

# DME Rental vs Purchase Policy

## Purpose

This policy is intended to ensure correct provider reimbursement and serves only as a general resource regarding Molina Healthcare's reimbursement policy for the services described in this policy. It is not intended to address every aspect of a reimbursement situation, nor is it intended to impact care decisions. This policy was developed using nationally accepted industry standards and coding principles. In a conflict, federal and state guidelines, as applicable, and the member's benefit plans supersede the information in this policy. Also, to the extent of conflicts between this policy and the provider contract language, the Provider contract language will prevail. Coverage may be mandated by applicable legal requirements of a State, the Federal government or the Centers for Medicare and Medicaid Services (CMS). References included were accurate at the time of policy approval. If there is a state exception, please refer to the state exception table listed below.

## Policy Overview

Durable Medical Equipment (DME) refers to specialized medical devices designed for in-home use to assist individuals with specific medical conditions or ailments. These devices are characterized by the following attributes:

### **Medically Essential:**

- DMEs are fundamentally and predominantly intended for medical applications.

### **Condition-Specific:**

- Utility: These devices lack functionality for individuals who are not experiencing medical conditions or injuries.

### **Physician Authorization:**

- A qualified healthcare provider must prescribe or recommend the use of DME.

### **Reusable Nature:**

- DMEs are designed to be used multiple times, rather than being disposable.

### **Durability:**

- These devices are engineered to endure repeated usage.

### **Home-Compatible:**

- DMEs are suitable for deployment and utilization within a residential setting.

The scope of DME encompasses a wide range of medical devices, including but not limited to:

- Wheelchairs (both manual and powered)
- Hospital-grade beds
- Traction apparatus
- Mobility aids like canes, crutches, and walkers
- Respiratory equipment such as ventilators and oxygen supplies
- Monitoring devices
- Pressure-relief mattresses
- Aerosol therapy devices like nebulizers
- Prosthetic limbs and orthotic devices
- Continuous Positive Airway Pressure (CPAP) machines
- Phototherapy devices for treating hyperbilirubinemia.



- DMEs are further delineated as devices capable of enduring recurrent use and are designed with the primary function of meeting a medical necessity.

This document outlines Molina Healthcare's reimbursement guidelines for the leasing and/or acquisition of specific categories of Durable Medical Equipment (DME), as well as Prosthetic and Orthotic devices. These guidelines are applicable to Healthcare Providers of the Same Specialty, encompassing vendors of DME, Prosthetics, and Orthotics.

For the context of this policy, a 'Same Specialty Healthcare Provider' refers to physicians or other qualified healthcare professionals belonging to an identical group and specialty and operating under a common Federal Tax Identification Number (TIN).

## **Reimbursement Guidelines**

Some DME items are eligible for rental as well as for purchase. The codes representing these items are listed in the tables below and must be reported with the appropriate modifier to be considered for reimbursement.

Some DME items are eligible for rental only. The codes representing these items are listed in the table below and must be reported with the appropriate rental modifier to be considered for reimbursement.

DME rental fees will cover the cost of maintenance, repairs, replacement, supplies and accessories. Equipment delivery services and set-up, education and training for patient and family, and nursing visits, are not eligible for separate reimbursement.

Total reimbursement of fees reported for a single code (appended with modifier RR and/or NU) from a single vendor is limited to either the purchase price of the item or a maximum number of rental months, whichever is less. These rental limits do not apply to oxygen equipment or to ventilators.

### **Place of Service (POS) Guidelines:**

In alignment with CMS directives, the reimbursement for DME items is confined to a Place of Service (POS) that is recognized as the patient's residence. DME suppliers are instructed to report the POS code corresponding to the intended usage location of the equipment. Reimbursement will not be provided for DME intended for use in a POS differing from the patient's residence.

It's imperative to acknowledge that certain DME items or implantable devices are deemed unsuitable for distribution or utilization in a home setting, and hence, are not eligible for reimbursement under a home POS.

The table below enumerates the POS codes that are recognized as equivalent to a "patient's home" setting:

<b>POS</b>	<b>Definition</b>
01	Pharmacy: A facility or location where drugs and other medically related items and services are sold, dispensed, or otherwise provided directly to patients.
04	Homeless Shelter: A facility or location whose primary purpose is to provide temporary housing to homeless individuals (e.g., emergency shelters, individual or family shelters).
09	Prison/Correctional Facility: A prison, jail, reformatory, work farm, detention center, or any other similar facility maintained by either Federal, State or local authorities for the purpose of confinement or rehabilitation of adult or juvenile criminal offenders.
12	Home: Location, other than a hospital or other facility, where the patient receives care in a private residence.

