

Grandfathering Process for Rented Items

Capped Rental and Inexpensive or Routinely Purchased (IRP) Items

Suppliers that are not awarded a competitive bidding contract for furnishing oxygen and oxygen equipment or rented durable medical equipment (DME) in a competitive bidding area (CBA) can decide to be grandfathered suppliers for beneficiaries to whom they are furnishing these items at the time the Competitive Bidding Program is implemented (i.e., when contracts for a given round of bidding take effect). Any beneficiary in a CBA who is renting capped rental or inexpensive or routinely purchased (IRP) DME from a non-contract supplier that elects to be a grandfathered supplier at the time the Competitive Bidding Program is implemented may elect to continue to receive the item from the grandfathered supplier or begin receiving the item from a contract supplier. A grandfathered supplier cannot turn a beneficiary away if he or she elects to continue receiving the item from the grandfathered supplier.

Here are some important points about grandfathering for rented DME for suppliers to consider when preparing their bids:

- A grandfathered supplier for rented DME must furnish the item for the remaining months of the rental period, unless the item is no longer medically necessary. For capped rental DME, the grandfathering relationship ends when the ownership is transferred to the beneficiary or the item is no longer medically necessary. After the program is implemented, when a new period of continuous use begins following a break in need of greater than 60 days plus the days remaining in the last paid rental month, the beneficiary must obtain new or additional equipment from a contract supplier.
- Grandfathered suppliers may furnish competitively bid accessories and supplies that are used in conjunction with and are necessary for the effective use of a grandfathered item. Payment will be made at the single payment amount.
- The grandfathering option only applies to suppliers that are furnishing rented DME to beneficiaries who maintain a permanent residence in the CBA at the time that competitive bidding is implemented for that item in the CBA.
- The grandfathering provision also applies to beneficiaries who transition from a Medicare Advantage Plan.
- A beneficiary who would otherwise be entitled to receive rented DME from a grandfathered supplier may elect to transition to a contract supplier at any time during the rental period, and the contract supplier would be required to accept the beneficiary as a customer. The contract supplier must accept assignment on the monthly rental claims. Beneficiaries are responsible for the 20 percent copayment and any unmet annual deductible. Payment would be as follows:
 - For capped rental DME, a new 13-month rental period would begin. Payment would be based on the single payment amount for rental of the item. The new 13-month capped rental period would begin regardless of how many months the previous supplier was paid; however, rental payments would only continue if the item continues to be medically necessary.
 - For IRP items, a new rental period would NOT begin. Rental payments would continue until the point at which total payments for the item equal 100 percent of the single payment amount for purchase of the item; payments only continue if the item continues to be medically necessary.

- continued pg. 2 -

- When a beneficiary switches from a contract supplier to another contract supplier to receive rented DME, the new contract supplier is NOT entitled to a minimum number of months of payment and will be paid the single payment amount for the duration of the equipment rental period.
- If a beneficiary transitions to a contract supplier, the rented DME must be returned to the original supplier that owns the equipment. The contract supplier must provide replacement equipment from its own inventory or by contracting with other companies for the purchase of items necessary to fill the order as required by Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) supplier standard number 4 (42 CFR 424.57(c)(4)). The original supplier and the contract supplier need to coordinate the pickup of the old equipment and delivery of the new equipment so that there is no break in service for the beneficiary.
- Suppliers that lose their contract status in subsequent competitive bidding programs may choose to become grandfathered suppliers under such programs and continue furnishing medically necessary rented DME to beneficiaries who choose to continue that relationship.

Grandfathered suppliers that furnish rented DME will continue to be paid the rental fee schedule amounts established for the state in which the beneficiary maintains a permanent residence. The rental payments will continue until either:

- The item is no longer medically necessary or there is a break in need of greater than 60 days plus the days remaining in the last paid rental month;
- 13 months of continuous rental payments have been made in the case of a capped rental item and title to the equipment is transferred to the beneficiary; or
- Total payments for the item equal the fee schedule amount for purchase of the item in the case of an IRP item.