

June 30, 1987 based on the mean of the carrier's allowed charges for the item.

(2) The carrier adjusts the amounts determined under paragraph (c)(1) of this section by the change in the level of the CPI-U for the 6-month period ending December 1987.

(d) *Updating the fee schedule amounts for years after 1990.* For years after 1990, the fee schedules are determined using the methodology contained in paragraphs (d), (e), and (f) of § 414.220.

(e) *Transition to other payment classes.* For purposes of calculating the 15-month rental period, beginning January 1, 1994, if an item has been paid for under the frequent and substantial servicing class and is subsequently paid for under another payment class, the rental period begins with the first month of continuous rental, even if that period began before January 1, 1994. For example, if the rental period began on July 1, 1993, the carrier must use this date as beginning the first month of rental. Likewise, for purposes of calculating the 10-month purchase option, the rental period begins with the first month of continuous rental without regard to when that period started. For example, if the rental period began in August 1993, the 10-month purchase option must be offered to the beneficiary in May 1994, the tenth month of continuous rental.

[57 FR 57690, Dec. 7, 1992, as amended at 60 FR 35497, July 10, 1995; 71 FR 4525, Jan. 27, 2006]

§ 414.224 Customized items.

(a) *Criteria for a customized item.* To be considered a customized item for payment purposes under paragraph (b) of this section, a covered item (including a wheelchair) must be uniquely constructed or substantially modified for a specific beneficiary according to the description and orders of a physician and be so different from another item used for the same purpose that the two items cannot be grouped together for pricing purposes.

(b) *Payment rule.* Payment is made on a lump sum basis for the purchase of a customized item based on the carrier's individual consideration and judgment of a reasonable payment amount for each customized item. The carrier's individual consideration takes into ac-

count written documentation on the costs of the item including at least the cost of labor and materials used in customizing an item.

[56 FR 65998, Dec. 20, 1991, as amended at 58 FR 34919, June 30, 1993]

§ 414.226 Oxygen and oxygen equipment.

(a) *Payment rules—(1) Oxygen equipment.* Payment for rental of oxygen equipment is made based on a monthly fee schedule amount during the period of medical need, but for no longer than a period of continuous use of 36 months. A period of continuous use is determined under the provisions in § 414.230.

(2) *Oxygen contents.* Payment for purchase of oxygen contents is made based on a monthly fee schedule amount until medical necessity ends.

(b) *Monthly fee schedule amount for items furnished prior to 2007.* (1) Monthly fee schedule amounts are separately calculated for the following items:

(i) Stationary oxygen equipment and oxygen contents (stationary and portable oxygen contents).

(ii) Portable oxygen equipment only.

(iii) Stationary and portable oxygen contents only.

(iv) Portable oxygen contents only.

(2) For 1989 and 1990, the monthly fee schedule amounts are the local payment amounts determined as follows:

(i) The carrier determines the base local average monthly payment rate equal to the total reasonable charges for the item for the 12-month period ending December 1986 divided by the total number of months for all beneficiaries receiving the item for the same period. In determining the local average monthly payment rate, the following limitations apply:

(A) Purchase charges for oxygen systems are not included as items classified under paragraph (b)(1)(i) of this section.

(B) Purchase charges for portable equipment are not included as items classified under paragraph (b)(1)(ii) of this section.

(ii) The carrier determines the local monthly payment amount equal to 0.95 times the base local average monthly payment amount adjusted by the

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change in the CPI-U for the six-month period ending December 1987.

(3) For 1991 through 2006, the fee schedule amounts for items described in paragraphs (b)(1)(iii) and (iv) of this section are determined using the methodology contained in § 414.220(d), (e), and (f).

(4) For 1991 through 2006, the fee schedule amounts for items described in paragraphs (b)(1)(i) and (ii) of this section are determined using the methodology contained in § 414.220(d), (e), and (f).

(5) For 2005 and 2006, the fee schedule amounts determined under paragraph (b)(4) of this section are reduced using the methodology described in section 1834(a)(21)(A) of the Act.

(c) *Monthly fee schedule amount for items furnished for years after 2006.* (1) For 2007, national limited monthly payment rates are calculated and paid as the monthly fee schedule amounts for the following classes of items:

(i) Stationary oxygen equipment (including stationary concentrators) and oxygen contents (stationary and portable).

(ii) Portable equipment only (gaseous or liquid tanks).

(iii) Oxygen generating portable equipment only.

(iv) Stationary oxygen contents only.

(v) Portable oxygen contents only.

(2) The national limited monthly payment rate for items described in paragraph (c)(1)(i) of this section is equal to the weighted average fee schedule amount established under paragraph (b)(5) of this section reduced by \$1.44.