13	Assisted Living Facility: Congregate residential facility with self-contained living units providing assessment of each resident's needs and on-site support 24 hours a day, 7 days a week, with the capacity to deliver or arrange for services including some health care and other services.
14	Group Home: A residence, with shared living areas, where clients receive supervision and other services such as social and/or behavioral services, custodial service, and minimal services (e.g., medication administration).
16	Temporary Lodging: A short-term accommodation such as a hotel, campground, hostel, cruise ship or resort where the patient receives care, and which is not identified by any other POS code.
31	Skilled Nursing Facility: A facility which primarily provides inpatient skilled nursing care and related services to patients who require medical, nursing, or rehabilitative services but does not provide the level of care or treatment available in a hospital.
32	Nursing Facility: A facility which primarily provides to residents skilled nursing care and related services for the rehabilitation of injured, disabled, or sick persons, or, on a regular basis, health-related care services above the level of custodial care to other than individuals with intellectual disabilities.
33	Custodial Care Facility: A facility which provides room, board and other personal assistance services, generally on a long-term basis, and which does not include a medical component.
54	Intermediate Care Facility/ Individuals with Intellectual Disabilities:
55	Residential Substance Abuse Treatment Facility: A facility which provides treatment for substance (alcohol and drug) abuse to live-in residents who do not require acute medical care. Services include individual and group therapy and counseling, family counseling, laboratory tests, drugs and supplies, psychological testing, and room and board.
56	Psychiatric Residential Treatment Center: A facility or distinct part of a facility for psychiatric care which provides a total 24-hour therapeutically planned and professionally staffed group living and learning environment.
65	End-Stage Renal Disease Treatment Facility: A facility other than a hospital, which provides dialysis treatment, maintenance, and/or training to patients or caregivers on an ambulatory or home-care basis.

Home DME may be subjected to a review for medical necessity.

- A prescription is mandatory for the rental or purchase of DME to qualify for coverage.
- Reimbursement for eligible fees commences on the day the equipment is delivered, installed, and rendered ready for use by our member at the requisite location.
- Should a full 30-day usage not be utilized by the member, DME rental rates and maintenance fees are to be prorated for payment, based on the agreed-upon provider rates.

**Guidelines for DME Rental:**

The decision between rental versus purchase of DME hinges on the specific item prescribed, the patient's prognosis, the duration of required use, and a cost analysis comparing rental and purchase for the equipment in question. The benefits on rented DME cannot surpass the total cost to purchase the DME or the stipulated fee schedule.

**DME may be rented under the following circumstances:**

- The DME is not categorized as "Routinely Purchased DME" (priced above \$200) or Low-cost DME, and the anticipated medical necessity is short-term; or the equipment demands high maintenance (necessitating specialized skills for servicing).
- Examples encompass, but are not confined to: apnea monitors, hospital beds, bili lights and

bilobanquets, Continuous Passive Motion (CPM) devices, traction equipment, infusion pumps, IPPB, Nebulizers, CPAP, BiPAP, DPAP, lymphedema pumps, both portable and stationary oxygen equipment, ventilators, and TENS units.

- Rental equipment that has attained its maximum reimbursement threshold (rental payments equaling purchase price) will remain under the ownership of the DME provider, with the provision that the equipment will stay with the patient as long as the medical necessity persists. Post this period, rental charges by the DME provider cease. Upon the cessation of the equipment's necessity, the DME provider will retrieve the equipment.
- Equipment procured without a preceding rental period will be owned by the patient.
- As aforementioned, DME rental and maintenance fees should be prorated for payment based on provider contracted rates when the full 30-day usage is not met by the member.

### **Capped Rentals:**

- The monthly rentals are bound to a capped rental period of 13 consecutive months.
- Upon the conclusion of the 13-month rental period, the equipment ownership transitions to the member.
- Exclusively in the scenario of electric wheelchairs, members are to be presented with a purchase option when the equipment is initially provided.

### **Applicable Modifiers**

<b>Modifier</b>	<b>Description</b>
BR	The beneficiary has been informed of the purchase and rental options and has elected to rent the item
KH	DMEPOS item, initial claim, purchase or first month rental
KI	DMEPOS item, second or third-month rental
KJ	DMEPOS item, parenteral enteral nutrition (PEN) pump or capped rental, months four to fifteen
KM	Replacement of facial prosthesis including new impression/moulage
KN	Replacement of facial prosthesis using previous master model
KR	Rental item, billing for partial month
NR	New when rented (use the NR modifier when DME which was new at the time of rental is subsequently purchased)
NU	New equipment
RA	Replacement of a DME, orthotic or prosthetic item
RB	Replacement of a part of a DME, orthotic or prosthetic item furnished as part of a repair
RR	Rental (use the RR modifier when DME is to be rented)
UE	Used durable medical equipment

### **Guidelines for Purchasing DME**

#### **DME may be acquired through purchase under any of the following scenarios:**

The item is categorized as inexpensive DME, characterized by a purchase price not exceeding \$200.

