



Dear DMEPOS Provider,

Please review the following updates and reminders regarding rate changes and upcoming recoupments:

Federal Upper Payment Limit (UPL) Requirement

As of January 1, 2018, Health First Colorado (Colorado's Medicaid Program) is required to comply with the [Consolidated Appropriations Act of 2016](#) (Section 503) which means Health First Colorado cannot pay more than what Medicare would have paid in the aggregate for certain DME services. The original effective date was January 1, 2019, but the [Cures Act](#) (Section 5002) changed the effective date to January 1, 2018.

In December 2017, the Centers for Medicare & Medicaid Services (CMS) held a webinar that provided some guidance on complying with the UPL. Since that webinar, the Department has continued to work with CMS to resolve outstanding questions regarding this compliance.

About the UPL:

1. Compliance is measured by Health First Colorado's aggregate expenditure on a per calendar year basis.
2. If the code was **not** billed/paid by both Medicare **and** Health First Colorado **during the prior calendar year**, it is **not** included.
3. Only DME codes beginning with A, E and K are included.
4. Orthotics, prosthetics and disposable supply codes are **not** included.
5. Medicare's competitive bid codes that are in line with points two and three are included.
6. Oxygen and some oxygen supplies are included. Per CMS, oxygen cannot be utilized by a member without the accompanying supplies; they are an integral component of oxygen.

The Department of Healthcare Policy & Financing (the Department) received the paid DME Medicare code list subject to the 2018 UPL near the end of February 2018. The list was generated, per CMS request, by Medicare's Pricing, Data Analysis and Coding (PDAC) contractor, Noridian Healthcare Solutions and included Medicare utilization information for the codes that fell under the scope of the UPL. The Department pulled its utilization for those same codes and cross-referenced the lists to determine the codes to which Colorado's 2018 UPL is subjected.

The Department is discussing (both internally and with stakeholders) possible mitigation strategies. Mitigation possibilities are limited by Federal and State regulation and budgetary restrictions.

Reimbursement Rates

The Department intends to set rates according to the regions that Medicare has designated for Colorado.

There are four regions:

- Non-Rural
- Rural
 - [Zip codes associated with the Rural regions](#)
- Competitive Bid (Denver-Aurora-Lakewood)
- Competitive Bid (Colorado Springs)
 - [Zip codes associated with the Competitive Bid areas](#)

At this time, the Colorado interChange is not able to price based on the member's zip code. Once the Colorado interChange has been updated, all claims from January 1, 2018, through current will be reprocessed at the correct regional rate.

Interim Rate

While the Colorado interChange is being updated, an interim rate based on the competitive bid (Denver-Aurora-Lakewood) will be used. In the absence of that rate, codes will price at the non-rural rate.

The interim rates will be effective January 1, 2018. DXC and the Department are working to load these rates in the Colorado interChange.

Claims with a date of service from April 1, 2018, to current will be reprocessed by the Department at the interim rates. This will likely result in a recoupment of funds, displaying on your Remittance Advice (RA) as a system-generated adjustment.

As there is legislation in process to potentially offset the rate decrease with supplemental payments for the first several months of this calendar year, the Department will not reprocess claims with dates of service between January 1, 2018, and March 31, 2018, until after the legislation is finalized.

Guide to New Fee Schedule – Effective January 1, 2018

The new [DME UPL fee schedule](#) has been posted to the Department's website. It includes the rates that were effective from July 1, 2017, through December 31, 2017, the interim rates, and the future regional rates. Below is information on how to read the new fee schedule.

Change Indicator (CI)

The numeric values in the first column denote the changes to each code. **All code-modifier combinations had a change to their fee schedule rate** but many also had a policy and/or billing method change.

- 0 - Change in rate only
- 1 - Modifier change (KR to RR)
- 2 - Used purchase (UE) rate added
- 3 - Rental rate (RR) added
- 4 - Modifiers TT, QE, QF, and QG no longer alter the reimbursement. There is only one rate for each code.
- 5 - Daily rental (KR) rate removed; KR is no longer billable.
- 6 - Rate transitioned from daily to monthly
- 7 - Rate transitioned from hourly to monthly
- 8 - KF modifier now required

Modifiers

- **NU (New Purchase)** - The Department has not enforced the usage of the NU modifier though it should be used in all applicable situations. With the implementation of the DME UPL fee schedule, the NU modifier will be required on the UPL codes for the claim to price at its New Purchase rate.
- **UE (Used Purchase)** - All claims for used equipment must include the UE modifier. The DME UPL fee schedule details the maximum allowable for used equipment.

Rate Effective July 1, 2017 - December 31, 2017

- **The rates in bold** were effective between July 1, 2017, and December 31, 2017.
- **Rates that are grayed out were not on the fee schedule; they represent a converted rate for comparison to the new rates. For some code/modifier combinations, the converted rate represents an average of the applicable rates.**
- **MP** – Manually Priced
- **Interim Rate** - These are the rates that will be loaded in mid-April with an effective date of January 1, 2018, and will be used to price claims until the Colorado interChange is able to pay claims based on the member's zip code.
- **Future Regional Rates: Effective January 1, 2018** - These are the final rates to be effective January 1, 2018, once the Colorado interChange can reimburse claims based

on the member's zip code. Claims with dates of service from January 1, 2018, and after will eventually be reprocessed to price at these rates.

Thank you,

Department of Health Care Policy & Financing

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