(3) The national limited monthly payment rate for items described in paragraph (c)(1)(ii) of this section is equal to the weighted average of the fee schedule amounts established under paragraph (b)(5) of this section.

(4) The national limited monthly payment rate for items described in paragraph (c)(1)(iii) of this section is equal to the national limited monthly payment rate established under paragraph (c)(5) of this section, multiplied by 24, and divided by 36.

(5) The national limited monthly payment rate for items described in paragraphs (c)(1)(iv) and (c)(1)(v) of this section is equal to 50 percent of the

weighted average fee schedule amounts established under paragraph (b)(3) of this section for items described in paragraph (b)(1)(iii) of this section.

(6) Beginning in 2008, CMS makes an annual adjustment to the national limited monthly payment rates for each class of items described in paragraph (c)(1) of this section to ensure that such payment rates do not result in expenditures for any year that are more or less than the expenditures that would have been made if such classes had not been established.

(d) *Application of monthly fee schedule amounts.* (1) The fee schedule amount for items described in paragraph (c)(1)(i) of this section is paid when the beneficiary rents stationary oxygen equipment.

(2) Subject to the limitation set forth in paragraph (e)(2) of this section, the fee schedule amount for items described in paragraphs (c)(1)(ii) and (c)(1)(iii) of this section is paid when the beneficiary rents portable oxygen equipment.

(3) The fee schedule amount for items described in paragraph (c)(1)(iv) of this section is paid when the beneficiary—

(i) Owns stationary oxygen equipment that requires delivery of gaseous or liquid oxygen contents; or

(ii) Rents stationary oxygen equipment that requires delivery of gaseous or liquid oxygen contents after the period of continuous use of 36 months described in paragraph (a)(1) of this section.

(4) The fee schedule amount for items described in paragraph (c)(1)(v) of this section is paid when the beneficiary—

(i) Owns portable oxygen equipment described in (c)(1)(ii) of this section;

(ii) Rents portable oxygen equipment described in paragraph (c)(1)(ii) of this section during the period of continuous use of 36 months described in paragraph (a)(1) of this section and does not rent stationary oxygen equipment; or

(iii) Rents portable oxygen equipment described in paragraph (c)(1)(ii) of this section after the period of continuous use of 36 months described in paragraph (a)(1) of this section.

(e) *Volume adjustments.* (1) The fee schedule amount for an item described in paragraph (c)(1)(i) of this section is adjusted as follows:

(i) If the attending physician prescribes an oxygen flow rate exceeding four liters per minute, the fee schedule amount is increased by 50 percent, subject to the limit in paragraph (e)(2) of this section.

(ii) If the attending physician prescribes an oxygen flow rate of less than one liter per minute, the fee schedule amount is decreased by 50 percent.

(2) If portable oxygen equipment is used and the prescribed oxygen flow rate exceeds four liters per minute, the total fee schedule amount recognized for payment is limited to the higher of—

(i) The sum of the monthly fee schedule amount for the items described in paragraphs (c)(1)(i) and (c)(1)(ii) or (c)(1)(iii) of this section; or

(ii) The adjusted fee schedule amount described in paragraph (e)(1)(i) of this section.

(3) In establishing the volume adjustment for those beneficiaries whose physicians prescribe varying flow rates, the following rules apply:

(i) If the prescribed flow rate is different for stationary oxygen equipment than for portable oxygen equipment, the flow rate for the stationary equipment is used.

(ii) If the prescribed flow rate is different for the patient at rest than for the patient at exercise, the flow rate for the patient at rest is used.

(iii) If the prescribed flow rate is different for nighttime use and daytime use, the average of the two flow rates is used.

(f) *Furnishing oxygen and oxygen equipment after the 36-month rental cap.*

(1) The supplier that furnishes oxygen equipment for the 36th continuous month during which payment is made under this section must—

(i) Continue to furnish the equipment during any period of medical need for the remainder of the reasonable useful lifetime established for the equipment in accordance with § 414.210(f)(1); or

(ii) Arrange for furnishing the oxygen equipment with another supplier if the beneficiary relocates to an area that is outside the normal service area of the supplier that initially furnished the equipment.

(2) The supplier that furnishes liquid or gaseous oxygen equipment (sta-

tionary or portable) for the 36th continuous month during which payment is made under this section must—

(i) Continue to furnish the oxygen contents necessary for the effective use of the liquid or gaseous equipment during any period of medical need for the remainder of the reasonable useful lifetime established for the equipment in accordance with § 414.210(f)(1); or

(ii) Arrange for furnishing the oxygen contents with another supplier if the beneficiary relocates to an area that is outside the normal service area of the supplier that initially furnished the equipment.

