

# Subcontracting of DMEPOS Services

The “primary supplier” of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) is the Medicare-enrolled DMEPOS supplier that furnishes the item and bills Medicare for reimbursement. As part of furnishing the item, the quality standards require that the primary supplier is responsible for the overall service of furnishing the item and coordinating the care for the beneficiary in compliance with the physician’s order and Medicare rules and guidelines, but the primary supplier may subcontract certain services.

Consistent with the DMEPOS Supplier Standards, a subcontractor may perform the following services:

- **Purchase of inventory:** 42 CFR 424.57(c)(4) Fills orders, fabricates, or fits items from its own inventory or by contracting with other companies for the purchase of items necessary to fill the order. If it does, it must provide, upon request, copies of contracts or other documentation showing compliance with this standard. A supplier may not contract with any entity that is currently excluded from the Medicare program, from any state health care programs, or from any other federal government executive branch procurement or non-procurement program or activity. A subcontractor that performs only this service does not need to be accredited.
- **Delivery and instruction on use of Medicare-covered item:** 42 CFR 424.57(c)(12) Must be responsible for the delivery of Medicare-covered items to beneficiaries and maintain proof of delivery. (The supplier must document that it or another qualified party has, at an appropriate time, provided beneficiaries with necessary information and instructions on how to use Medicare-covered items safely and effectively). A subcontractor that only delivers the item does not need to be accredited. If the subcontractor provides more than the delivery by setting up the equipment or giving instructions on the use of the item, then the subcontractor needs to be accredited, unless a professional exemption or the pharmacy exemption applies.
- **Repair of rented equipment:** 42 CFR 424.57 (c)(14) Must maintain and replace at no charge or repair directly, or through a service contract with another company, Medicare-covered items it has rented to beneficiaries. The item must function as required and intended after being repaired or replaced. A subcontractor that only repairs equipment that a supplier is renting to a beneficiary does not need to be accredited. If the subcontractor provides more than the repair of the equipment by setting up the repaired item or giving instructions on the use of the repaired item, then the subcontractor needs to be accredited, unless a professional exemption or the pharmacy exemption applies.

In addition to complying with the supplier standards, DMEPOS suppliers must meet the quality standards, which have been issued consistent with the mandate in section 1834(a)(20) of the Social Security Act (the Act). The quality standards delineate the services that a supplier is required to perform in the course of furnishing quality items and services. While the quality standards are not meant to be an exhaustive list of services a supplier performs when furnishing DMEPOS, they do highlight many of the services that a primary supplier performs in the course of furnishing the item and coordinating the care for the beneficiary. Services such as intake and assessment, coordination of care with the physician, submitting claims on behalf of the beneficiary, ownership and responsibility for equipment furnished to the beneficiary, ensuring product safety, etc., are all services for which the primary supplier is responsible. Only the primary supplier can communicate with referral agents and Medicare beneficiaries to arrange for furnishing of DMEPOS items and services.

The quality standards document many of the primary supplier services or functions and are, therefore, a good reference tool for distinguishing the role of the primary supplier versus the role of a subcontractor as described in the DMEPOS supplier standards. The primary supplier is accountable for ensuring that all of the services associated with furnishing the item, including subcontracted services, are performed in compliance with the physician’s order and Medicare rules and guidelines. All suppliers, including those that perform subcontracted services, must be accredited, unless they qualify for one of the professional exemptions provided in section 1834(a)(20)(F)(ii) of the Act or they are pharmacies that are exempt from accreditation because they satisfy the criteria described in 1834 (a)(20)(G) of the Act. (Please note that while the pharmacy accreditation exemption applies to pharmacies that are subcontractors, it does not apply to pharmacies that want to bid. All contract supplier locations must be appropriately accredited.) Primary suppliers and their subcontractors must also possess the applicable state licenses to furnish the items in the CBA.