Practical Tips

Changes in Medicare Rules Pertaining to Consignment Closets or Stock/Bill Arrangements

On September 1, 2009, the Centers for Medicare and Medicaid Services (CMS) published Program Transmittal 300 (Change Request 6258). This transmittal provided updates to Medicare's *Program Integrity Manual* on the compliance standards for consignment closets and stock and bill arrangements. CMS stated that the purpose of the publication was to "define and prohibit certain arrangements where an enrolled supplier of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) maintains inventory at a practice location which is not owned by the enrolled DMEPOS supplier, but rather, owned by a physician, nonphysician practitioner or other health care professional for the purpose of distribution, commonly referred to as a consignment closet and/or stock and bill arrangement."

These instructions are important, as many oncology offices use or distribute durable medical equipment such as infusion pumps. Some oncology practices own their own pumps and bill Medicare using the practice DMEPOS supplier number. Many oncology practices, however, use infusion pumps that are owned by a separate DMEPOS supplier, stored at the practice, and used for patient care as needed. The latter scenario would be considered a consignment closet or stock/bill arrangement.

Under Medicare rules, national supplier clearinghouse Medicare administrative contractors (NSC-MACs) are responsible for enrolling DMEPOS suppliers and enforcing the rules and regulations surrounding suppliers. Transmittal 300 instructs NSC-MACs that the use of consignment closets and stock/bill arrangements must meet current compliance standards. Medicare allows enrolled DMEPOS suppliers to maintain inventory at a practice location owned by a physician or nonphysician practitioner for the purpose of dispensing/distribution if the following conditions are met by the supplier and verified by the NSC-MAC:

- The title to the durable medical equipment shall be transferred to the enrolled physician or nonphysician practitioner's practice at the time the equipment is furnished to the beneficiary.
- The physician or nonphysician practitioner's practice shall bill for the durable medical equipment/supplies and services using its own enrolled DMEPOS billing number.
- All services provided to a Medicare beneficiary concerning fitting or use of the durable medical equipment shall be performed by individuals being paid by the physician or nonphysician practitioner's practice, and not by any other DMEPOS supplier.
- Beneficiaries shall be advised that, if they have problems or questions with the equipment or supplies, they should contact the physician or nonphysician practitioner's practice, and not the supplier who placed the DMEPOS at the physician/nonphysician practitioner's practice.

The original implementation date for these compliance standards was September 8, 2009; however, CMS has delayed implementation until March 1, 2010. It is the responsibility of physicians and nonphysician practitioners to determine compliance within these provisions. Practices that currently work with durable medical suppliers to provide infusion pumps may want to review this transmittal in more detail to determine how these new standards may affect practices with regard to the distribution of infusion pumps. CMS's Program Transmittal 300 can be reviewed at <http://www.cms.hhs.gov/transmittals/downloads/R300PI.pdf>.

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