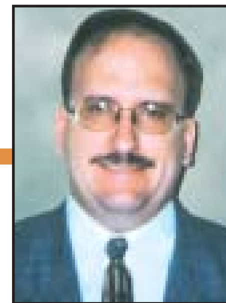

UNDERSTANDING MEDICARE AND CAPPED RENTAL SERVICES

by Jim Stegmaier, RRT-NPS, RPFT, CCM

Historically, home DME was provided to senior citizens with Medicare under a capped rental system. Home respiratory care equipment is considered DME because it can withstand repeated usage, is primarily used for medical purposes, is generally not useful to a person in the absence of an illness or injury and is appropriate for use in a residence. Capped rental is one of six service/reimbursement categories under Medicare for DME. The other service groups are inexpensive/routinely purchased items, oxygen, frequent/substantial service, custom items and prosthetics/orthotics. Examples of capped rental items include: CPAP devices, manual wheelchairs, nebulizers and hospital beds. Under this reimbursement structure the patient rented the medically necessary equipment for thirteen months and then had the option to continue to rent or own the equipment outright. If the patient chose the purchase option the title for the equipment was transferred to the patient. When the choice to continue to rent was selected then the DME provider received two additional months of rental payment and was permitted to bill for semi-annual maintenance regardless if service was provided or not. Under the capped rental regulations the home care provider was responsible for all maintenance and repairs for the useful life of the equipment. Maintenance and repairs became the responsibility of the patient if the purchase option was selected. Under this system the majority of patients chose to continue to rent their DME rather than purchasing it.

Reimbursement for DME is made through Medicare Part B. Part B services include physician services, diagnostic testing, home health care and DME. The patient has a deductible which must be met every year under Part B before Medicare will begin paying for the equipment or services provided. Medicare reimburses eighty percent of the cost of home medical equipment based upon the Medicare fee schedule with the balance either being paid by a patient's secondary insurance or the patient themselves. The goals of a capped rental reimbursement structure include: 1) enabling the patient to obtain equipment for short term utilization without having to purchase it, 2) spreading the patient's financial responsibility for services over an extended period of time (instead of requiring a lump sum payment) and 3) protecting the patient from an incorrect purchasing decision.

In the latter half of 2005 the Centers for Medicare and Medicaid (CMS) changed the reimbursement structure by eliminating the rental option. All capped rental items became the property of the patient after thirteen months of continuous rental. The burden for any manufacturer's suggested maintenance and repairs also became the responsibility of the patient.

Oxygen traditionally was reimbursed by Medicare as long as it was medically necessary. The costs associated with oxygen therapy, however, often exceeded the purchase price of a home oxygen system so the Deficit Reduction Act of 2005 moved oxygen therapy to a capped rental item with a thirty six month cap. After thirty six months of continuous rental the patient will own their stationary and portable oxygen systems. Medicare will continue to reimburse for delivery and refilling of portable cylinders. After title transfer, Medicare will also reimburse for any maintenance or repairs performed which are not covered by a manufacturer's warranty. The home care provider is responsible for repairing or replacing a patient-owned system for a minimum of five years. Once the title of the equipment transfers, Medicare will reimburse for necessary supplies such as oxygen tubing and nasal cannulas, which were included in the capped rental fees. Safeguards for the patient include the home respiratory organizations' responsibility to provide services for the entire rental period and not to change equipment without providing items of equal or greater value.

Many details continue to be debated and worked out including such issues as backup oxygen systems. Backup oxygen is the standard of practice and a requirement under accreditation standards for utilization in case of electrical power failures or mechanical breakdown of the oxygen concentrator. The backup system is not reimbursed-for by Medicare so the backup system does *not* become the property of the patient when title transfers. If backup systems are utilized by the patient, who should be responsible for the replace cost of the contents? Currently home care organizations provide 24/7 service for their rental patients in cases of emergency. The question that begs to be asked is; what is the expectation for services to a patient who *owns* their equipment? Is the provider obligated to provide emergency services in case of a failure if the patient neglected to maintain their owned-equipment according to manufacturer's recommendations?

The homecare industry will see their first capped oxygen patients in approx. 15 months. Educating the patient on their responsibilities will need to begin in 2008 in order for a smooth transition from provider maintenance programs to patient-provided programs. Details still need to be addressed in the year ahead. Meanwhile, therapists need to remain abreast of these issues so as to assist their patients through this transition.

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