

Region means, for the purpose of implementing §414.210(g), geographic areas defined by the Bureau of Economic Analysis in the United States Department of Commerce for economic analysis purposes, and, for the purpose of implementing §414.228, those contractor service areas administered by CMS regional offices.

Rural area means, for the purpose of implementing §414.210(g), a geographic area represented by a postal zip code if at least 50 percent of the total geographic area of the area included in the zip code is estimated to be outside any metropolitan area (MSA). A rural area also includes a geographic area represented by a postal zip code that is a low population density area excluded from a competitive bidding area in accordance with the authority provided by section 1847(a)(3)(A) of the Act at the time the rules at §414.210(g) are applied.

[57 FR 57689, Dec. 7, 1992, as amended at 75 FR 73622, Nov. 29, 2010; 76 FR 70314, Nov. 10, 2011; 79 FR 66262, Nov. 6, 2014]

§414.210 General payment rules.

(a) *General rule.* For items furnished on or after January 1, 1989, except as provided in paragraphs (c), (d), and (g) of this section, Medicare pays for durable medical equipment, prosthetics and orthotics, including a separate payment for maintenance and servicing of the items as described in paragraph (e) of this section, on the basis of 80 percent of the lesser of—

(1) The actual charge for the item;

(2) The fee schedule amount for the item, as determined in accordance with the provisions of §§414.220 through 414.232

(b) *Payment classification.* (1) The carrier determines fee schedules for the following classes of equipment and devices:

(i) Inexpensive or routinely purchased items, as specified in §414.220.

(ii) Items requiring frequent and substantial servicing, as specified in §414.222.

(iii) Certain customized items, as specified in §414.224.

(iv) Oxygen and oxygen equipment, as specified in §414.226.

(v) Prosthetic and orthotic devices, as specified in §414.228.

(vi) Other durable medical equipment (capped rental items), as specified in §414.229.

(vii) Transcutaneous electrical nerve stimulators (TENS), as specified in §414.232.

(2) CMS designates the items in each class of equipment or device through its program instructions.

(c) *Exception for certain HHAs.* Public HHAs and HHAs that furnish services or items free-of-charge or at nominal prices to a significant number of low-income patients, as defined in §413.13(a) of this chapter, are paid on the basis of 80 percent of the fee schedule amount determined in accordance with the provision of §§414.220 through 414.230.

(d) *Prohibition on special limits.* For items furnished on or after January 1, 1989 and before January 1, 1991, neither CMS nor a carrier may establish a special reasonable charge for items covered under this subpart on the basis of inherent reasonableness as described in §405.502(g) of this chapter.

(e) *Maintenance and servicing—(1) General rule.* Except as provided in paragraph (e)(3) of this section, the carrier pays the reasonable and necessary charges for maintenance and servicing of beneficiary-owned equipment. Reasonable and necessary charges are those made for parts and labor not otherwise covered under a manufacturer's or supplier's warranty. Payment is made for replacement parts in a lump sum based on the carrier's consideration of the item. The carrier establishes a reasonable fee for labor associated with repairing, maintaining, and servicing the item. Payment is not made for maintenance and servicing of a rented item other than the maintenance and servicing fee for oxygen equipment described in paragraph (e)(2) of this section or for other durable medical equipment as described in §414.229(e).

(2) *Maintenance and servicing payment for certain oxygen equipment furnished after the 36-month rental period from January 1, 2009 through June 30, 2010.* The carrier makes a maintenance and servicing payment for oxygen equipment other than liquid and gaseous equipment (stationary and portable) as follows:

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(i) For the first 6-month period following the date on which the 36-month rental period ends in accordance with § 414.226(a)(1) of this subpart, no payments are made.

(ii) For each succeeding 6-month period, payment may be made during the first month of that period for 30 minutes of labor for routine maintenance and servicing of the equipment in the beneficiary's home (including an institution used as the beneficiary's home).

(iii) The supplier must visit the beneficiary's home (including an institution used as the beneficiary's home) to inspect the equipment during the first month of the 6-month period.

