

BWC Policy Alert

2017 BWC Prosthetic Coding Clarification, Pricing Methodology and Invoice Requirements

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Purpose

This BWC policy alert clarifies the prosthetic billing protocols that the managed care organization (MCO) uses to validate coding of prosthetic bills; apply prosthetic pricing methodology ([click here](#)); and submit invoices for reimbursement.

Issue

The current BWC Professional Provider and Medical Services Fee Schedule became effective on Jan. 1, 2016. The BWC fee schedule includes the new BWC Prosthetics Pricing Methodology for prosthetic by-report (BR) codes L5999, L8499 and L7499.

BWC's Medical Services Division discovered inconsistencies in MCO processes pertaining to prosthetic billing and invoicing. These inconsistencies sometimes create delays in providing prosthetic services to the injured worker.

Definitions

See *Appendix*

Discussion

Per the BWC [Artificial Appliance Requests](#) policy and procedures (MP-16-01.PR1), "MCOs are responsible for processing payment requests for MCO approved artificial appliances in accordance with the Medical Billing and Adjustment Unit processing requirements." As a result, BWC is providing this policy alert for MCO reference when authorizing and reimbursing prosthetic device(s) and/or services.

Process

The prosthetic provider and MCO shall follow the processes outlined in this policy alert to generate consistency in the billing and reimbursement of prosthetic devices. In addition, the processes outlined in this policy alert shall serve to help prevent delays in providing prosthetic services to the injured worker.

The MCO and prosthetic provider shall consult the chart below for milestones and requirements through the process.

Milestone	Prosthetic invoice required	Manufacturer invoice required
Prior authorization	Not required—provide if available	Not required—provide if available
MCO negotiation	Yes	Not required—provide if available
Reimbursement	Yes	Yes

► **Prior authorization - Request for Medical Service Reimbursement or Recommendation for Additional Conditions for Industrial Injury or Occupational Disease (C-9)**

The prosthetic provider must provide a C-9 and/or letter in lieu of the C-9 to the MCO. The prosthetic provider will include a list of all BR codes (L5999, L8499, L7499 and L9900) with line-by-line descriptions and prices for each code on the C-9 and/or letter in lieu of the C-9.

The prosthetic provider may submit the manufacturer's invoice for each BR code. However, it is not required during the prior authorization or the MCO negotiation phases. The prosthetic provider may already know what the manufacturer's invoice price of the prosthetic component is due to his/her past prosthetic purchases made with the manufacturer. He or she can submit an estimate for the BR code. The provider is not required to submit a manufacturer's invoice to receive approval or to negotiate an estimated rate of reimbursement. However, the manufacturer's invoice is required for reimbursement. BWC guarantees reimbursement when the manufacturer's invoice and the agreed percentage above invoice follow the BWC fee schedule, regardless of the negotiated rate. The only exception to this guarantee is that the MCO follows a fee schedule exception that receives an approval from BWC.

The MCO shall work with the injured worker and prosthetic provider to understand the reasonable limitations within the BWC fee schedule and [Miller Case Criteria](#) policy and procedures. If the device or price is determined to be inappropriate or unreasonable when evaluating the BWC fee schedule and [Miller Case Criteria](#) policy and procedures, the MCO shall consider prosthetic alternatives.

► **MCO negotiation: Initial code review**

The MCO shall initially review the proposed prosthetic invoice and compare all codes and fees to the BWC fee schedule to ensure it is not negotiating a price higher than the established fee for any defined L code that is not a BR code.

The MCO is responsible for conducting analysis on each individual BR code the prosthetic provider submits on the proposed prosthetic invoice during the negotiation process. If a defined L code already exists for a component, but there is a proposal for an undefined BR code for the same component, the MCO shall deny use of the undefined BR code and require the prosthetist to use the specific, existing L code.

In cases where the MCO discovers the prosthetic provider did not submit the correct L code, the MCO is responsible for contacting the prosthetic provider directly to obtain the correct L code. The MCO shall not submit the prosthetic invoices with improper BR codes to BWC to process for reimbursement.

The MCO shall consider the following items bundled in the defined BWC fee schedule reimbursement for the BR codes (L5999, L8499 and L7499) and are not otherwise separately payable for a period to cover up to 90 days after delivery:

- Evaluation of patient, including residual limb and gait;
- Collaboration with externals, including consultations with any applicable providers;
- Fabrication of mock up and trial device, including the materials used in the fabrication;
- Fitting, alignment and adjustment of device;
- Shipping and handling;
- Warranty;
- Patient training of device not otherwise prior authorized, performed and billed separately by a physical therapist;
- Functional programming of device performed by the on-board microprocessors and/or sensors, such as real-time gait assessment, electronically controlled static stance regulator, adjustable or the programming necessary for set-up and use of the prosthesis.

