

DEPARTMENT OF HEALTH & SOCIAL SERVICES



PROPOSED CHANGES TO REGULATIONS

- **7 AAC 120. Medicaid Coverage; Prescription Drugs and Medical Supplies; Durable Medical Equipment; Transportation Services.**
 - Sec 200. Enrollment; general provisions; covered items and services,
 - Sec 210. Prior authorization,
 - Sec 215. Purchase of items,
 - Sec 220. Replacement of items,
 - Sec 225. Rental of items; general provisions,
 - Sec 230. Rental of items; changes during rental periods, &
 - Sec 299. Definitions;

- **7 AAC 145. Medicaid Payment Rates.**
 - Sec 420. Durable medical equipment, supplies, and respiratory therapy payment rates;

- **7 AAC 160. Medicaid Program; General Provisions.**
 - Sec 900. Requirements adopted by reference.



PUBLIC REVIEW DRAFT
December 19, 2016

COMMENT PERIOD ENDS: February 7, 2017
Please see the public notice for details about how to comment on
these proposed changes.

Notes to reader:

1. Except as discussed in note 2, new text that amends an existing regulation is **bolded and underlined**.
2. If the lead-in line above the text of each section of the regulations states that a new section, subsection, paragraph, or subparagraph is being added, or that an existing section, subsection, paragraph, or subparagraph is being repealed and readopted (replaced), *the new or replaced text is not bolded or underlined*.
3. [ALL-CAPS TEXT WITHIN BRACKETS] indicates text that is to be deleted.
4. When the word “including” is used, Alaska Statutes provide that it means “including, but not limited to.”
5. Only the text that is being changed within a section of the current regulations is included in this draft. Refer to the text of that whole section, published in the current Alaska Administrative Code, to determine how a proposed change relates within the context of the whole section and the whole chapter.

Title 7 Health and Social Services.

Chapter 120. Medicaid Coverage; Prescription Drugs and Medical Supplies; Durable Medical Equipment; Transportation Services.

Sec 200. Enrollment; general provisions; covered items and services.

7 AAC 120.200(a) is repealed and readopted to read:

7 AAC 120.200. Enrollment; general provisions; covered items and services.

(a) To be eligible for payment under 7 AAC 105 – 7 AAC 160 for providing durable medical equipment, medical supplies, and related service, a provider must

(1) hold a valid business license issued under AS 43.70 and 12 AAC 12;

(2) be enrolled in accordance with 7 AAC 105.210 as a

(A) durable medical equipment provider, if the provider provides

(i) durable medical equipment;

(ii) medical supplies;

(iii) respiratory therapy assessment visits;

(iv) home infusion therapy services; or

(v) pre-fabricated orthotics; or

(B) prosthetics and orthotics provider, regardless of whether the provider provides other items or services in (1) of this subsection, if the provider

(i) provides prosthetics and orthotics; and

(ii) is certified by the American Board of Certification in

Prosthetics and Orthotics, the Board for Orthotist/Prosthetist Certification, the National Examining Board of Ocularists, Inc., or other similar certifying agencies approved by the department.

(Eff. 2/1/2010, Register 193; am 7/7/2010, Register 195; am ____/____/____, Register)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040
AS 47.05.015

7 AAC 120.200(b) is amended to read:

(b) Subject to the applicable provisions of 7 AAC 120.200 - 7 AAC 120.299, the department will pay a provider **enrolled under this section** for medically necessary durable medical equipment, medical supplies, prosthetics, orthotics, or prefabricated off-the-shelf or custom fabricated [NONCUSTOMIZED - FABRICATED] orthotics furnished to a recipient, if

(1) the item **is**

(A) [IS] prescribed by **a** [THE ATTENDING] physician, physician assistant, **or** advanced nurse practitioner [, PHYSICAL THERAPIST, OCCUPATIONAL THERAPIST, OR SPEECH-LANGUAGE PATHOLOGIST,] **who is enrolled in accordance with 7 AAC 105.210 and** acting within the scope of that person's license;

(B) [IS] appropriate for use in the recipient's home **and** [,SCHOOL, OR] community; [AND]

(C) [IS] not provided by, or under arrangements made by, a home health agency;

and

(D) dispensed pursuant to a valid prescription order;

(2) the provider furnishes orientation and training to the recipient regarding the proper use of the item, and includes proof of compliance with this paragraph in its records; the provider shall submit this proof to the department upon request; [AND]

(3) **service** [PRIOR] authorization, if required under 7 AAC 120.210, is obtained from the department.

7 AAC 120.200(h) is amended to read:

(h) Subject to the applicable provisions of 7 AAC 120.200 - 7 AAC 120.299, the department will **reimburse** [PAY] a provider enrolled under this section **for dispensing specific allowed items described by a national drug code (NDC) listed on the Alaska Medicaid DMEPOS fee schedule billed under HCPCS code A6250 up to the maximum allowable quantities and amounts defined on the Alaska Medicaid DMEPOS fee schedules adopted by reference in 7 AAC 160.900 if the item is prescribed by a physician, physician assistant or advanced nurse practitioner who is enrolled in accordance with 7 AAC 105.210; that physician, physician assistant or advanced nurse practitioner is acting within the scope of that person's license; and the item is medically necessary due to a medical condition resulting in bladder or bowel incontinence:** [DESCRIBED BY A NATIONAL DRUG CODE (NDC):]

- (1) skin sealant;
- (2) skin protectant;
- (3) skin moisturizer;
- (4) skin ointment;
- (5) skin cleanser;
- (6) skin sanitizer.

