

Q & A about Provisions from Budget Bill that Affect Capped Rental HME and Home Oxygen

1. **What is the status of the reconciliation legislation, S. 1932, (Deficit Reduction Act) that was before Congress at the end of 2005 and beginning of 2006?**

The 774-page Deficit Reduction Act of 2005, S. 1932, was approved by the Senate by a vote of 51 to 50 in December and passed in a final vote in the House of Representatives by a vote of 216 to 214 on February 1, 2006. **The bill was signed into law by President Bush on February 8, 2006.** This bill covers many topics including Medicare, Medicaid, agricultural crop subsidies, child support programs, and student loan programs.

Responses to some of the most frequently asked questions about the capped rental issues are below. Some details about how the law will be implemented are unclear. The American Association for Homecare will work with the Center for Medicare and Medicaid Services (CMS) to clarify them.

Changes to the Current Rules for Capped-Rental Home Medical Equipment

2. **How does this change capped-rental policy for home medical equipment?**

The new law will eliminate the option for Medicare beneficiaries to continue to rent home medical equipment in the current capped-rental payment category. Specifically, Medicare will make rental payments for these items for a period of medical necessity not to exceed 13 months after which title to the medical equipment would transfer to the beneficiary. (Under previous rules, beneficiaries had the option of purchasing this equipment but most chose to rent. Now they will be required to own after 13 months.)

3. **Will the new law reduce the monthly payment amount for capped rental items?**

The monthly fee schedule amount remains unaffected, although the payment period for the capped rental item is reduced from 15 months to 13 months. Under the Medicare Modernization Act of 2003, Consumer Price Index (CPI) updates for home medical equipment remain frozen through 2008.

4. **Are current Medicare beneficiaries using capped rental equipment affected by this change?**

The new requirements would apply to equipment for which the first rental month occurs on or after January 1, 2006. This means that beneficiaries using capped-rental equipment before January 1, 2006 are “grandfathered” under the current capped-rental reimbursement method.

5. **Will Medicare pay a maintenance and service fee for home medical equipment after title to the item transfers to the beneficiary?**

After transfer of title to the beneficiary, the regular six-months' maintenance and servicing fee will discontinue. However, the language in the bill says Medicare will be pay for maintenance and service that CMS determines to be "reasonable and necessary." Maintenance and service payments would apply for parts and labor not covered by a warranty and which CMS determines are appropriate for the particular item of DME. The amount of the service and maintenance payment will be determined by CMS. AAHomecare will work closely with CMS to arrive at an appropriate payment amount for maintenance and service in the event Congress approves S1932.

6. **Will the new law eliminate the purchase option for power wheelchairs?**

Beneficiaries would continue to have a first month purchase option for power-driven wheelchairs.

Medical Oxygen and Home Oxygen Equipment

7. **How will the new law affect payment for medical oxygen and oxygen equipment?**

It will limit Medicare payment for rental of oxygen equipment to 36 months. After 36 months, title to the equipment will transfer to the beneficiary. The law has a provision for continued payments for oxygen contents for the period of medical need.

8. **Will Medicare continue to pay for portable oxygen after 36 months?**

Assuming the beneficiary continues to have a medical need for oxygen, Medicare would continue to pay for oxygen even though payment for the equipment is limited to 36 months after which title to the equipment would transfer to the beneficiary. We recognize that there are many questions with respect to how this provision might be implemented. AAHomecare will work closely with CMS to make sure CMS addresses these issues and implements the provision fairly.

9. **Will the new law change the monthly payment amount for oxygen and oxygen equipment during the 36 month rental period?**

Medicare would continue to pay monthly for oxygen and oxygen equipment according to the existing Medicare fee schedules for 36 months.

10. **Will Medicare pay a maintenance and service fee for oxygen equipment after the 36 month rental period ends?**

Medicare will pay for maintenance and service that CMS determines to be “reasonable and necessary.” Maintenance and service payments would apply for parts and labor not covered by a warranty and which CMS determines are appropriate for the equipment. The amount of the service and maintenance payment will be determined by CMS. AAHomecare will work closely with CMS to make sure CMS addresses questions that arise from this provision and ensure that the payment amount for maintenance and service is appropriate.

11. **Will Medicare beneficiaries currently receiving home oxygen be affected by these new provisions?**

Yes. The new provisions would have an effective date of January 1, 2006. This effective date would apply to any beneficiary receiving home oxygen on or before December 31, 2005. This means that for beneficiaries who were receiving home oxygen on December 31, 2005 or before, Medicare would continue to make monthly payments for the oxygen and oxygen equipment for an additional 36 months beginning January 1, 2006, after which title to the equipment would transfer to the beneficiary.

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