The MCO and prosthetic provider shall refer to the protocols below when using BR code L9900.

- The prosthetic provider may bill BR code L9900 as an add-on BR code with L5999, L8499 or L7499 when the supply, accessory and/or service component;
 - **Differs** from the items that are bundled into the unlisted BR code (L5999, L8499 or L7499) and no other existing L code can be billed;
 - **Exceeds** the standard service requirements for provision of the prosthetic device billed with BR code L5999, L8499, or L7499 due to identified unique injured worker needs and prosthetic device needs (excluding extended warranty).
- The prosthetic provider **shall provide justification in the submitted documentation** for the supply, accessory and/or service component and **will define** how the supply, accessory or service component:
 - **Differs** from the items that are bundled into the unlisted BR code (L5999, L8499 or L7499) and documents that no other existing L code can be billed;
 - **Exceeds** the standard service requirements due to identified unique injured worker needs and prosthetic device needs (excluding extended warranty).

- The MCO shall review the information provided by the prosthetic provider to justify the billing of the BR code L9900 to ensure the billing is appropriate. MCOs shall negotiate a reimbursement rate for this code if the MCO approves the prosthetic provider's justification for services that are different or exceed the items listed in the bundled standard service requirements for BR codes L5999, L8499 or L7499.
- The MCOs shall ensure that the evaluation and justification meets the [Miller Case Criteria](#) and all applicable BWC policy and guidelines.
- The prosthetic provider shall not use L9900 to bypass BWC reimbursement policy for the BR codes L5999, L8499 or L7499.

► **MCO negotiation: Price evaluation**

The MCO can negotiate a percentage above invoice using a prosthetic invoice.

The MCO must use the BWC Pricing Prosthetic Methodology to negotiate a percentage above the estimated or actual manufacturer's invoice price for each BR code (L5999, L8499 and L7499), pursuant to the BWC fee schedule. The negotiated percentage shall include the bundled items listed on pages 2-3 of this policy alert, to prepare the prosthetic device for the injured worker. The prosthetist may include the manufacturer's estimate in the prosthetic invoice submitted for negotiation.

After the MCO and the prosthetic provider come to an agreement, the MCO shall enter a note in the claims management system detailing the negotiated percentage above invoice for each BR code. Additionally, the MCO shall index a copy of the prosthetic invoice used in the negotiation (*e.g., 35 percent above the invoice as agreed upon on MM/DD/YY*). The manufacturer invoice is required for reimbursement. However, the prosthetic provider may provide it at the time of the negotiation and index as well.

The MCO shall document the approval as a percentage approved above invoice for BR codes L5999, L8499 and L7499, as opposed to a dollar amount. The manufacturer invoice may change between the negotiation phase and the time the prosthetic provider purchases the components. As a result, this dollar amount may fluctuate. The MCO would negotiate an agreement to pay no higher than the BWC fee schedule percentages for the BR components, unless otherwise receiving authorization from BWC following the fee schedule exception process.

The MCO may collaborate with BWC catastrophic (CAT) nurses during the MCO review process for clinical assistance. Keep in mind that the CAT nurse does not have approval authority for negotiating fees or authorizing fee schedule exceptions.

► **Reimbursement**

The prosthetist will submit the following to the MCO for reimbursement after the prosthetic provider supplies the device to the injured worker:

- The transmitted bill Health Insurance Claim (CMS-1500) form for the prosthetic device;
- The manufacturer's invoice;
- The final prosthetic invoice from the MCO negotiation phase.

The MCO shall follow the processes outlined below when he/she discovers discrepancies between the original documentation received and the actual manufacturer's invoice.

- If the manufacturer's invoice cost is greater than or less than the estimate price used in the negotiation, the MCO will pay the same percentage on the higher or lower cost shown on the manufacturer's invoice. The MCO shall apply the negotiated percentage above invoice to the actual manufacturer's invoice, regardless of the estimate that the prosthetic provider submits during the negotiation phase. The chart below is an example of this application.

Scenario: If the estimated invoice cost for L7499 is \$25,000, and the percentage above invoice negotiated is 40 percent the following applies in this table.