7 AAC 120.200(l) is amended to read:

(l) A provider of durable medical equipment, medical supplies, prosthetics, orthotics, or noncustomized-fabricated orthotics shall

(1) document **and maintain record of** a recipient's request for a [30-DAY] refill, [;]

including:

(A) the quantity of items that the recipient needs and requests; and

(B) the quantity of items that still remain;

(2) supply no more than the difference between what the recipient needs and what still remains, except an allowance of a 5 day on-hand emergency overlap supply may be permitted;

(3) [(2)] accept returns from recipients of any substandard item; for purposes of this paragraph, "substandard item" means an item that does not function in a manner that meets the prescribed need or specifications; [AND]

(4) [(3)] upon request, provide proof, in the form of copies of letters, logs, or signed notices, that it has provided Medicaid recipients with warranty information for Medicaid-covered items; [.]

(5) maintain proof of receipt for items supplied to recipients consistent with 7 AAC 105.230; the provider shall submit the proof of receipt to the department upon request; and

(6) ensure patient is eligible to receive the product consistent with 7 AAC 120.200 - 210.

7 AAC 120.200(p) is repealed and readopted to read:

(p) Subject to service authorization as required under 7 AAC 120.210, the department will pay for

(1) disposable incontinence products including diapers, liners, underpads, reusable protective underpads, wipes, and washcloths for recipients three years of age or older if

(A) the items are prescribed on an incontinence prescription certificate of medical necessity by a physician, physician assistant or advanced nurse practitioner who is enrolled in accordance with 7 AAC 105.210 and is acting within the scope of that person's license;

(B) the items are medically necessary for a medical condition resulting in bladder or bowel incontinence; and

(C) the recipient has not responded to, would not benefit from, or has failed bowel or bladder training.

7 AAC 120.200 is amended by adding a new subsection to read:

(r) A provider enrolled under this section may not make unsolicited contact with a recipient of medical assistance under 7 AAC 100 for the purpose of marketing the provider's products or services.

7 AAC 120.200 is amended by adding a new subsection to read:

(s) A prescription order for durable medical equipment, prosthetics, orthotics, supplies and related items must contain the following:

- (1) the recipient's name and date of birth;
- (2) the item being prescribed;
- (3) the quantity of item being prescribed;
- (4) the directions or instructions for use of the item including the frequency of use;
- (5) the duration or estimated length of need for the item;
- (6) the enrolled prescribing provider's signature and signature date; and
- (7) the number of refills, if applicable.

7 AAC 120.200 is amended by adding a new subsection to read:

(t) A prescription order for durable medical equipment, prosthetics, orthotics,

supplies and related items that require a certificate of medical necessity form may be part of the certificate of medical necessity, as long as the certificate of medical necessity includes all of the components of a prescription order as described in subsection (s) as well as the diagnosis, international classification of disease code, length of need and the clinical assessment of need for prescribed services.

7 AAC 120.200 is amended by adding a new subsection to read:

(u) A certificate of medical necessity that contains a prescription order for durable medical equipment, prosthetics, orthotics, supplies and related items may not be prepared by a supplier of durable medical equipment, prosthetics, orthotics, supplies for the prescriber.

7 AAC 120.200 is amended by adding a new subsection to read:

(v) A prescription order, or prescription order that is part of a certificate of medical necessity, will be accepted from the signature date forward for no more than one year from the signature date unless otherwise defined by the prescriber. A backdated order will not be accepted as authorization for an item supplied prior to the provider receiving a valid prescription order for the item. A retroactive start date for a prescription order, with current day signature, may be considered upon individual medical necessity retrospective service authorization review provided all other state and federal regulatory provisions are met. If a retroactive start date is permitted, the prescription order will not be valid beyond one year from the retroactive start date.

7 AAC 120.200 is amended by adding a new subsection to read:

(w) The prescriber's wet or authenticated digital signature must be made and affixed to the prescription order or

prescription order that is part of the certificate of medical necessity by the prescriber. A signature stamp or a copy of a signature will not be accepted by the department as part of a valid prescription order even if affixed to the prescription order by the prescriber.

(Eff. 2/1/2010, Register 193; am 7/7/2010, Register 195; am ____/____/____, Register)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040
AS 47.05.015

7 AAC 120.200 Editor's Note is amended to read:

Editor's note: Information on how to enroll with Medicare may be obtained from United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) at the following Internet address: <http://www.cms.hhs.gov/cmsforms/downloads/cms855s.pdf>. [THE UNITED STATES FOOD AND DRUG ADMINISTRATION, CENTER FOR DRUG EVALUATION AND RESEARCH'S NATIONAL DRUG CODE COMPILATION REFERRED TO IN 7 AAC 120.200(g) IS AVAILABLE AT THE FOLLOWING INTERNET ADDRESS:

<http://www.fda.gov/Drugs/InformationOnDrugs/ucm142438.htm>.]

7 AAC 120.210(b) is repealed and readopted to read:

7 AAC 120.210. Service authorization

(a) A provider seeking service authorization must make a request electronically or in writing on a certificate of medical necessity.

