**Section 140.481 Payment for Medical Equipment, Supplies, Prosthetic Devices and Hearing Aids**

a) Payment for Medical Equipment. Medical equipment is durable, reusable equipment such as hospital beds, canes, walkers, etc. Payment for medical equipment is made for covered items or services at the lesser of the provider's charge or the maximum allowable rate established by the Department's fee schedule. The Department will review the maximum allowable rates at least annually. Beginning March 1, 2018, the Department's maximum allowable rates for new items or services shall be calculated based on the Medicare DMEPOS fee schedule rate for the year the procedure code is first established on the Department's fee schedule, minus 6 percent. The Medicare DMEPOS Fee Schedule is a list of payment amounts for durable medical equipment, prosthetics, orthotics, and supplies published by the Centers for Medicare and Medicaid Services; it is available at https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule.html. When more than one rate is listed for a single item on the DMEPOS Fee Schedule (e.g., rural and nonrural rates), the Department will base its maximum allowable rate for that item on the highest Illinois rate listed. If there is no rate established on the Department's fee schedule, the maximum allowable rate established for each item or service shall be the least of:

1) The average suggested retail price derived from available medical supply catalogs and/or providers' price lists; or

2) The wholesale price, defined effective July 1, 2013 as actual acquisition cost including all discounts, derived from available medical supply catalogs and/or providers' price lists for each item plus 50 percent; or

3) The Medicare allowable rate for covered Medicare items or services.

b) Payment for wheelchairs and wheelchair parts and accessories is made for covered items or services at the lesser of the provider's charge or the maximum allowable rate established by the Department. The Department will review the maximum allowable rates at least annually. Beginning March 1, 2018, the Department's maximum allowable rates for new items or services will be calculated based on the Medicare rate for the year the procedure code is first established on the Department's fee schedule minus 6 percent. If there is no rate established on the Department's fee schedule, the maximum allowable rate established for each item or service shall be the Manufacturer's Suggested Retail Price (MSRP) minus 10 percent.

c) Medical supplies are medical items which are not durable or reusable such as surgical dressings, disposable syringes, catheters, urinary bags, etc. Payment for medical supplies is made for covered items at the lesser of the provider's charge or the maximum allowable rate established by the Department. The Department will review the maximum allowable rates at least annually. Beginning March 1, 2018, the Department's maximum allowable rates for new items or services will be calculated based on the Medicare rate for the year the procedure code is first established on the Department's fee schedule minus 6 percent. If there is no rate established on the Department's fee schedule, the maximum allowable rate established for each item shall be the least of:

1) The average suggested retail price derived from available medical supply catalogs and/or providers' price lists; or

2) The wholesale price derived from available medical supply catalogs and/or providers' price lists for each item plus 50 percent; or

3) The Medicare allowable rate for covered Medicare items or services.

d) Payment for Prosthetic and Orthotic Devices. Prosthetic and orthotic devices include corrective or supportive devices prescribed to artificially replace a missing portion of the body, or to prevent or correct physical deformity or malfunction, or to support a weak or deformed portion of the body. Payment for prosthetic and orthotic devices is made for covered items or services at the lesser of the provider's charge or the maximum allowable rate established by the Department. The Department will review the maximum allowable rates at least annually. Beginning March 1, 2018, the Department's maximum allowable rates for new items or services will be calculated based on the Medicare rate for the year the procedure code is first established on the Department's fee schedule minus 6 percent. If there is no rate established on the Department's fee schedule, the maximum allowable rate established for each item shall be the least of:

1) The average suggested retail price derived from providers' price lists; or

2) The wholesale price derived from providers' price lists for each item plus 50 percent; or

3) The Medicare allowable rate for covered Medicare items or services.

e) Payment for hearing aids shall be made at the lesser of the provider's charge or the maximum allowable rate established by the Department. The hearing aid shall be priced by the Department at the vendor's actual acquisition cost, without exceeding the Department's upper limits of reimbursement for the item. Acquisition cost is defined as the actual amount the supplying provider pays for the hearing aids. Any discounts, rebates or bonuses shall be subtracted when calculating the acquisition cost. The amount of any rebates or bonuses shall be prorated on all purchases for which the rebate or bonus was earned. The prorated share shall be subtracted when calculating the acquisition cost of the item. Verification of the vendor's acquisition cost must be attached to the request for reimbursement. In addition to payment for the acquisition costs, the Department will pay a dispensing fee. Payment for a dispensing fee shall include reimbursement for fitting, follow-up visits, shipping and retail markup. The Department shall review and update the maximum allowable rate at least annually.

1) To establish the maximum limit for the acquisition cost of the hearing aid, the Department shall review wholesale prices from available supply catalogs and provider price lists for the most widely accepted brands and types of technology.

2) To establish the maximum allowable rate for the dispensing fee, the Department shall use an average of available rates charged by audiologists for three hearing aid follow-up visits, not to exceed the Department's maximum allowable rate for a physician visit of low complexity for an established patient, plus the average of available shipping fees charged by the wholesaler for hearing aid shipping and an amount for the retail mark-up, determined by taking 50 percent of the average wholesale price of the hearing aids reviewed.

(Source: Amended at 42 Ill. Reg. 4829, effective March 1, 2018)