Actual manufacturer's invoice for L7499	Estimated invoice	Actual manufacturer Invoice	Payment
Equal (=) the estimate	\$25,000	\$25,000	\$35,000
Greater than (>) the estimate	\$25,000	\$30,000	\$42,000
Less than (<) the estimate	\$25,000	\$20,000	\$28,000

- The prosthetic provider shall notify the MCO immediately if the injured worker requires an additional service component or supply that was not included in the initial negotiation. In this example, the additional service component or supply would not be included in BR codes L5999, L8499 or L7499. Instead, the additional component or service would result from the addition of a specific L code. It would be separately reimbursable and would not factor into the negotiation.
- The MCO shall use the explanation of benefits (EOB) code 327 – *Payment is denied as the medical documentation provided is not adequate to justify reimbursement* for lack of manufacturer and/or prosthetic invoice.

Conclusion

The MCO shall use this BWC Policy Alert to provide clarity on the protocols the MCO shall use to code prosthetic bills; apply prosthetic pricing methodology; submit invoices for payment reimbursement; and process payment above the BWC fee schedule. This will ensure consistency while decreasing delays in prosthetic services provided to the injured worker.

Location: <http://www.ohiobwc.com/provider/services/FeeSchedules.asp>

References

Ohio Administrative Code 4123-6-08 Bureau Fee Schedule
Artificial Appliance Requests, MP-16-01.PR1

Appendix

Definitions

► **By Report (BR) codes**

The procedure or service is not typically covered and BWC/MCO will not routinely reimburse. Many of the BR codes are unclassified/unspecified generic codes, and BWC/MCO currently assigns a dollar amount of \$0. Authorization and payment of codes identified as BR require an individual analysis by the MCO prior to submission to BWC. The MCO analysis shall include researching the appropriateness of the code in relation to the service or procedure and cost comparisons in order for the MCO to approve high quality, cost-effective medical care. The provider must submit a report to the MCO for reimbursement consideration.

► **BWC Prosthetics Pricing Methodology**

BWC will price the three prosthetic BR codes described below at the manufacturer's invoice price, plus a negotiated percentage pursuant to the Professional Provider fee schedule. This additional percentage shall not exceed a predetermined maximum based on the complexity of upper and lower extremity prosthetics.

BWC will continue to establish reimbursement for all other BR prosthetic codes as outlined in the BR definition above. The provider must submit the manufacturer's invoice to the MCO for reimbursement consideration.

- L5999 - Manufacturer invoice price plus a negotiated percentage not to exceed 35 percent
- L8499 - Manufacturer invoice price plus a negotiated percentage not to exceed 35 percent
- L7499 - Manufacturer invoice price plus a negotiated percentage not to exceed 50 percent

► **Code L9900**

BR code L9900 is an orthotic and prosthetic supply, accessory, and/or service component of another HCPCS L code.

► **Current Procedural Terminology (CPT®) Codes**

The American Medical Association develops CPT® as a listing of descriptive terms and five character identifying codes and modifiers for reporting medical services and procedures by physicians or non-physician providers.

► **Customization vs. custom manufacturing prosthetic devices**

- Customizing an existing prosthetic device is a common process that occurs when a prosthetic provider fits or alters a base prosthetic device to an injured worker. The prosthetic provider may change, enhance and/or even add to the prosthetic device received from the manufacturer.
- Custom manufacturing occurs in instances when the prosthetic provider makes a device out of raw materials. The prosthetic provider is expected to provide a statement detailing:
 - o What raw materials are used;
 - o The estimated assembly and labor times;
 - o The estimated cost for each in lieu of an actual manufacturer's invoice.

► **Invoices**

- Manufacturer Invoice is an invoice from the manufacturer documenting the purchase of a base component that the supplying prosthetist will customize. A manufacturer's invoice is only required when services will be billed with any of the following three BR codes – L5999, L8499 and L7499. This invoice can include shipping costs, but will be net of discounts or rebates.
- Prosthetic Invoice is an invoice from the prosthetist providing line item detail of all charges directly related to the supplied device, or device he or she will supply. The invoice will reflect the codes relevant to the services associated with the device the prosthetist will supply, or that he or she has supplied.

► **L codes**

These codes are a subset of the Level II Health Care Procedure Coding System (HCPCS) codes and specifically refer to the orthotic and prosthetic procedures and devices, as well as scoliosis equipment, orthopedic shoes and prosthetic implants.

► **Level II HCPCS**

Level II of the HCPCS is a standardized coding system used primarily to identify products, supplies, and services not included in the CPT® codes such as ambulance services and durable medical equipment, prosthetics, orthotics and supplies when used outside a physician's office. Level II codes are also referred to as alphanumeric codes because they consist of a single alphabetical letter followed by four numeric digits, while CPT® codes are identified using five numeric digits.