(b) Service authorization is required for

(1) the rental of durable medical equipment that is indicated as requiring service authorization on the Alaska Medicaid DMEPOS fee schedules adopted by reference in 7 AAC 160.900;

(2) medical supplies that exceed the maximum units or a 30-day limit set by the Department;

(3) customized durable medical equipment;

(4) items that are listed as requiring service authorization on the department's *Alaska Medicaid DMEPOS Fee Schedule*, adopted by reference in 7 AAC 160.900;

(5) items that are identified as miscellaneous in the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services' (CMS) *Healthcare Common Procedure Coding System (HCPCS)*, adopted by reference in 7 AAC 160.900;

(6) respiratory therapy assessment visits for ventilator-dependent recipients;

(7) home infusion therapy;

(8) enteral and oral nutritional products;

(9) the purchase of durable medical equipment for a recipient in a skilled nursing facility or intermediate care facility;

(10) continuous oxygen for a recipient in a skilled nursing facility or an intermediate care facility;

(11) the purchase of durable medical equipment if the charge to the department is over \$1,000; and

(12) items that, based on medical necessity, may need to be replaced prior to the qualified time that the item would be allowed to be replaced otherwise and also may have not been identified, initially, as requiring a service authorization.

7 AAC 120.210(c) is repealed and readopted to read:

(c) A request for service authorization must be consistent with Medicare requirements where applicable and include, at a minimum,

(1) a prescription order with a certificate of medical necessity completed by the enrolled ordering

(A) physician;

(B) physician assistant; or

(C) advanced nurse practitioner; and documentation by the person under (1) of this subsection that the item or service is necessary to treat, correct, or ameliorate a defect, condition, or physical or mental illness if the recipient is under 21 years of age; and

(2) for requests under (b)(2) and (b)(4) of this section for incontinence supplies

(A) an incontinence prescription form completed by the recipient's ordering physician, physician assistant, or advanced nurse practitioner, on a form provided by the department, that includes the

(i) diagnosis, including the international classification of disease diagnosis code, that is related to the cause or is causing the incontinence of the bladder, bowels, or both;

(ii) diagnosis, including the international classification of disease diagnosis code, of the type of incontinence;

(iii) documentation that the recipient has not responded to, would not benefit from, or has failed bowel or bladder training for recipients ages 3 through 10 years;

(iv) prognosis for controlling incontinence; and

(v) item or items to be dispensed;

(B) an incontinence certificate of medical necessity form completed by the recipient's ordering physician, physician assistant, advanced nurse practitioner, or the department's designee, on a form provided by the department, that includes the

(i) frequency of incontinence;

(ii) duration of need;

(iii) diuretic or other medications that increase output;

(iv) products currently being used;

(v) skin integrity or vulnerability to skin breakdown;

(vi) measurements for product sizes;

- (vii) quantity of item or items medically necessary;
- (viii) known allergies to product materials, when applicable;
- (ix) description of activities outside of the home; and
- (x) description of abilities to manage incontinence independently

or with assistance.

7 AAC 120.210(d) is repealed and readopted to read:

(d) In addition to the requirements of (c) of this section, a service authorization request for the following durable medical equipment or medical supplies must include, if available for the item, manufacturer information, the item description or number, the global trade item number (GTIN), the suggested list price, and the serial number:

(1) items that are identified as miscellaneous in the *Healthcare Common Procedure Coding System (HCPCS)*, adopted by reference in 7 AAC 160.900 and

(2) customized durable medical equipment.

(Eff. 2/1/2010, Register 193; am ____/____/____, Register _____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

The editor’s note following 7 AAC 120.210 is amended to read:

Editor's note: The certificate of medical necessity form referred to in 7 AAC 120.210(a) and (c) may be obtained from the Department of Health and Social Services, Division of Health Care Services, 4501 Business Park Boulevard, Building L [SUITE 24], Anchorage, Alaska 99503-7167 or online at the Alaska Medicaid website www.medicaidalaska.com/providers/forms.html.

[THE UNITED STATES FOOD AND DRUG ADMINISTRATION, CENTER FOR DRUG EVALUATION AND RESEARCH'S NATIONAL DRUG CODE COMPILATION REFERRED TO IN 7 AAC 120.210(d) IS AVAILABLE AT THE FOLLOWING INTERNET ADDRESS:

www.fda.gov/cder/ndc/index.htm .]

The incontinence prescription form and the incontinence certificate of medical necessity form referred to in 7 AAC 120.210(c)(4) may be obtained from the Department of Health and Social Services, Division of Health Care Services, 4501 Business Park Boulevard, Building L [SUITE 24], Anchorage, Alaska 99503 or online at the Alaska Medicaid website www.medicaidalaska.com/providers/forms.html.

7 AAC 120.215 is amended to read:

7 AAC 120.215. Purchase of items

(a) The department may authorize the purchase of new durable medical equipment, medical supplies, prosthetics, orthotics, **prefabricated off-the-shelf or custom fabricated** [AND NONCUSTOMIZED –FABRICATED] orthotics, **and used durable medical equipment**. The item becomes the property of the recipient for whom it is purchased. The enrolled provider shall

(1) transfer ownership of the item, including any warranty, to the recipient; and

(2) assure **compliance with 7 AAC 120.215(j) if** [THAT] the item was [NOT] previously used.