(g) *Additional supplier requirements for rentals that begin on or after January 1, 2007.* (1) The supplier that furnishes oxygen equipment for the first month during which payment is made under this section must continue to furnish the equipment for the entire 36-month period of continuous use, unless medical necessity ends or—

(i) The item becomes subject to a competitive acquisition program implemented in accordance with section 1847(a) of the Act;

(ii) The beneficiary relocates to an area that is outside the normal service area of the supplier that initially furnished the equipment;

(iii) The beneficiary elects to obtain oxygen equipment from a different supplier prior to the expiration of the 36-month rental period; or

(iv) CMS or the carrier determines that an exception should apply in an individual case based on the circumstances.

(2) Oxygen equipment furnished under this section may not be replaced by the supplier prior to the expiration of the reasonable useful lifetime established for the equipment in accordance with § 414.210(f)(1) unless:

(i) The supplier replaces an item with the same, or equivalent, make and model of equipment because the item initially furnished was lost, stolen, irreparably damaged, is being repaired, or no longer functions;

(ii) A physician orders different equipment for the beneficiary. If the order is based on medical necessity, then the order must indicate why the equipment initially furnished is no longer medically necessary and the

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supplier must retain this order in the beneficiary's medical record;

(iii) The beneficiary chooses to obtain a newer technology item or upgraded item and signs an advanced beneficiary notice (ABN); or

(iv) CMS or the carrier determines that a change in equipment is warranted.

(3) Before furnishing oxygen equipment, the supplier must disclose to the beneficiary its intentions regarding whether it will accept assignment of all monthly rental claims for the duration of the rental period. A supplier's intentions could be expressed in the form of a written agreement between the supplier and the beneficiary.

[57 FR 57690, Dec. 7, 1992, as amended at 71 FR 65933, Nov. 9, 2006; 73 FR 69936, Nov. 19, 2008]

§ 414.228 Prosthetic and orthotic devices.

(a) *Payment rule.* Payment is made on a lump-sum basis for prosthetic and orthotic devices subject to this subpart.

(b) *Fee schedule amounts.* The fee schedule amount for prosthetic and orthotic devices is determined as follows:

(1) The carrier determines a base local purchase price equal to the average reasonable charge for items purchased during the period July 1, 1986 through June 30, 1987 based on the mean of the carrier's allowed charges for the item.

(2) The carrier determines a local purchase price equal to the following:

(i) For 1989 and 1990, the base local purchase price is adjusted by the change in the level of the CPI-U for the 6-month period ending December 1987.

(ii) For 1991 through 1993, the local purchase price for the preceding year is adjusted by the applicable percentage increase for the year. The applicable percentage increase is equal to 0 percent for 1991. For 1992 and 1993, the applicable percentage increase is equal to the percentage increase in the CPI-U for the 12-month period ending with June of the previous year.

(iii) For 1994 and 1995, the applicable percentage increase is 0 percent.

(iv) For all subsequent years the applicable percentage increase is equal to

the percentage increase in the CPI-U for the 12-month period ending with June of the previous year.

(3) CMS determines the regional purchase price equal to the following:

(i) For 1992, the average (weighted by the relative volume of all claims among carriers) of the local purchase prices for the carriers in the region.

(ii) For 1993 and subsequent years, the regional purchase price for the preceding year adjusted by the applicable percentage increase for the year.

(4) CMS determines a purchase price equal to the following:

(i) For 1989, 1990 and 1991, 100 percent of the local purchase price.

(ii) For 1992, 75 percent of the local purchase price plus 25 percent of the regional purchase price.

(iii) For 1993, 50 percent of the local purchase price plus 50 percent of the regional purchase price.

(iv) For 1994 and subsequent years, 100 percent of the regional purchase price.

(5) For 1992 and subsequent years, CMS determines a national average purchase price equal to the unweighted average of the purchase prices determined under paragraph (b)(4) of this section for all carriers.

(6) CMS determines the fee schedule amount equal to 100 percent of the purchase price determined under paragraph (b)(4) of this section, subject to the following limitations:

(i) For 1992, the amount cannot be greater than 125 percent nor less than 85 percent of the national average purchase price determined under paragraph (b)(5) of this section.

(ii) For 1993 and subsequent years, the amount cannot be greater than 120 percent of the national average nor less than 90 percent of the national average purchase price determined under paragraph (b)(5) of this section.

(c) *Payment for therapeutic shoes.* The payment rules specified in paragraphs (a) and (b) of this section are applicable to custom molded and extra depth shoes, modifications, and inserts (therapeutic shoes) furnished after December 31, 2004.

[57 FR 57691, Dec. 7, 1992, as amended at 60 FR 35498, July 10, 1995; 73 FR 69937, Nov. 19, 2008]