(3) *Exception to maintenance and servicing payments.* For items purchased on or after June 1, 1989, no payment is made under the provisions of paragraph (e)(1) of this section for the maintenance and servicing of:

(i) Items requiring frequent and substantial servicing, as defined in § 414.222(a);

(ii) Capped rental items, as defined in § 414.229(a), that are not beneficiary-owned in accordance with § 414.229(d), § 414.229(f)(2), or § 414.229(h); and

(iii) Capped rental items, as defined in § 414.229(a), that are not beneficiary-owned in § 414.229(d), § 414.229(f)(2), or § 414.229(h); and

(iv) Oxygen equipment, as described in § 414.226.

(4) *Supplier replacement of beneficiary-owned equipment based on accumulated repair costs.* A supplier that transfers title to a capped rental item to a beneficiary in accordance with § 414.229(f)(2) is responsible for furnishing replacement equipment at no cost to the beneficiary or to the Medicare program if the carrier determines that the item furnished by the supplier will not last for the entire reasonable useful lifetime established for the equipment in accordance with § 414.210(f)(1). In making this determination, the carrier may consider whether the accumulated costs of repair exceed 60 percent of the cost to replace the item.

(5) *Maintenance and servicing payment for certain oxygen equipment furnished after the 36-month rental period and on or after July 1, 2010.* For oxygen equipment other than liquid and gaseous equip-

ment (stationary and portable), the carrier makes payment as follows:

(i) For the first 6-month period following the date on which the 36-month rental period ends in accordance with § 414.226(a)(1) of this subpart, no payments are made.

(ii) For each succeeding 6-month period, payment may be made during the first month of that period for routine maintenance and servicing of the equipment in the beneficiary's home (including an institution used as the beneficiary's home).

(iii) Payment for maintenance and servicing is made based on a reasonable fee not to exceed 10 percent of the purchase price for a stationary oxygen concentrator. This payment includes payment for maintenance and servicing of all oxygen equipment other than liquid or gaseous equipment (stationary or portable).

(iv) The supplier must visit the beneficiary's home (including an institution used as the beneficiary's home) to inspect the equipment during the first month of the 6-month period.

(f) *Payment for replacement of equipment.* If an item of DME or a prosthetic or orthotic device paid for under this subpart has been in continuous use by the patient for the equipment's reasonable useful lifetime or if the carrier determines that the item is lost, stolen, or irreparably damaged, the patient may elect to obtain a new piece of equipment.

(1) The reasonable useful lifetime of DME or prosthetic and orthotic devices is determined through program instructions. In the absence of program instructions, carriers may determine the reasonable useful lifetime of equipment but in no case can it be less than 5 years. Computation is based on when the equipment is delivered to the beneficiary, not the age of the equipment.

(2) If the beneficiary elects to obtain replacement oxygen equipment, payment is made in accordance with § 414.226(a).

(3) If the beneficiary elects to obtain a replacement capped rental item, payment is made in accordance with § 414.229(a)(2) or (a)(3).

(4) For all other beneficiary-owned items, if the beneficiary elects to obtain replacement equipment, payment is made on a purchase basis.

(g) *Application of Competitive Bidding Information and Limitation of Inherent Reasonableness Authority.* For items furnished on or after January 1, 2011, the fee schedule amounts may be adjusted, and for DME items furnished on or after January 1, 2016, the fee schedule amounts shall be adjusted, based on information on the payment determined as part of implementation of the programs under subpart F, of this part, excluding information on the payment determined in accordance with the special payment rules at §414.409. In the case of such adjustments, the rules at §405.502(g) and (h) of this chapter shall not be applied. The methodologies for adjusting fee schedule amounts are provided below. In any case where application of these methodologies results in an increase in the fee schedule amount, the adjustment to the fee schedule amount is not made.

(1) *Payment adjustments for areas within the contiguous United States using information from competitive bidding programs.* For an item or service subject to the programs under subpart F of this part, the fee schedule amounts for such item or service for areas within the contiguous United States shall be adjusted as follows:

(i) CMS determines a regional price for each state in the contiguous United States and the District of Columbia equal to the un-weighted average of the single payment amounts for an item or service established in accordance with §414.416 for competitive bidding areas that are fully or partially located in the same region that contains the state or District of Columbia.