(b) The department will not authorize the purchase of an item that requires continuous rental under 7 AAC 120.225(a)(3) **except** [.]

(1) Transcutaneous Electrical Nerve Stimulation (TENS) units.

7 AAC 120.215 is amended by adding a new section to read:

(c) The department will not reimburse in a single upfront payment the full cost of an item identified as a capped rental item under 7 AAC 120.215 on the DMEPOS Fee schedule.

(d) Rental of durable medical equipment, medical supplies, prosthetics, orthotics, and noncustomized-fabricated orthotics identified as capped rental items on the department's Durable Medical Equipment Fee Schedule, adopted by reference in 7 AAC 160.900, are purchased by the department after

10 months of continuous rental and ownership information, including warranties and title, must be transferred to the recipient on the first day after 10 months of continuous rental.

(e) The 10 months of continuous rental begins when the recipient first receives the rental item and does not include temporary interruptions of less than 60 consecutive days, plus the days remaining in the rental month in which the use ceases. Unreimbursed months of temporary interruptions in rental do not count towards the 10 months of continuous rental or begin a new rental period.

(f) Interruptions of greater than 60 consecutive days, plus the days remaining in the rental month in which the use ceases, will begin a new rental period and the provider must obtain a new prescription order and submit a new service authorization request for the new rental period.

(g) Modification of the existing rental equipment due to a change in the recipient's medical needs during a 10 month continuous rental period does not begin a new rental period. The rental period for the existing equipment will continue and a new rental period for the added equipment will begin, if applicable.

(h) Rental equipment that is replaced with different, but similar, equipment billed with the same HCPCS code during the 10 month continuous rental period will not begin a new rental period.

(i) A temporary or permanent change in the recipient's residence during the 10 month continuous rental period will not begin a new rental period.

(j) The department may pay durable medical equipment or prosthetic and orthotics providers for used or refurbished durable medical equipment at a rate of no more than 60 percent of the current established DMEPOS Fee Schedule, according to 7 AAC 145.420, for rental or purchased items as long as the following criteria are met:

(1) the provider must have the recipient acknowledge in writing, and the provider must maintain documentation, that the recipient is receiving used equipment;

(2) the provider must bill with the appropriate modifier that distinguishes used equipment from new equipment;

(3) the used or refurbished equipment provided must be clean and sanitized; and

(4) the used or refurbished equipment provided must meet the current needs

of the recipient, must be close to the manufacturer's suggested specifications for a newly purchased piece of equipment and be able to withstand at least 3 years of use; if the equipment supplied does not meet current replacement standards of three years of use and the item needs to be replaced before the standard replacement limit has been met, then the provider must replace the item with a new or used piece of equipment at no charge to the department or the recipient.

(Eff. 2/1/2010, Register 193; am_____/_____/_____, Register_____))

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

7 AAC 120.220(a) is amended to read:

7 AAC 120.220. Replacement of items

(a) Subject to applicable requirements of 7 AAC 120.200 - 7 AAC 120.299, the department will pay for the purchase or rental of replacement durable medical equipment, prosthetics, orthotics, and **prefabricated off-the-shelf** [NONCUSTOMIZED-FABRICATED] orthotics if the

(1) replacement is necessary to replace an item that has been in continuous use by the recipient for the item's reasonable useful lifetime and the department determines that the item is lost or irreparably damaged **and the recipient has not required replacement of the product within the immediate three years due to abuse or neglect of the product;**

(2) item is not covered by a manufacturer's warranty; and

(3) provider replaces the item with a like item, and if the original item was rented, continues renting the replacement in accordance with **7 AAC 120.215 or** 7 AAC 120.225.

(Eff. 2/1/2010, Register 193; am_____/_____/_____, Register_____))

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

7 AAC 120.225(a) is repealed and readopted to read:

(a) Service authorization for the following rentals of durable medical equipment is required:

(1) rental of items indicated as requiring service authorization on the durable medical equipment, prosthetics, orthotics, or supply fee schedules adopted by reference in 7 AAC 160.900 for anticipated short-term use;

(2) capped rental of items indicated as requiring service authorization on the durable medical equipment, prosthetics, orthotics, or supply fee schedules adopted by reference in 7 AAC 160.900;

(3) continuous rental of items indicated as requiring service authorization on the durable medical equipment, prosthetics, orthotics, or supply fee schedules adopted by reference in 7 AAC 160.900.

7 AAC 120.225(c) is amended to read:

(c) Subject to applicable requirements of 7 AAC 120.200 - 7 AAC 120.299, the department will pay for the capped rental of an item if the provider

(1) transfers ownership of the item, including any warranty, to the recipient for whom it was rented; and

(2) replaces the item with a new item if it was previously used by a person other than the recipient before it was rented to the recipient, **, unless the item is used or refurbished equipment, as defined in 7 AAC 120.299, and is billed to the department as such in compliance with this section.**

7 AAC 120.225(d) is amended to read:

(d) The department will pay a provider by rental period. The department will not pay a provider for any item that exceeds **10** [12] months of continuous use, except for an item described in (a)(3) of this section.

