

CHAPTER 13
SECTION 3.2

DURABLE MEDICAL EQUIPMENT CLAIMS: BASIC PROGRAM

Issue Date: December 29, 1982

Authority: [32 CFR 199.4\(d\)\(3\)\(ii\)](#)

I. POLICY

TRICARE/CHAMPUS benefits may be extended for durable medical equipment (DME) based on the POLICY CONSIDERATIONS listed below:

II. POLICY CONSIDERATIONS

A. The maximum allowable amount for an item of durable medical equipment is:

1. The lower of the total rental cost for the period of medical necessity or the reasonable purchase cost and
2. Delivery charge, pick-up charge, shipping and handling charges, and taxes.

B. The reasonable purchase cost determination shall consider whether the item is new or used in the calculation of an allowable amount using allowable charge methodology for standard items of equipment, accessories and supplies within a state.

1. For customized items, the contractor may price such claims using documented evidence of retail prices for customization in the state of purchase.
2. Rental cost-share associated with an initial prescription may be excluded from the calculation of the allowable amount for a second prescription which extends the period of medical necessity due to clinical complications.

C. The medically necessary period used in the rent or purchase allowable amount determination shall be the lesser of the estimated period of medical necessity or the period of continued TRICARE/CHAMPUS eligibility.

D. Each initial claim must be documented by a prescription from the beneficiary's attending physician, dated within 30 days of the rental, order, purchase, or repair of the equipment, which explains:

1. How the equipment is expected to contribute to the treatment of the beneficiary's specific illness or injury or to the reduction of the disabling effects of a malformed body member or developmental disability and

2. The beginning and ending dates of the period during which the item will be medically necessary. An "indefinite" period of medical necessity is not an acceptable statement. A "lifetime" period of medical necessity is acceptable when supported in the statement of medical necessity.

E. A written notice to the beneficiary and to the equipment vendor shall be made when the contractor determines that:

1. Purchase is most advantageous to the government and the claim is for rental (the maximum allowable rental amount shall be specified in the notice).

2. Rental is most advantageous to the government and the claim is for purchase (the maximum allowable purchase amount shall be specified in the notice).

F. Repair allowable amount is limited to the lower of the reasonable purchase cost or of the total rental cost for the remaining period of medical necessity.

G. Replacement equipment purchase allowable amount is limited to the reasonable purchase cost less any warranty credit or other payment due from third party liability.

H. A claim which is suspected to involve malicious damage, culpable neglect, or wrongful disposition of equipment shall be referred to the contractor's program integrity manager.

I. See [Chapter 7, Section 3.1](#), Durable Medical Equipment: Basic Program.

III. EXCEPTION

Oxygen concentrators are to be cost-shared on a rental basis. The DME cost-sharing policy will not apply even though the purchase price for this equipment has been reached. Cost-sharing on a rental basis is necessary as oxygen concentrators require frequent periodic maintenance and frequent checks to ensure that the liter flow setting of the oxygen concentrator has not been altered. (See [Chapter 7, Section 8.1](#).)

IV. EXCLUSIONS AND LIMITATIONS

A. Effective October 23, 1993, a cost that is non-advantageous to the government shall not be allowed even when the equipment cannot be rented or purchased within a "reasonable distance" of the beneficiary's current address. The charge for delivery and pick-up is an allowable part of the cost of an item; consequently, distance does not limit access to equipment.

B. Effective October 23, 1993, line-item interest and carrying charges for equipment purchase shall not be allowed. TRICARE lump-sum payment for purchase of an item of equipment is the limit of the government cost-share liability. Interest and carrying charges result from an arrangement between the beneficiary and the equipment vendor for prorated payment of the beneficiary's cost-share liability over time.

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