(ii) CMS determines a national average price equal to the un-weighted average of the regional prices determined under paragraph (g)(1)(i) of this section.

(iii) A regional price determined under paragraph (g)(1)(i) of this section cannot be greater than 110 percent of the national average price determined under paragraph (g)(1)(ii) of this section nor less than 90 percent of the national average price determined under paragraph (g)(1)(ii) of this section.

(iv) The fee schedule amount for all areas within a state that are not defined as rural areas for purposes of this subpart is adjusted to the regional price determined under paragraphs (g)(1)(i) and (iii) of this section.

(v) For items and services furnished before February 28, 2022, the fee schedule amount for all areas within a state that are defined as rural areas for the purposes of this subpart is adjusted to 110 percent of the national average price determined under paragraph (g)(1)(ii) of this section.

(2) Payment adjustments for areas outside the contiguous United States and for items furnished on or after February 28, 2022 in rural areas within the contiguous United States using information from competitive bidding programs.

(i) For an item or service subject to the programs under subpart F, the fee schedule amounts for areas outside the contiguous United States (Alaska, Hawaii, and U.S. territories) for items and services furnished from January 1, 2016, through December 31, 2020 are reduced to the greater of—

(A) The average of the single payment amounts for the item or service for CBAs outside the contiguous United States.

(B) 110 percent of the national average price for the item or service determined under paragraph (g)(1)(ii) of this section.

(ii) For an item or service subject to the programs under subpart F of this part, the fee schedule amounts for areas outside the contiguous United States for items and services furnished on or after February 28, 2022, or the date immediately following the duration of the emergency period described in section 1135(g)(1)(B) of the Act (42 U.S.C. 1320b-5(g)(1)(B)), whichever is later, is adjusted to equal the sum of—

(A) Fifty percent of the greater of the average of the single payment amounts for the item or service for CBAs outside the contiguous United States or 110 percent of the national average price for the item or service determined under paragraph (g)(1)(ii) of this section; and

(B) Fifty percent of the fee schedule amount for the area in effect on December 31, 2015, increased for each subsequent year beginning in 2016 by the annual update factors specified in sections 1834(a)(14), 1834(h)(4), and 1842(s)(1)(B) of the Act, respectively, for durable medical equipment and supplies, off-the-shelf orthotics, and enteral nutrients, supplies, and equipment.

(iii) For an item or service subject to the programs under subpart F of this part, the fee schedule amounts for rural areas within the contiguous United States for items and services furnished on or after February 28, 2022, or the date immediately following the duration of the emergency period described in section 1135(g)(1)(B) of the Act (42 U.S.C. 1320b–5(g)(1)(B)), whichever is later, is adjusted to equal the sum of—

(A) Fifty percent of 110 percent of the national average price for the item or service determined under paragraph (g)(1)(ii) of this section; and

(B) Fifty percent of the fee schedule amount for the area in effect on December 31, 2015, increased for each subsequent year beginning in 2016 by the annual update factors specified in sections 1834(a)(14), 1834(h)(4), and 1842(s)(1)(B) of the Act, respectively, for durable medical equipment and supplies, off-the-shelf orthotics, and enteral nutrients, supplies, and equipment.

(3) *Payment adjustments for items and services included in no more than ten competitive bidding programs.* Notwithstanding paragraph (g)(1) of this section, for an item or service that is included in ten or fewer competitive bidding programs as defined at §414.402, the fee schedule amounts applied for all areas within and outside the contiguous United States are reduced to 110 percent of the un-weighted average of the single payment amounts from the ten or fewer competitive bidding programs for the item or service in the areas where the ten or fewer competitive bidding programs are in place.

