



## P R O V I D E R   B U L L E T I N

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**To:           Extended Care Facilities and Durable Medical Equipment Suppliers**

**Subject:    Medicaid Reimbursement of Durable Medical Equipment for Nursing Facility Residents**

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## Overview

In response to inquiries from the provider community about Medicaid reimbursement for Durable Medical Equipment (DME), including pressure support surfaces, for nursing facility residents, the Office of Medicaid Policy and Planning (OMPP) provides the following policy clarification.

The costs for equipment used by nursing facilities to provide services to their residents, including DME, are included in the capital rate component and are reimbursed by means of the *fair rental allowance*. This method of reimbursement is used regardless of whether equipment, including DME, is purchased, leased, or rented. The fair rental allowance is reimbursed instead of the costs of all depreciation, interest, lease, rent, and other consideration paid for the use of property. See *405 IAC 1-14.6-2(n)* and *405 IAC 1-14.6-12*.

Providers should list on their annual financial report the costs for all equipment, including DME, following the specific reporting guidance below. Except for minor equipment purchases as described in item 3 below, providers should not report equipment, including DME, in the direct care rate component. See *405 IAC 1-14.6-2(m)*. Pressure support surfaces for nursing facility residents are DME.

## Cost Reporting Guidance for Equipment, Including DME

Nursing facilities should report the costs of all equipment, including DME, on their Medicaid cost report, as indicated below.

1. DME rental costs, including short term rental costs, should be reported on the cost report, Schedule E, line 365 – *Equipment Lease/Rent Expense*, in the same manner as all other rental or lease costs associated with equipment used by nursing facilities.
2. DME that is purchased, and meets the requirements to be capitalized as an asset pursuant to *405 IAC 1-14.6-14(e)*, should be reported on the cost report, Schedule J, line 655 – *Moveable Equipment*.
3. DME that is purchased, and does not meet the requirements to be capitalized as an asset pursuant to *405 IAC 1-14.6-14(e)* (that is minor equipment purchases), should be expensed in the year incurred and reported on the cost report, Schedule E, on the line number of the department where the

equipment is used. For example, minor purchases of DME used in the nursing department should be reported on the cost report, Schedule E, line 318 – *Routine Nursing Supplies*.

## Pressure Support Surfaces

Group I and Group II pressure support surfaces are allowable for Medicaid reimbursement through the per diem rate.

Group I includes the following:

- Non-powered pressure reducing mattress overlays
- Non-powered pressure reducing mattresses
- Air, water, or gel mattresses
- Alternating pressure reducing or low air loss powered pressure reducing mattress overlay systems

Group II includes the following:

- Alternating pressure, low air loss, or powered flotation without low air loss powered pressure reducing mattresses
- Semi-electric or total electric hospital bed with fully integrated powered pressure reducing mattresses
- Advanced non-powered pressure reducing overlays
- Low air loss, powered flotation without low air loss, or alternating pressure powered pressure reducing mattress overlays
- Advanced non-powered pressure reducing mattresses

Group III pressure support surfaces (air fluidized suspension beds) are not covered by Indiana Medicaid pursuant to 405 IAC 5-19-18(8). Any costs incurred by nursing facilities associated with Group III pressure support surfaces should be removed from the cost report by the facility. To remove operating expenses, enter a negative provider adjustment on Schedule E, column 24. To remove assets that are reported on Schedule J, remove the asset from Schedule J and identify the removal in the provider's cover letter.

These clarifications apply to all open rate cases, audits, reconsiderations, and appeals.

## Contact Information

If there are any questions regarding this bulletin, please contact Myers and Stauffer LC at (317) 846-9521 or 1-800-877-6927.

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