#### **Examples encompass, but are not confined to:**

- Canes
- Walkers
- Crutches
- Arm slings



- Patient transfer belts
- Cervical collars
- Comfort rings
- Dextrometers
- Peak flow meters
- Commode chairs

The item falls under the classification of Other Routinely Purchased DME, defined as equipment typically purchased at least 75% of the time. Items within this category may either be rented or purchased, however, the cumulative payments for monthly rentals should not surpass the fee schedule amount designated for purchase.

**Examples include, but are not limited to:**

- low pressure and positioning equalization pads
- home blood glucose monitors
- braces for legs and arms
- cast boots.
- cervical brace
- Jobst stockings

Higher-priced DME not classified as "Routinely Purchased DME" (priced above \$200) can be purchased provided all the following conditions are satisfied:

- A long-term utilization is anticipated based on the patient's prognosis (where rental costs are projected to eclipse the purchase price) and the maintenance requirements of the DME.
  - A rental trial period (with costs credited toward the purchase price) has yielded documented evidence of patient compliance, patient tolerance, and clinical advantages.

Items eligible for Rental or Purchase									
A4233	A4234	A4235	A4236	A4253	A4602	A4604	A4605	A4611	A4612
A4613	A4618	A4619	A4624	A4628	A4630	A4633	A4635	A4636	A4637
A4639	A4640	A7000	A7001	A7002	A7003	A7004	A7005	A7006	A7007
A7008	A7009	A7010	A7012	A7013	A7014	A7015	A7016	A7017	A7020
A7025	A7026	A7027	A7028	A7029	A7030	A7031	A7032	A7033	A7034
A7035	A7036	A7037	A7038	A7039	A7044	A7045	A7046	A7047	A8000
A8001	B9002	B9004	B9006	E0100	E0105	E0110	E0111	E0112	E0113
E0114	E0116	E0117	E0118	E0130	E0135	E0140	E0141	E0143	E0144
E0147	E0148	E0149	E0153	E0154	E0155	E0156	E0157	E0158	E0159

E0160	E0161	E0162	E0163	E0165	E0167	E0168	E0170	E0171	E0175
E0181	E0182	E0184	E0185	E0186	E0187	E0188	E0189	E0191	E0193
E0194	E0196	E0197	E0198	E0199	E0200	E0202	E0205	E0210	E0215
E0217	E0218	E0221	E0225	E0235	E0236	E0239	E0247	E0249	E0250
E0251	E0255	E0256	E0260	E0261	E0265	E0266	E0271	E0272	E0273
E0274	E0275	E0266	E0277	E0280	E0290	E0291	E0292	E0293	E0294
E0295	E0296	E0297	E0300	E0301	E0302	E0303	E0304	E0305	E0310
E0316	E0325	E0326	E0371	E0372	E0373	E0424	E0425	E0430	E0431
E0433	E0434	E0435	E0439	E0440	E0445	E0457	E0459	E0462	E0465
E0466	E0467	E0470	E0471	E0472	E0480	E0481	E0482	E0483	E0484
E0500	E0550	E0555	E0560	E0561	E0562	E0565	E0570	E0572	E0574
E0575	E0580	E0585	E0600	E0601	E0602	E0603	E0604	E0605	E0606
E0607	E0610	E0615	E0617	E0618	E0619	E0620	E0621	E0627	E0629
E0630	E0635	E0636	E0637	E0638	E0639	E0640	E0650	E0651	E0652
E0657	E0665	E0667	E0669	E0671	E0672	E0673	E0675	E0691	E0765
E0780	E0783	E0786	E0791	E0840	E0849	E0850	E0855	E0856	E0860
E0870	E0880	E0890	E0900	E0910	E0911	E0912	E0920	E0930	E0935
E0940	E0941	E0942	E0944	E0945	E0946	E0947	E0948	E0950	E0951
E0952	E0953	E0954	E0955	E0956	E0957	E0958	E0959	E0960	E0961
E0966	E0967	E0968	E0969	E0970	E0971	E0973	E0974	E0978	E0980
E0981	E0982	E0983	E0984	E0985	E0986	E0988	E0990	E0992	E0994
E0995	E1002	E1003	E1004	E1005	E1006	E1007	E1008	E1010	E1012