(4) *Payment adjustments using data on items and services included in competitive bidding programs no longer in effect.* In the case where adjustments to fee schedule amounts are made using any

of the methodologies described, other than paragraph (g)(10) of this section, if the adjustments are based solely on single payment amounts from competitive bidding programs that are no longer in effect, the single payment amounts are updated before being used to adjust the fee schedule amounts. The single payment amounts are updated based on the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) from the mid-point of the last year the single payment amounts were in effect to the month ending 6 months prior to the date the initial fee schedule reductions go into effect. Following the initial adjustments to the fee schedule amounts, if the adjustments continue to be based solely on single payment amounts from competitive bidding programs that are no longer in effect, the single payment amounts used to reduce the fee schedule amounts are updated every 12 months using the percentage change in the CPI-U for the 12-month period ending 6 months prior to the date the updated payment adjustments would go into effect.

(5) *Adjusted payment amounts for accessories used with different types of base equipment.* In situations where a HCPCS code that describes an item used with different types of base equipment is included in more than one product category in a CBA under competitive bidding, a weighted average of the single payment amounts for the code is computed for each CBA based on the total number of allowed services for the item on a national basis for the code from each product category prior to applying the payment adjustment methodologies in this section.

(6) *Adjustments of single payment amounts resulting from price inversions under the DMEPOS Competitive Bidding Program.* (i) In situations where a price inversion defined in §414.402 occurs under the DMEPOS Competitive Bidding Program in a competitive bidding area (CBA) following a competition for a grouping of similar items identified in paragraph (g)(6)(ii) of this section, prior to adjusting the fee schedule amounts under paragraph (g) of this section the single payment amount for each item in the grouping of similar items in the CBA is adjusted to be

equal to the weighted average of the single payment amounts for the items in the grouping of similar items in the CBA.

(ii) The groupings of similar items subject to this rule include—

(A) Hospital beds (HCPCS codes E0250, E0251, E0255, E0256, E0260, E0261, E0290, E0291, E0292, E0293, E0294, E0295, E0301, E0302, E0303, and E0304).

(B) Mattresses and overlays (HCPCS codes E0277, E0371, E0372, and E0373)

(C) Power wheelchairs (HCPCS codes K0813, K0814, K0815, K0816, K0820, K0821, K0822, and K0823).

(D) Seat lift mechanisms (HCPCS codes E0627 and E0629).

(E) TENS devices (HCPCS codes E0720 and E0730).

(F) Walkers (HCPCS codes E0130, E0135, E0141, and E0143).

(iii) The weight for each item (HCPCS code) used in calculating the weighted average described in paragraph (g)(6)(ii) of this section is equal to the proportion of total nationwide allowed services furnished in calendar year 2012 for the item (HCPCS code) in the grouping of similar items, relative to the total nationwide allowed services furnished in calendar year 2012 for each of the other items (HCPCS codes) in the grouping of similar items.

(7) *Payment adjustments for mail order items furnished in the Northern Mariana Islands.* The fee schedule amounts for mail order items furnished to beneficiaries in the Northern Mariana Islands are adjusted so that they are equal to 100 percent of the single payment amounts established under a national mail order competitive bidding program. Beginning on or after the date that the Northern Mariana Islands are included under a national mail order competitive bidding program, the fee schedule adjustment methodology under this paragraph no longer applies.

(8) *Updating adjusted fee schedule amounts.* The adjusted fee schedule amounts are revised each time a single payment amount for an item or service is updated following one or more new competitions and as other items are added to programs established under Subpart F of this part.

(9) *Transition rules.* The payment adjustments described above are phased in as follows:

(i) For applicable items and services furnished with dates of service from January 1, 2016 through December 31, 2016, based on the fee schedule amount for the area is equal to 50 percent of the adjusted payment amount established under this section and 50 percent of the unadjusted fee schedule amount.

(ii) For items and services furnished with dates of service from January 1, 2017, through May 31, 2018, the fee schedule amount for the area is equal to 100 percent of the adjusted payment amount established under this section.

(iii) For items and services furnished in rural areas and non-contiguous areas (Alaska, Hawaii, and U.S. territories) with dates of service from June 1, 2018 through December 31, 2020 or through the duration of the emergency period described in section 1135(g)(1)(B) of the Act (42 U.S.C. 1320b-5(g)(1)(B)), whichever is later, based on the fee schedule amount for the area is equal to 50 percent of the adjusted payment amount established under this section and 50 percent of the unadjusted fee schedule amount.