7 AAC 120.225 is amended by adding a new subsection to read:

(e) The department may pay durable medical equipment or prosthetic and orthotics providers for used or refurbished durable medical equipment at a rate of no more than 60 percent of the established DMEPOS Fee Schedule, according to 7 AAC 145.420, for purchased items as long as the following criteria are met:

(1) the provider must have the recipient acknowledge in writing, and the provider must maintain documentation, that the recipient is receiving used equipment;

(2) the provider must bill with the appropriate modifier that distinguishes used equipment from new equipment;

(3) the used or refurbished equipment provided must be clean and sanitized; and

(4) the used or refurbished equipment provided must meet the current needs of the recipient, must be close to the manufacturer’s suggested specifications for a newly purchased piece of equipment and be able to withstand at least 3 years of use; if the equipment supplied does not meet current replacement standards of 3 years of use and the item needs to be replaced before the standard replacement limit has been met, then the provider must replace the item with a new or used piece of equipment at no charge to the department or the recipient.

7 AAC 120.225 is amended by adding a new subsection to read:

(f) The department will not reimburse a provider for options, supplies and accessories that are considered included in the monthly rental payment nor will the department reimburse for options, supplies and accessories that are still considered to be covered by the manufacturer warranty.

(Eff. 2/1/2010, Register 193; am_____/_____/_____, Register_____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

7 AAC 120.230 is repealed and readopted to read:

7 AAC 120.230. Rental of items; changes during rental periods

(a) Except as otherwise provided in this section, an interruption in a rental period affects the department's payment as follows:

(1) a rental period is not affected by an interruption of less than 60 consecutive days plus the days remaining in the rental month in which the use ceases; if an interruption continues beyond 60 consecutive days plus the days remaining in the rental month in which use ceases, the department will pay for the rental month in which use ceased, but will not make an additional payment until use resumes and a new service authorization request is submitted and a new rental period begins;

(2) rental units for which service authorization has been received, but for which no payment is made, do not apply toward a capped rental period.

(Eff. 2/1/2010, Register 193; am_____/_____/_____, Register____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

7 AAC 120.299(1) is amended to read:

7 AAC 120.299. Definitions

In 7 AAC 120.200 - 7 AAC 120.299,

(1) "capped rental" means the rental of durable medical equipment, prosthetics, or orthotics for no more than **10** [12] months;

7 AAC 120.299 is amended by adding a new subsection to read:

(9) "prefabricated off-the-shelf orthotics" means an orthotic that is manufactured in quantity without a specific patient in mind, requires minimal self-adjustment for appropriate use and does not require expertise in trimming, bending, molding, assembling or customizing to fit a recipient;

7 AAC 120.299 is amended by adding a new subsection to read:

(10) “minimal self-adjustment” means an adjustment that the beneficiary, caretaker for the beneficiary, or supplier of the device can perform; and that does not require the services of a certified orthotist (that is, an individual who is certified by the American Board of Certification in Orthotics and Prosthetics, Inc., or by the Board for Orthotist/Prosthetist Certification) or an individual who has specialized training;

7 AAC 120.299 is amended by adding a new subsection to read:

(11) “custom fabricated orthotics” means an orthotic that is individually made for a specific patient and created using an impression generally by means of plaster or fiber cast, a digital image using computer-aided design-computer aided manufacture (CAD-CAM) systems software, or direct form to patient;

7 AAC 120.299 is amended by adding a new subsection to read:

(12) “used equipment” means equipment that has been gently or lightly used, is in like new condition, is considered to be as close as possible to the original specifications of the manufacturer, and has an anticipated remaining usable life of approximately 3 years.

7 AAC 120.299 is amended by adding a new subsection to read:

(13) “reasonable useful lifetime” means the duration of time a piece of durable medical equipment is expected to perform as per manufacturer specifications without defect, generally five years. (Eff. 2/1/2010, Register 193; am 1/1/2011, Register 196; am____/____/____, Register____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

Chapter 145. Medicaid Payment Rates.

Sec 420. Durable medical equipment, supplies, and respiratory therapy payment rates.

7 AAC 145.420. Durable medical equipment, supplies, and respiratory therapy payment rates

7 AAC 145.420(b) is amended to read:

(b) The department will pay a provider for durable medical equipment, medical supplies, prosthetics, orthotics, and noncustomized-fabricated orthotics [FOR WHICH A PRICE HAS BEEN ISSUED BY CMS,] based on [100 PERCENT OF] the Alaska Medicaid DMEPOS Fee Schedule [ESTABLISHED BY CMS] for these items in this state and adopted by reference in 7 AAC 160.900.

7 AAC 145.420(c) is repealed and readopted to read:

(c) The department will pay a provider for durable medical equipment, medical supplies, prosthetics, orthotics, and noncustomized-fabricated orthotics, for covered non-miscellaneous HCPCS codes for which Alaska Medicaid [CMS] has not issued a price as described in (b) of this section at the submitted unaltered final purchase invoice price plus 25 percent, except covered items submitted using a miscellaneous HCPCS code will be paid according to (3) of this subsection. When at least 10 claims have been paid at the submitted unaltered final purchase invoice price plus 25 percent, and one or more claims has been paid to at least two different enrolled providers, the department will assign a rate for the code based on the following:

