEPD) and other regional staff. This information is to be shared with all those who determine eligibility for MEPD. Please ensure copies are provided to staff that do not have access to e-mail. If you have any questions regarding the policy information in this bulletin, follow regional procedures. This bulletin will be available on the Family Services website at http://ofs.hhsc.state.tx.us/mepd/mepd-bulletins.aspx and as a part of the online Health and Human Services Commission (HHSC) Medicaid Eligibility Handbook (MEH) at http://www.dads.state.tx.us/handbooks/meh/res/policy/index.htm.

Background

The Medicare Fee Schedule for durable medical equipment (DME) contains Healthcare Common Procedural Coding System (HCPCS) codes used by DME providers to file claims and the Texas specific amounts allowed for claims with each code. For Medicaid residents in nursing facilities (NF) and Intermediate Care Facilities for the Mentally Retarded, any HCPCS code listed on the Medicare Fee Schedule and amounts up to but not exceeding the Texas specific amount listed for a particular DME HCPCS code are allowable IME deductions for a medically necessary DME.

Policy Clarification

The Medicare Fee Schedule does not contain all of the HCPCS codes used by DME providers. Medicare considers these codes as miscellaneous codes or codes not otherwise specified or classified. The Centers for Medicare and Medicaid (CMS) has an exception process for these miscellaneous HCPCS codes for Medicare claims.
Allowable HCPCS Codes

The following HCPCS codes are allowable as an IME even though these HCPCS codes are not on the Medicare Fee Schedule:

- K0108
- K0009
- E2300
- E1220

The attachment, entitled DME HCPCS Miscellaneous Codes, contains HCPCS miscellaneous codes that are allowable as an IME. The DME HCPCS Miscellaneous Codes document is public information and will be available as an appendix in the MEH October 1, 2008.

REMINDER: The dental fee schedule remains available internally only, because of the American Dental Association prohibition on posting it for general distribution and access.

For HCPCS codes not listed in this bulletin and not on the Medicare fee schedule, forward a clearance request to state office. As additional HCPCS codes are identified, based on clearance requests, patterns or frequency, updates will be made to the appendix as needed.

Allowable Fee Amounts

Based on the DME exception processing information from CMS, determine the IME deduction amount for each one of the miscellaneous codes listed in this bulletin as follows:

- Request the wholesale pricing in writing from the DME provider for each HCPCS miscellaneous code on the invoice.
- Multiply the wholesale price by 40% to obtain a markup amount.
- Add the wholesale price and markup amount for a total.
- Allow the total amount as an IME deduction.

Example: K0108 wholesale price is $350. $350 X 40% = $140. $140 is the markup amount. $350 + $140 = $490 total amount. $490 is the allowable IME.

If a DME provider does not provide the wholesale pricing for a particular HCPCS miscellaneous code, do not allow that particular HCPCS code as an IME deduction for that particular request. Do not consider this as an across-the-board DME IME denial for that particular client. The client and/or authorized representative may choose to work with a different DME provider and submit information from that provider.

Effective Date

This policy clarification is effective immediately for any pending or new DME IME requests.

For denied IME requests due to HCPCS codes not on the Medicare Fee Schedule, the client and/or authorized representative must make a new IME request.