(iv) For items and services furnished in areas other than rural or noncontiguous areas with dates of service from June 1, 2018 through March 5, 2020, based on the fee schedule amount for the area is equal to 100 percent of the adjusted payment amount established under this section.

(v) For items and services furnished in areas other than rural or noncontiguous areas with dates of service from March 6, 2020, through the remainder of the duration of the emergency period described in section 1135(g)(1)(B) of the Act (42 U.S.C. 1320b-5(g)(1)(B)), based on the fee schedule amount for the area is equal to 75 percent of the adjusted payment amount established under this section and 25 percent of the unadjusted fee schedule amount. For items and services furnished in areas other than rural or noncontiguous areas with dates of service from the expiration date of the emergency period described in section 1135(g)(1)(B) of the Act (42 U.S.C. 1320b-5(g)(1)(B)), through December 31, 2020, based on the fee schedule amount for the area is equal to 100 percent of the adjusted payment amount established under this section.

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(vi) For items and services furnished in all areas with dates of service on or after February 28, 2022, or the date immediately following the duration of the emergency period described in section 1135(g)(1)(B) of the Act, whichever is later, based on the fee schedule amount for the area is equal to the adjusted payment amount established under paragraph (g) of this section.

(10) *Payment adjustments for items and services furnished in former competitive bidding areas during temporary gaps in the DMEPOS CBP.* During a temporary gap in the entire DMEPOS CBP and/or National Mail Order CBP, the fee schedule amounts for items and services that were competitively bid and furnished in areas that were competitive bidding areas at the time the program(s) was in effect are adjusted based on the SPAs in effect in the competitive bidding areas on the last day before the CBP contract period of performance ended, increased by the projected percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) for the 12-month period ending on the date after the contract periods ended. If the gap in the CBP lasts for more than 12 months, the fee schedule amounts are increased once every 12 months on the anniversary date of the first day of the gap period based on the projected percentage change in the CPI-U for the 12-month period ending on the anniversary date.

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§ 414.220 Inexpensive or routinely purchased items.

(a) *Definitions.* (1) *Inexpensive equipment* means equipment the average purchase price of which did not exceed \$150 during the period July 1986 through June 1987.

(2) *Routinely purchased equipment* means equipment that was acquired by purchase on a national basis at least 75 percent of the time during the period July 1986 through June 1987.

(3) *Accessories.* Effective January 1, 1994, accessories used in conjunction

with a nebulizer, aspirator, or ventilator excluded from § 414.222 meet the definitions of “inexpensive equipment” and “routinely purchased equipment” in paragraphs (a)(1) and (a)(2) of this section, respectively.

(b) *Payment rules.* (1) Subject to the limitation in paragraph (b)(3) of this section, payment for inexpensive and routinely purchased items is made on a rental basis or in a lump sum amount for purchase of the item based on the applicable fee schedule amount.

(2) Effective January 1, 1994, payment for ostomy supplies, tracheostomy supplies, urologicals, and surgical dressings not furnished as incident to a physician’s professional service or furnished by an HHA is made using the methodology for the inexpensive and routinely purchased class.

(3) The total amount of payments made for an item may not exceed the fee schedule amount recognized for the purchase of that item.

(c) *Fee schedule amount for 1989 and 1990.* The fee schedule amount for payment of purchase or rental of inexpensive or routinely purchased items furnished in 1989 and 1990 is the local payment amount determined as follows:

(1) The carrier determines the average reasonable charge for inexpensive or routinely purchased items that were furnished during the period July 1, 1986 through June 30, 1987 based on the mean of the carrier’s allowed charges for the item. A separate determination of an average reasonable charge is made for rental equipment, new purchased equipment, and used purchased equipment.

(2) The carrier adjusts the amount determined under paragraph (c)(1) of this section by the change in the level of the CPI-U for the 6-month period ending December 1987.

(d) *Updating the local payment amounts for years after 1990.* For each year subsequent to 1990, the local payment amounts of the preceding year are increased or decreased by the covered item update. For 1991 and 1992, the covered item update is reduced by 1 percentage point.

(e) *Calculating the fee schedule amounts for years after 1990.* For years after 1990, the fee schedule amounts are