(1) if the median unaltered final purchase invoice price of the item for first 10 claims is less than \$500, the rate will be the median submitted unaltered final purchase invoice price of the first 10 claims plus 30 percent; if more than 10 claims were paid at the submitted unaltered final purchase invoice price plus 30 percent because claims had not been paid to at least two different enrolled providers for a particular HCPCS code, then the rate will be set at the median submitted unaltered final purchase invoice price of the number of claims paid between the effective date of this section and the date the rate is established plus 30 percent;

(2) if the median unaltered final purchase invoice price of the item for the first 10 claims is \$500 or more, the rate will be the median submitted unaltered final purchase invoice price plus 15 percent; if more than 10 claims were paid at the submitted unaltered final purchase invoice price plus 15 percent because claims had not been paid to at least two different enrolled providers for a particular

HCPCS code, then the rate will be set at the median submitted unaltered final purchase invoice price of the number of claims paid between the effective date of this section and the date the rate is established plus 15 percent;

(3) claims for covered items submitted using a miscellaneous HCPCS code as defined in 7 AAC 120.299 for which **Alaska Medicaid** [CMS] has not issued a price as described in (b) of this section will be paid at the unaltered final purchase invoice price and no rate will be established for the miscellaneous code;

(4) all claims paid under this section must be submitted with an unaltered final purchase invoice as defined in 7 AAC 160.990 with the claim; claims submitted without an unaltered final purchase invoice or with anything other than an unaltered final purchase invoice will be denied;

(5) when applicable, the rental rates for a covered item for which **Alaska Medicaid** [CMS] has not issued a price and a rate is established for the covered non-miscellaneous code under this section will be 10 percent of the purchase price;

(6) rates established under this section for a covered code for which **Alaska Medicaid** [CMS] has not issued a price will be published on the department's interim DMEPOS fee schedule.

7 AAC 145.420(d) is amended to read:

(d) The department will pay separately for labor and repair parts for damaged durable medical equipment, medical supplies, prosthetics, and orthotics with the following limitations:

(1) the department will not pay more than **the corresponding labor rate listed on the Alaska DMEPOS fee schedule adopted by reference in 7 AAC 160.900** [\$20] for each 15 minutes of labor costs;

(2) the billing for a repair part must reflect a charge that complies with the applicable standards in 7 AAC 145.020;

(3) labor and repair parts for the item must be documented as necessary **and the documentation must be submitted with each claim**; documentation must include

(A) a statement signed by the recipient or the recipient's authorized representative that describes the cause for and nature of the repair;

(B) a description of the item being repaired and its serial number, if available;

(C) the beginning and end dates of warranty coverage, if available; and

(D) documentation for labor charges that includes the amount of time spent on the repair, rounded up to the nearest quarter hour, and the hourly rate charged for the repair;

(E) an itemized list of parts used in repair and associated costs.

(4) the department will not pay for labor and repair parts if the item is covered under a manufacturer's or supplier's warranty, or if the labor or parts are necessary to repair an item that needs repair because of a manufacturer's defect;

(5) payment will not be made for labor and repair parts for a rented item; the provider shall ensure that a rented item functions as intended after the provider repairs or replaces the item.

7 AAC 145.420(e) is repealed:

(e) Repealed____/____/____. (Eff. 2/1/2010, Register 193; am 7/7/2010, Register 195; am ____/____/____, Register ____)

7 AAC 145.420(f) is amended to read:

(f) The department will pay a provider based on the **Alaska Medicaid DMEPOS Fee Schedule**, [HCPC FEE SCHEDULE FOR INCONTINENCE SUPPLIES TABLE,] adopted by reference in 7 AAC 160.900, for the following incontinence supplies **up to the allowed quantities listed on the Alaska Medicaid DMEPOS Fee Schedule**:

(1) garments;

- (2) liners;
- (3) under pads;
- (4) nonsterile gloves;
- (5) diaper wipes;
- (6) disposable washcloths.

7 AAC 145.420(g) is amended to read:

(g) For a rental period that is 30 days or more, the department will pay for rented durable medical equipment at **the lesser of** a monthly rental rate of 10 percent of the allowed purchase price under this section **or the billed rental charge, [.] except**

(1) HCPCS codes defined as rental codes or with a specific rental rate identified on the Alaska Medicaid DMEPOS fee schedule will pay at the rental price listed on the DMEPOS fee schedule adopted by reference in 7 AAC 160.900 or the interim DMEPOS fee schedule;

(2) capped rental items will pay at the rental rate listed on the DMEPOS fee schedule adopted by reference in 7 AAC 160.900 or the interim DMEPOS fee schedule up to the lesser of the purchase price of the item or 10 months of continuous rental.

7 AAC 145.420(h) is amended to read:

(h) For a rental period that is less than 30 days, the department will pay for rented durable medical equipment at a monthly rental rate of 150 percent of the monthly fee in (g) of this section, divided by the number of days in the month, times the number of days in the rental period. Payment may not exceed the monthly rate. **HCPCS codes defined as daily rental codes or with a specific daily rate identified on the DMEPOS fee schedule will pay at the lesser of the rental price listed on the DMEPOS fee schedule adopted by reference in 7 AAC 160.900, the interim DMEPOS fee schedule, or the billed rental rate.**

7 AAC 145.420 is amended by adding a new subsection to read:

(l) The department may reimburse a provider at a rate higher than the rate published on the Alaska DMEPOS fee schedule adopted by reference under 7 AAC 160.900 for a more costly durable medical equipment, non-customized fabricated orthotic, prosthetic, or orthotic if the recipient's medical condition substantiates the need and documentation is submitted with the claim that demonstrates that a less expensive product is not available to meet the medical needs of the recipient.

