



Durable Medical Equipment (DME) Providers

Capped Rental Items and 13 Month Rental Periods Effective January 1, 2020

Alaska Medicaid will follow CMS Medicare capped rental reimbursement methodologies (as identified in the Social Security Act, Section 1834(a)(7)), effective January 1, 2020, for rental items newly dispensed on or after January 1, 2020. Dispensed items currently receiving rental reimbursement are not affected by this change. In general, capped rental items, when covered, are rented to a beneficiary for a period of continuous use not to exceed 13 months, at which point the beneficiary takes over ownership of the equipment. Some capped rental items may be purchased. The department will review the length of need for items and their cost before authorizing payment for rental or purchase (7 AAC 120.225).

Capped Rental Payment Methodologies

- **Capped rental items (other than power wheelchairs):** CMS calculates the fee schedule amount based on 10 percent of the base year purchase price. This is the fee schedule amount for months 1 through 3. Beginning with the 4th month, the fee schedule amount is equal to 75 percent of the monthly fee schedule amount paid in the first three rental months.
- **Capped rental power wheelchairs:** CMS calculates the fee schedule amount based on 15 percent of the base year purchase price. This is the fee schedule amount for months 1 through 3. Beginning with the 4th month, the fee schedule amount is equal to 40 percent of the monthly fee schedule amount paid in the first three months.

Reimbursement Methodologies for Capped Rental Item Purchase

- **Rent to Purchase:** Ownership of the equipment must be transferred to the beneficiary after 13 months of rental.
- **Purchase of capped rental items (other than power wheelchairs):** DME suppliers may request purchase versus rental of items for non-dually eligible beneficiaries. If a beneficiary is Medicare eligible, DME suppliers must follow the Medicare requirements for requesting purchase vs. rental of capped rental items. The department will review the length of need for items and their cost before authorizing rental or purchase. If approved for purchase, reimbursement may not exceed 10 times the 1st month rental fee as indicated on the DMEPOS fee schedule or DMEPOS Interim fee schedule. If rental reimbursement was issued prior to a purchase authorization, reimbursement may not exceed 10 times the 1st month rental fee minus any and all rental payments.
- **Purchase of capped rental power wheelchairs:** DME suppliers may request purchase versus rental of items for non-dually eligible beneficiaries. If a beneficiary is Medicare eligible, DME suppliers must follow the Medicare requirements for requesting purchase vs. rental of capped rental items. The department will review the length of need for items and their cost before authorizing rental or purchase. If approved for purchase, reimbursement may not exceed the 1st month rental fee divided by 0.15. If rental reimbursement was issued prior to a purchase authorization, reimbursement may not exceed the 1st month rental fee divided by 0.15 minus any and all rental payments. {Please note this is the fee schedule methodology identified in the Social Security Act, Section 1834(a)(7)}

Requesting and Billing Capped Rental Items

- When service authorizations are required, providers requesting to dispense a new capped rental item on or after January 1, 2020 must indicate the first 3 months of rental with an "RR" modifier and months 4 through 13 with an "RR" as the primary modifier and a "KJ" as the secondary modifier.



- Claims submitted for months 4 through 13 without the appropriate “KJ” modifier in the second position will be denied. Please note, claims for items dispensed prior to January 1, 2020 are not affected by this change.
- Service authorization numbers must be included on claims, when applicable.

The examples below do not include examples for beneficiaries who are Medicare and Medicaid dually eligible nor do they include beneficiaries who may have additional third party insurance coverage.

Example #1: Procedure code E0250, *Hospital bed, fixed height, with mattress*, has been designated as a capped rental item. When dispensed on/after January 1, 2020, the following are example reimbursement scenarios:

Capped rental only for a total of 13 months:

- Months 1 through 3 are billed with an RR modifier and reimbursed at \$78.70 per month.
- Months 4 through 13 are billed with RR and KJ modifiers and reimbursed at \$59.03 per month.
- Ownership is transferred to the beneficiary on the first day of the 14th month.
- Total reimbursement for the capped rental for 13 months rental is \$826.35.

Purchase with no rental payments made:

- Purchase of the capped rental item was approved without any rental periods.
- Total reimbursement for the capped rental item as a direct purchase is \$787.00, or 10 times the amount of the 1st month rental rate indicated on the appropriate fee schedule.

Purchase after rental payments made:

- Months 1 through 3 were reimbursed at \$78.70 for each rental month totaling \$236.10.
- At month 4, a service authorization was approved for purchase of the item.
- Reimbursement for the purchase of the hospital bed was \$550.90. This was calculated at a purchase of \$787.00 minus rental payments of \$236.10.

Example #2: Procedure code K0848, *Grp 3 Power Wheelchair, sling/solid seat/back, patient weight capacity up to and including 300 pounds*, has been designated as a power wheelchair capped rental item. When dispensed on/after January 1, 2020, the following are example reimbursement scenarios:

Capped rental only for a total of 13 months:

- Months 1 through 3 are billed with an RR modifier and reimbursed at \$793.71 per month.
- Months 4 through 13 are billed with RR and KJ modifiers and reimbursed at \$317.48 per month.
- Ownership is transferred to the beneficiary on the first day of the 14th month.
- Total reimbursement for the capped rental for 13 months rental is \$5,555.97.

Purchase with no rental payments made:

- Purchase of the capped rental item was approved without any rental periods.
- Total reimbursement for the capped rental item as a direct purchase is \$5,291.40, or the monthly rental fee identified for months 1 through 3 (\$793.71) divided by 0.15.

Purchase after rental payments made:

- Months 1 through 3 were reimbursed at \$793.71 for each rental month totaling \$2,381.13.
- At month 4, a service authorization was approved for purchase of the item.
- Reimbursement for the purchase of the power wheelchair was \$2,910.27. This was calculated at a purchase rate of \$5,291.40 minus rental payments of \$2,381.13.