E1014	E1015	E1016	E1020	E1028	E1029	E1030	E1031	E1035	E1036
E1037	E1038	E1039	E1050	E1060	E1070	E1083	E1084	E1085	E1086
E1087	E1088	E1089	E1090	E1092	E1093	E1100	E1110	E1130	E1140
E1150	E1160	E1161	E1170	E1171	E1172	E1180	E1190	E1195	E1200
E1221	E1222	E1223	E1224	E1225	E1226	E1227	E1228	E1230	E1232
E1233	E1234	E1235	E1236	E1237	E1238	E1240	E1250	E1260	E1270
E1280	E1285	E1290	E1295	E1296	E1297	E1298	E1310	E1353	E1355
E1372	E1390	E1391	E1392	E1405	E1406	E1700	E1800	E1801	E1802
E1805	E1806	E1810	E1811	E1812	E1815	E1816	E1818	E1820	E1821
E1825	E1830	E1831	E1840	E1841	E2000	E2100	E2101	E2120	E2201
E2202	E2203	E2204	E2205	E2206	E2207	E2208	E2209	E2210	E2211
E2212	E2213	E2214	E2215	E2216	E2217	E2218	E2219	E2220	E2221
E2222	E2224	E2225	E2226	E2227	E2228	E2231	E2310	E2311	E2312
E2313	E2321	E2322	E2323	E2324	E2325	E2326	E2327	E2328	E2329
E2330	E2340	E2341	E2342	E2343	E2351	E2359	E2360	E2361	E2362
E2363	E2364	E2365	E2366	E2367	E2368	E2369	E2370	E2371	E2373
E2374	E2375	E2376	E2377	E2378	E2381	E2382	E2383	E2384	E2385
E2386	E2387	E2388	E2389	E2390	E2391	E2392	E2394	E2395	E2396
E2397	E2402	E2500	E2502	E2504	E2506	E2508	E2510	E2601	E2602
E2603	E2604	E2605	E2606	E2607	E2608	E2611	E2612	E2613	E2614
E2615	E2616	E2619	E2620	E2621	E2622	E2623	E2624	E2625	E2626
E2627	E2628	E2629	E2630	E2631	E2632	E2633	K0001	K0002	K0003

K0004	K0005	K0006	K0007	K0009	K0010	K0011	K0012	K0015	K0017
K0018	K0019	K0020	K0037	K0038	K0039	K0040	K0041	K0042	K0043
K0044	K0045	K0046	K0047	K0050	K0051	K0052	K0053	K0056	K0065
K0069	K0070	K0071	K0072	K0073	K0077	K0098	K0105	K0195	K0455
K0554	K0601	K0602	K0603	K0604	K0605	K0606	K0607	K0608	K0730
K0733	K0738	K0800	K0801	K0802	K0806	K0807	K0808	K0813	K0814
K0815	K0816	K0820	K0821	K0822	K0823	K0824	K0825	K0826	K0827
K0828	K0829	K0830	K0831	K0835	K0836	K0837	K0838	K0839	K0840
K0841	K0842	K0843	K0848	K0849	K0850	K0851	K0852	K0853	K0854
K0855	K0856	K0857	K0858	K0859	K0860	K0861	K0862	K0863	K0864

**Items Eligible for Rental Only**

E0431	E0433	E0434	E0439	E1392	K0738
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**Non-Covered DME/DME Services:**

- Optional or ancillary DME equipment or features that are primarily for convenience or upgrades beyond what is medically necessary to meet the member's medical needs. Examples include but are not limited to decorative items, unique materials (e.g., magnesium wheelchair wheels, lights, custom coloring, extra batteries, cup holders, backpacks, etc.).
- The DME does not provide a therapeutic benefit to a member.
- The DME has not been prescribed by a physician within the scope of his/her practice.
- The DME serves primarily as a comfort or convenience item.

**Examples include but are not limited to:**

- elevators,
- wheelchair vans
- wheelchair lifts for stairs
- The equipment is used in a facility that is expected to provide such items to the member.
- It is a device or equipment used to enhance the environmental setting.

**For example:**

- air conditioners
- humidifiers

- air filters
- portable Jacuzzi pumps
- bathroom equipment
- It is experimental or investigational equipment.
- The equipment is prescribed for other than intended usage.
- The equipment is not FDA approved.
- The DME is prescribed as part of a home exercise program.