(1) Providers may request a higher reimbursement rate by submitting the alternate reimbursement rate request form with the claim and the required documentation with the claim;

(2) Approved requests shall be reimbursed at the actual acquisition cost, as substantiated by a submitted final, unaltered invoice as outlined in 7 AAC 145.420(q), plus

(A) 10% for actual acquisition costs below \$500 or

(B) 5% for actual acquisition costs at or above \$500.

(3) Enteral nutrition (B code) and incontinence supplies (T code) are not eligible for higher reimbursement rates beyond those published on the Alaska Medicaid DMEPOS fee schedule adopted by reference in 7 AAC 160.900.

7 AAC 145.420 is amended by adding a new subsection to read:

(m) Subject to the applicable provisions of 7 AAC 120.200 – 7 AAC 120.299, the department will reimburse a provider enrolled under this section for the actual shipping cost for the following:

(1) from the manufacturer to the provider for customized durable medical equipment repair and replacement parts that are specialized or unique to a recipient's equipment and for which the final unaltered purchase invoice price exceeds \$250; the shipping method used must be the most cost effective method available; the unaltered final purchase invoice must include the purchase invoice for the replacement items or repair and shipping costs; if the unaltered final purchase invoice contains one or more item in addition to the repair or replacement part, the department will pay for the shipping cost

attributed to the repair or replacement part; the shipping cost attributed to the repair or replacement part will be calculated by dividing the shipping cost on the unaltered final purchase invoice by the number of items purchased and multiplied by the number of repair or replacement parts specific to the recipient's need; expedited, next day, rush, or delivery charges resulting from the use of a shipping method other than the most cost effective method available will not be covered;

(2) from the dispensing provider to the recipient if the recipient's delivery location is more than 50 miles from the provider's point of shipment and the item is unavailable from a provider enrolled under this section that is located within 50 miles of the recipient's delivery location; the shipping method used must be the most cost effective method available; expedited, next day, rush, or delivery charges resulting from the use of a shipping method other than the most cost effective method available will not be covered unless the ordering prescriber submits medical justification for the expedited delivery and the request is approved by the department; the provider must submit the following documentation with the claim for the shipping costs:

(A) an unaltered final purchase invoice for the shipping costs that includes:

- (i) address of the point of shipment;
- (ii) address of the delivery location;
- (iii) shipment date; and
- (iv) total shipping charges paid by the provider;
- (v) serial number or other identifying information for the item shipped.

(B) shipping costs that qualify for coverage under this section due to the recipient traveling within or outside of this state are eligible for coverage if the recipient is traveling for medical, educational or vocational reasons; documentation from the prescribing physician supporting the recipients' reason for travel must be submitted with the claim to include estimated duration of travel; shipping costs related to recreational travel are not covered.

(3) from the recipient to the dispensing provider for the repair of recipient owned equipment if the recipient's location is more than 50 miles from the provider and repair services are unavailable from a provider enrolled under this section that is located within 50 miles of the recipient's location; the shipping method used must be the most cost effective method available; expedited, next day, rush, or delivery charges resulting from the use of a shipping method other than the most cost effective method available will not be covered unless the ordering prescriber submits medical justification for the expedited delivery and the request is approved by the department; the provider must submit the following documentation with the claim for the shipping costs:

(A) an unaltered final purchase invoice for the shipping costs that includes:

- (i) address of the point of shipment;
- (ii) address of the delivery location;
- (iii) shipment date; and
- (iv) total shipping charges paid by the provider;
- (v) serial number or other identifying information for the item shipped.

(B) shipping costs that qualify for coverage under this section due to the recipient traveling within or outside of this state are eligible for coverage if the recipient is traveling for medical, educational or vocational reasons; documentation from the prescribing physician supporting the recipients' reason for travel must be submitted with the claim to include estimated duration of travel; shipping costs related to recreational travel are not covered.

7 AAC 145.420 is amended by adding a new subsection to read:

(n) Used or refurbished durable medical equipment, prosthetics and orthotics will be reimbursed at no more than 60 percent of the allowed DMEPOS Fee Schedule rate, adopted by reference in 7 AAC 160.900.

7 AAC 145.420 is amended by adding a new subsection to read:

(o) Enteral nutrition products (B code) and incontinence supplies (T code) must be billed with the respective specific manufacturer product code dispensed and the correct corresponding HCPCS code and modifier as defined on the Alaska Medicaid DMEPOS fee schedule adopted by reference in 7 AAC 160.900 to be eligible for payment; enteral product and incontinence supply reimbursement will be consistent with 7 AAC 145.020 and are not eligible for higher allowable adjustment requests;

7 AAC 145.420 is amended by adding a new subsection to read:

(p) Codes appearing on the Alaska Medicaid DMEPOS fee schedules adopted by reference in 7 AAC 160.900 or interim DMEPOS fee schedule as “not covered” will not be eligible for payment under this section.

