



# Reimbursement Fast Facts: Repairs & Replacements

This tool will assist you in understanding Medicare coding and coverage for repairs and replacements.

**Repairs and replacement** of PAP devices may be performed as necessary in cases of loss or irreparable damage, or in instances when the device is dysfunctional and has passed the five-year reasonable useful lifetime (RUL).

Code	Description	Notes
<b>K0739</b>	Repair or non-routine services for DME other than oxygen requiring the skill of a technician, labor component, per 15 minutes	Can be used with patient-owned equipment for up to two units. Claims for repairs should include narrative information, itemizing each repair and the time taken for each repair.
<b>K0462</b>	Temporary replacement for patient-owned equipment being repaired, any type	Include narrative indicating the reason why loaner equipment was required. Only one month of rental payment for loaner equipment. <sup>1</sup>
<b>E1399</b>	Miscellaneous DME	Can be used for replaced parts (i.e., blower motor).
<b>RB Modifier</b>	Replacement parts furnished in order to repair patient-owned DMEPOS <sup>2</sup>	Furnished as part of the service of repairing the DMEPOS item. Ensure claims provide a detailed explanation as to why the accessory is being replaced.
<b>RA Modifier</b>	Replacement of patient-owned DMEPOS due to the expiration of the equipment's RUL or to loss, irreparable damage, or when the item has been stolen	RA only needs to be appended to a first-month claim, and claims should include a narrative explaining the reason for the replacement.

## Repairs

Repairs to equipment that a patient owns are covered when necessary to make the equipment serviceable. Timely documentation from the physician that indicates the item being repaired continues to be medically necessary and documentation of the nature of repair is required.

### Exceptions:

- Medicare does not pay for repairs to capped rental items during the rental period or items under warranty.<sup>3</sup>
- If the expense for repairs exceeds the estimated expense of purchasing or renting another item of equipment for the remaining period of medical need, no payment can be made for the amount of excess.<sup>3</sup>

### Billing:

Effective April 1, 2009, Medicare instituted a billing and payment policy for common repairs based on standardized labor times. A CPAP blower assembly, when repaired, is allowed two units of service (one unit of service = 15 minutes).<sup>4</sup>

This includes basic troubleshooting and problem diagnostics; suppliers are not paid for travel time or equipment pickup and/or delivery.

## Replacement

Replacement refers to the provision of an identical or nearly identical item. The RUL of durable medical equipment is five years.<sup>5</sup>

Reimbursement is always subject to review by Medicare. Equipment may be replaced in the following cases:

### Replacement during RUL (prior to five years)

The replacement of an item before the five-year life expectancy can only be done if the item is lost, it is irreparably damaged, or the patient's medical condition changes and the item no longer satisfies the medical needs of the patient.

- Loss or irreparable damage:
  - Irreparable damage is considered damage caused by a specific accident or natural disaster.<sup>3</sup>
  - Documentation such as a letter from the patient, police reports, insurance claims, etc., is required if lost or stolen.
  - A physician's order is needed to reaffirm the medical necessity of the item.<sup>3</sup>
- Documentation such as a letter from the patient, police reports, insurance claims, etc. is required if the unit is lost or stolen.



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- If a PAP device is replaced during the RUL because of loss, theft or irreparable damage due to a specific incident, there is no requirement for a new clinical evaluation, sleep test or trial period.<sup>5</sup>
- The supplier must replace the equipment free of charge if it does not last the full five-year period (i.e., it is no longer serviceable or needs substantial repairs). If it is determined based upon accumulated repair costs (those repair costs exceeding 60% of the cost to replace) that the item is unable to last for the entire five-year RUL, the supplier must replace the equipment with properly working equipment at no charge. (Replacement equipment does not need to be new.)<sup>6</sup>

## Replacement past RUL (post five years)

The replacement of an item past the five-year lifetime will be considered in cases of irreparable wear if the item has been in continuous use by the patient, on either a rental or purchase basis, for the equipment's useful lifetime.<sup>7</sup>

- Irreparable wear:
  - Irreparable wear refers to deterioration sustained from day-to-day usage over time and a specific event cannot be identified.
  - In cases involving irreparable wear, the RUL of the equipment is taken into consideration, and in no case can it be less than five years.
  - Computation of the useful lifetime is based on when the equipment is delivered to the patient, not the age of the equipment.
  - A physician's order is needed to reaffirm the medical necessity of the item.
- If a PAP device is replaced following the five-year RUL, there must be a face-to-face evaluation by the patient's treating physician documenting that the patient continues to use and benefit from the PAP device. There is no requirement for a new sleep test or trial period.<sup>5</sup>

Note: If a DME item reaches its five-year life expectancy, is in good working order and meets the patient's medical needs, it should not automatically be replaced.

## Q & A

### Q: Does Medicare still pay a routine maintenance and servicing fee for capped rental items?

As of January 1, 2006, Medicare made changes to payments for maintenance and servicing of capped rental items, stating that payment is no longer made at every six months for maintenance and servicing.

### Q: Will Medicare pay for repairs to a piece of equipment that was obtained prior to the client being covered by Medicare?

The patient must meet current Medicare reimbursement criteria for the equipment in order to be repaired if Medicare did not purchase the item. If it was obtained prior to Medicare coverage or if another payor purchased the equipment, the supplier must obtain the required documentation to verify coverage and to determine if the item is covered by a warranty.

### Q: For repairs, may travel time be charged?

Travel time is included in the reimbursement of parts and labor, and MAY NOT be paid separately.

### Q: Does Medicare require the MSRP and time breakdown by part on repairs?

Total time spent on repairs and each part's MSRP are billable Medicare items. However, it is not required to break out time for each part repaired.<sup>4</sup> ResMed's MSRP for parts can be obtained by emailing [TechServ-Repair@ResMed.com](mailto:TechServ-Repair@ResMed.com).

### Q: What are the hours needed to call a PAP used or new?

Per Medicare, used equipment is any equipment that has been purchased or rented by someone before the current purchase transaction. Used equipment also includes equipment that has been used under circumstances where there has been no commercial transaction (e.g., equipment used for trial periods or as a demonstrator).<sup>8</sup> Medicare doesn't give any guidance regarding the number of hours required to consider an item new or used; our interpretation is that if the device was used just once (for any length of time), then it is considered used. Devices can be reused multiple times by multiple patients. The cutoff point where Medicare will not pay is based on the repair costs; if the expense for repairs exceeds the estimated expense of purchasing or renting another device for the remaining period of medical need, then Medicare will not pay for the repairs.

1 Temporary Replacement (HCPCS K0462) Claims - Documentation Requirement Change

2 Durable Medical Equipment, Prosthetics, Orthotics and Supplies

3 CMS/Pub. 100-02, Transmittal 30, February 18, 2005

4 Repair Labor Billing and Payment Policy, May 06, 2015

5 CMS, "PAP Devices for the Treatment of OSA (L171)," U.S. Department of Health and Human Services

6 CMS IOM, Publication 100-4, Chapter 20, "Supplier Replacement of Beneficiary-owned Capped Rental Equipment Based upon Accumulated Repair Costs" email notification, DME MAC Listserve, June 7, 2012

7 Supplier Manual, Chapter 5

8 Used DME purchase, April 15, 2015

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