**Examples include but are not limited to:**

- exercise videos,
- pool memberships,
- gym memberships,
- treadmills,
- exercise balls,
- The DME was abused, used beyond its specifications, and in a manner to void applicable warranties.
- DME items that assist with care that is primarily custodial in nature.

**For example:**

- DME items that help a person with activities of daily living like bathing, toileting, eating, dressing, getting in and out of bed, getting in and out of a vehicle, lifts for going up and down stairs or any similar items).

**Electronic Devices**

- Electronic devices such as laptops, tablets, smart phones, PDAs etc. that have multiple uses and are not dedicated solely for the requested service are not covered as they do not meet the definition of DME.
- Software or applications that enable the electronic device to provide the requested medically necessary service may be covered if reviewed by medical management and approved by the Medical Director; however, installation, technical support, additional cables, interfaces, or adapters, etc. are not separately reimbursable.
- Monthly fees for services such as internet, data, or cellular phone are not covered.

**Audit/Recovery/Reimbursement**

Molina Healthcare calculates reimbursement amounts in accordance with the relevant fee schedules and the provisions stipulated within the provider contract. It is imperative to strictly adhere to the billing guidelines prescribed by the respective state Medicaid program and/or CMS. Neglecting to include the requisite indicators and documentation along with your submitted charges may lead to disruptions, denials, or audits during the claim payment process.

Providers are required to use the following billing modifiers when submitting claims for DME capped rentals. Providers are obligated to bill the appropriate modifiers (KH, KI, KJ, BR, BP) based on the rental period or purchase option of the DME. Failure to bill the correct modifier will result in a \$0.00 payment and may be subject to audit and recovery actions.

**Modifier KH:**

- Indicates the first month of rental for a capped rental item.
- Reimbursement Rate: 100% of the DME Fee Schedule.

**Modifier KI:**

- Utilized for the second or third month of rental for a capped rental item.
- Reimbursement Rate: 100% of the DME Fee Schedule.

**Modifier KJ:**

- Applicable for the 4th to 13th months of rental for a capped rental item.
- Reimbursement Rate: 75% of the DME Fee Schedule.

**Supplemental Information**

**Definitions**

Term	Definition
CMS	The Centers for Medicare & Medicaid Services. The Centers for Medicare & Medicaid Services (CMS) is a federal entity under the United States Department of Health and Human Services (HHS). It oversees the Medicare program and collaborates with state governments to manage Medicaid, the Children's Health Insurance Program (CHIP), as well as health insurance portability regulations.
DME	Durable Medical Equipment (DME) is long-lasting medical equipment prescribed by a healthcare provider for repeated use in a patient's home to support daily living or manage a health condition.
Orthotic	An external appliance such as a brace or splint that prevents or assists movement of the spine or limbs. A brace is used for the purpose of supporting a weak or deformed body part of a customer or restricting or eliminating motion in a diseased or injured part of the body.
Prosthetic	A device that replaces all or part of an external body organ or all or part of the function of a permanently inoperative or malfunctioning external body organ.

**State Exceptions**

State	Exception
MI	Michigan Medicaid DME rental is capped at 10 months. Modifiers KI and KJ do not apply for Michigan Medicaid. Michigan Medicaid only requires modifier KH for DMEPOS item, initial claim purchase, or first month rental.

**Documentation History**

Type	Date	Action
Initial Creation Date	11/01/2020	New Policy
Revised Date	12/12/2024	Updated Template
Revised Date	04/09/2025	Updated Template
Revised Date	08/01/2025	Updated Template
Revised Date	08/22/2025	Changed Coding Disclaimer from 9 point to 10 point; adjusted margins; adjusted tables to 1" margins; added in pages and PI information.



## References

This policy was developed using:

- CMS
- State Medicaid Regulatory Guidance
- State Contracts

Reference	Link
Michigan-MDHHS Medicaid Provider Manual	<a href="#">MedicaidProviderManual.pdf</a>

**\*CODING DISCLAIMER.** Codes listed in this policy are for reference purposes only and may not be all-inclusive. Deleted codes and codes which are not effective at the time the service is rendered may not be eligible for reimbursement. Listing of a service or device code in this policy does not guarantee coverage. Coverage is determined by the benefit document. Molina adheres to Current Procedural Terminology (CPT®), a registered trademark of the American Medical Association (AMA). All CPT codes and descriptions are copyrighted by the AMA; this information is included for informational purposes only. Providers and facilities are expected to utilize industry standard coding practices for all submissions. When improper billing and coding is not followed, Molina has the right to reject/deny the claim and recover claim payment(s). Due to changing industry practices, Molina reserves the right to revise this policy as needed.