7 AAC 145.420 is amended by adding a new subsection to read:

(q) An unaltered final purchase invoice is considered altered if

- (1) any information on the original invoice is removed, erased, redacted, omitted, or otherwise modified so that the copy submitted to the department is anything other than an exact copy of the original invoice received by the enrolled provider from their supplier; legible markings made by an enrolled provider on the original invoice as part of their normal business practices will not result in the department viewing an invoice as altered so long as the markings do not remove, erase, redact, omit, or otherwise modify the invoice in any way that results in any of the information on the original invoice becoming illegible and the markings appear on both the original invoice and the copy submitted to the department;
- (2) the invoice shows a price other than the final price paid by the enrolled provider.

7 AAC 145.420 is amended by adding a new subsection to read:

(r) Payment for miscellaneous HCPCS for custom-fabricated prosthetics will be made based on the most applicable HCPC:

(1) lesser of billed charges; or

(2) based on the following calculation

(A) Itemized list of parts with no provider mark-up at cost + 30%

(B) Labor charge will be priced at the L7520 payment rate per 15 minutes

(C) Additional costs (bundled) will be paid up to \$1002.73; the bundled items

include the initial evaluation, diagnostic checks and follow-up.

7 AAC 145.420 is amended by adding a new subsection to read:

(s) Payment for initial labor related to custom orthotics (L3000-L3030) will be priced at the L4205 payment rate per 15 minutes; labor units for custom orthotics may not exceed the maximum labor units allowed by the state for HCPCS codes L3000-L3030.

7 AAC 145.420 is amended by adding a new subsection to read:

(t) Payment for enrolled out-of-state DMEPOS providers will be reimbursed consistent with 7 AAC 145.025 at the lowest of

(1) the billed charges; or

(2) 95 percent of the current established Alaska Medicaid DMEPOS Fee Schedule rate adopted by reference in 7 AAC 160.900; or

(3) if no Alaska Medicaid rate is established, the claim will be processed based on the un-priced HCPC methodology and considered in the lesser of payment evaluation.

(u) Proposed Alaska Medicaid DMEPOS fee schedules for the subsequent state fiscal year will be available no later than May 31 annually;

7 AAC 145.420 is amended by adding a new subsection to read:

(v) In this section,

(1) "out-of-state" means provider is physically located in a state other than Alaska;

(2) "in-state" means the provider is physically located in the state of Alaska.

(Eff. 2/1/2010, Register 193; am 7/7/2010, Register 195; am____/____/____, Register____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040

The editor's note following 7 AAC 145.420 is amended to read:

Editor's note: The department's interim DMEPOS fee schedule, referenced in 7 AAC 145.420, may

be obtained from the Department of Health and Social Services, Division of Health Care Services,

4501 Business Park Boulevard, Building L, Anchorage, Alaska 99503-7167, or at

<http://www.medicaidalaska.com/providers/FeeSchedule.asp> [THE AMERICAN DRUGGIST BLUE

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TO SEE HOW THIS INFORMATION IS USED, AN INDIVIDUAL MUST MAKE

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HEALTH AND SOCIAL SERVICES, DIVISION OF HEALTH CARE SERVICES, 4501 BUSINESS

PARK BOULEVARD, SUITE 24, ANCHORAGE, ALASKA 99503-7167].

7 AAC 160.900(e) is amended to read:

(e) The following department fee schedules are adopted by reference:

(14) State Fiscal Year 2014 CPT Fee Schedule for Vision Services, and State Fiscal Year 2014 HCPC Fee Schedule for Vision Services, revised as of July 31, 2013; [.]

(15) State Fiscal Year 2017 Alaska Medicaid DMEPOS Table I-5 Fee Schedule, revised as of December 5, 2016;

(16) State Fiscal Year 2017 Alaska Medicaid DMEPOS Table I-6 Fee Schedule, revised as of December 5, 2016;

(17) State Fiscal Year 2017 Alaska Medicaid DMEPOS Table I-7 Fee Schedule, revised as of December 5, 2016;

(18) State Fiscal Year 2017 Alaska Medicaid DMEPOS Table I-8 Fee Schedule, revised as of December 5, 2016.

(Eff. 2/1/2010, Register 193; am 8/25/2010, Register 195; am 12/1/2010, Register 196; am 1/1/2011, Register 196; am 1/15/2011, Register 197; am 2/9/2011, Register 197; am 3/1/2011, Register 197; am 10/1/2011, Register 199; am 12/1/2011, Register 200; am 1/26/2012, Register 201; am 3/8/2012, Register 201; am 4/1/2012, Register 201; add'l am 4/1/2012, Register 201; am 5/11/2012, Register 202; am 10/16/2012, Register 204; am 11/3/2012, Register 204; am 12/1/2012, Register 204; am 12/2/2012, Register 204; am 1/1/2013, Register 204; am 1/16/2013, Register 205; am 7/1/2013, Register 206; add'l am 7/1/2013, Register 206; am 11/3/2013, Register 208; am 1/1/2014, Register 208; am 2/2/2014, Register 209; am 3/19/2014, Register 209; am 3/22/2014, Register 209; am 5/18/2014, Register 210; am 2/26/2015, Register 213; am 3/15/2015, Register 213; am 7/1/2015, Register 214; am 5/1/2016, Register 218; am 6/16/2016, Register 218; am ____/____/____, Register ____)

Authority: AS 47.05.010 AS 47.07.030 AS 47.07.040
AS 47.05.012