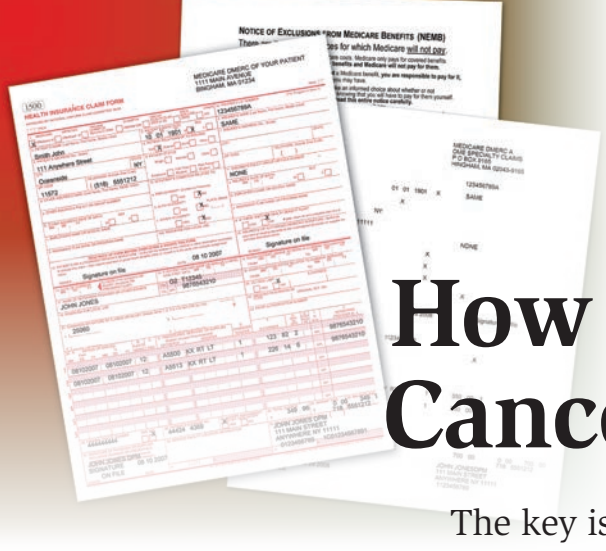

How to Handle Cancelled DME

The key is proper documentation.

BY PAUL KESSELMAN, DPM

A physician recently sent an inquiry on whether or not he had to "eat" the costs of a custom device he had fabricated for a patient who has since passed away. This month's column will not only answer that single question, but also provide a rationale for exactly how to document your billing in the case a device is "cancelled" by a patient for any reason.

Patient Cancellation

First let's answer the general question of what happens when a patient cancels an order:

1) If the device was an off-the-shelf device, then third party payers consider the device has a residual value. The rationale for this includes:

A) The device can be provided to another patient who may pay for the device themselves or their third-party provider may pay for the device; or

B) The device(s) can be returned to the vendor for credit. Unfortunate restocking fees and shipping and handling costs to return the device are costs your practice may have to bear.

Therefore, for pre-fabricated, off-the-shelf devices, the potential residual value is something Medicare and other third-party payers consider as their rationale for not providing reimbursement for the specific patient who cancelled an order.

For custom fabricated and custom-fitted, pre-fabricated devices, the policies of third-party payers are very different and, in many cases, custom devices cancelled by the patient may be considered for payment.

Finished custom-made devices are considered non-useful to another patient and only useful for the specific targeted patient for whom an impression or scan (for custom-fabricated) or other molding or modifications render it custom-fitted. In this scenario, there is no residual value, and Medicare and/other third-party payers will make the supplier "whole" in cases where the order was cancelled by the patient. The next question one should ask,then,is: what do Medicare or other third-party payers consider "cancelled by the patient"?

There are a variety of events which are considered "cancelled by the patient."

There are a variety of events which are considered "cancelled by the patient." These include any (but are not necessarily limited to) one of the following:

1) The patient passed away at some point after the impression process was performed, and you could not interrupt or stop the fabrication process, and/or the device was already delivered to your facility;

2) The patient moved and will not or cannot come to the office to pick up the device;

3) The patient ignores your notification notices;

4) The patient's diagnosis changed between the time you took the impression and the time the device was fabricated. Common examples for the podiatrist might include a diabetic whose custom-milled (A5514) or custom-molded (A5513) inserts are ready but who now has undergone a TMA, or one whose custom-fabricated toe filler (L5000) is ready but has now undergone a BKA;

5) The patient sees the device at your office and refuses the device; and

6) The patient takes delivery, wears it, returns it, and refuses your offers to repair the device because they say they will never wear such a device (or flatly refuse to even provide a reason).

All the above situations have occurred at no fault of the supplier and these all would fall under the "cancelled by patient" scenario. Note that generally off-the-shelf shoes (A5500) and heat-molded inserts (A5512) are generally not included in the above scenario as there is some residual

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value to the devices. There might be some rare exceptions where the inserts were heat-molded to the patient but the shoes did not fit and they were returned and you are awaiting new shoes, but the patient then refuses to pick up the shoes or passes away.

Billing and Documentation

The next question involves your actions regarding the billing and documentation of an "order cancelled by patient."

First is to consider what will happen if you bill this to Medicare without explanation or a signed written proof of delivery and are subsequently audited by Medicare either due to some random TPE, post-payment audit, or patient complaint. The latter will happen especially if the patient cannot obtain a same or similar device from another supplier.

Without a signed written proof of delivery, you will fail any DME MAC-related audit. Despite all the other documentation you may have in the patient's chart, the result will be that your practice will be refunding payment to Medicare (or other third-party payer). This can result in further scrutiny of your practice by any number of Medicare agencies.

Thus, the number one rule is not to simply send Medicare (or other third-party payer) a claim in your standard fashion. One will need to send several additional pieces of documentation to the third-party provider, either in an appropriate electronic field or sent attached to a completed paper claim form. Before you consider what should be in your claims-attached documents, determine the correct Date of Service for the patient's claim prior to submission.

The date of service should be the date you can document that the patient cancelled the order. In case of death, it would be the date the patient passed away. In all other cases, your office should do their best to document the date the order was refused. This could be the last date you contacted the patient but did not hear back, the date the patient told you they were not coming to pick up the device, or the date the patient was in your office but refused delivery (more on this later). Next is to consider what general materials to include in your additional documentation.

The date of service should be the date you can document that the patient cancelled the order.

First should be the reason(s) the order was cancelled (see 1-4 above);

Second should include all costs (both direct and indirect) associated with the fabrication of the device. This includes shipping and handling in both directions, costs of supplies used to fabricate (e.g., plaster, fiberglass, foam box, etc.), utility costs, rent (figure out the time you spent performing the fabrication as a fraction of your monthly rent), personnel costs (fraction of your staff's salary based on their time with the patient), etc. If you are comprehensive in your estimate, the costs to your practice may astound you.

All of these pieces of information can be provided on a separate paper document if sending a paper claim or as an electronic attachment to an electronic claim should your EHR software have that ability.

In most cases, third-party payers will pay you their normal fee and you will never hear from them again, unless you have the good luck of being targeted randomly or targeted for review due to a patient complaint. By completing the outlined steps above, you should pass your audit.

The last series of questions has to do with how to handle a patient in these situations. Of course, a patient can't be held at fault due to death or diagnosis changing. In these situations, the documentation will save you should you be challenged for any reason. Of course, explain your rationale for billing to the family and/or patient.

In all situations prior to taking an impression or custom-fitting a pre-fabricated device, one should provide a consent form to the patient. The consent form should provide the patient with education regarding the costs of custom fabrication (or custom fitting), and that it is non-refundable should they change their mind for any reason. The patient should also be advised that their third-party payer will be billed for the device as if they received it should they for any reason cancel the order. The patient should be advised this in accordance with their insurance carrier's policies, and their refusal to accept the order may impact their ability to receive a same or similar device for a time frame in accordance with their insurance carrier's policies.

If a device is truly custom fabricated or custom fitted, it should not be sold to another self-paying patient or billed to a third-party payer for another patient.

Preventive Steps

Reducing the potential for cancelled orders of orthotic and prosthetic devices can also be reduced

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by showing patients examples of the devices they will be receiving and providing them with educational materials. An impression for custom-fabricated devices is almost never necessary on an initial appointment, and providing the patient with time to process the information provided is not unique to DME.

One word of caution: If a device is truly custom-fabricated or custom-fitted, it should not be sold to another self-paying patient or billed to a third-party payer for another patient. This is based on the issues previously presented. Ultimately, your choice to bill the carrier under these circumstances also is a practice management issue. It is ultimately your decision as to whether you wish any further alienation by billing the third-party payer or the patient their applicable co-pays or deductibles.

If your chart is documented correctly, orders cancelled by the patient need not be feared, but do require some extra due diligence.

Summary

In summary, if your patients are properly educated, refusal of custom devices should be minimized. Diagnoses change at no fault to the supplier and often cannot be predicted. If your chart is documented correctly, orders cancelled by the patient need not be feared, but do require some extra due diligence.

Further information can be found at: https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/bp102c15.pdf. **PM**

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