



State of New Jersey
Department of Human Services
Division of Medical Assistance & Health Services

NEWSLETTER

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TO: Medical Suppliers, Prosthetic and Orthotic Providers - For Action
Health Maintenance Organizations - Information Only

SUBJECT: **Surety Bond and Disclosure Requirements for Providers of
only Durable Medical Equipment (DME)**

EFFECTIVE: Claims with service dates on or after January 1, 1998

PURPOSE: To notify all providers of Durable Medical Equipment (DME) of new federal requirements for a surety bond and full disclosure of ownership and controlling interest(s) by medical suppliers and providers of Prosthetic and Orthotic (P&O) services who provide DME and participate in the New Jersey Medicaid program.

BACKGROUND: In accordance with Section 4724(g) of the Federal Balanced Budget Act of 1997, medical suppliers and P&O providers who provide DME and participate in the New Jersey Medicaid program are required to post a \$50,000 surety bond. The New Jersey Medicaid program is also requiring that the provider fully redisclose the identity of "each person with an ownership or control interest" (as defined in section 1124(a)(3) of the Social Security Act) in the provider or in any subcontractor in which the provider directly or indirectly has a 5% or more ownership interest.

"A person with an ownership or control interest" means an individual who has an indirect or direct ownership interest of 5% or more, or is the owner or has a part interest in any mortgage, deed of trust, note or other obligation secured in whole or part by the property or assets, or is an officer of the provider entity if a corporation, or is a partner if organized as a partnership.

The statute also requires that the DME provider disclose for the provider or for any person who has been identified as "a person with an ownership or control interest" in the DME supplier, the name of any "disclosing entity" (as defined in section 1124(a)(2) of the Social Security Act) in which the provider or person has any ownership or control interest.

The ownership or control interest can be, but is not limited to, an interest in a provider of services; an independent clinical laboratory; a renal disease facility; a managed care entity, including an HMO; any entity that receives reimbursement under Title V or XIX; or a carrier, fiscal intermediary or fiscal agent for either Medicare or Medicaid. Section 1124(a)2 provides a complete listing of what entities an interest must be disclosed in.

ACTION: Medical suppliers and P&O providers who provide DME and participate in the New Jersey Medicaid program are required to post a \$50,000 surety bond and submit a disclosure of ownership and controlling interest statement prior to January 1, 1998.

Durable Medical Equipment, as defined in N.J.A.C. 10:59-1.2, means an item or apparatus, other than hearing aids and certain prosthetic and orthotic services, including customized DME, modified DME and standard DME, also defined in 10:59-1.2, which has all of the following characteristics:

1. Is primarily and customarily prescribed to serve a medical purpose and is medically necessary for the beneficiary for whom it was requested;
2. Is generally not useful to a beneficiary in the absence of disease, illness, injury, or disability;
3. Is capable of withstanding repeated use (durable) and is nonexpendable; for example, but not limited to, hospital beds, oxygen equipment, wheelchairs, walkers, suction equipment, and the like.

DME claims with service dates on or after January 1, 1998, submitted by medical suppliers and P&O providers that provide DME and fail to post the surety bond or fully disclose ownership interests will be denied payments by the New Jersey Medicaid program. In addition, the State may recover any payments determined ineligible for Medicaid reimbursement because a DME provider is not bonded on a date of service.

Providers **must** comply with the following procedures **by January 1, 1998**, to ensure their continued participation in the New Jersey Medicaid program:

1. Medical suppliers and P&O providers who provide DME must submit to UNISYS, the State's fiscal agent, an **original** surety bond in the amount of \$50,000. For providers with more than one location, only one surety bond is required per provider.

2. The surety bond must be valid for a twelve (12) month period and must be issued by an agency approved by the New Jersey Department of Banking and Insurance to sell surety bonds.
3. The surety bond shall name the "State of New Jersey, Department of Human Services," as the Obligee.
4. The attached form (FD-394), entitled "Additional Surety Bond Information," must be completed and returned to UNISYS with the surety bond.
5. Providers must complete the attached Disclosure of Ownership and Control Interest Statement (**HCFA-1513**).
6. Medical suppliers and providers of P&O services who provide DME are also required to notify the Division of Medical Assistance and Health Services (DMAHS) and must submit an updated HCFA-1513 each time there is a change of five (5) percent or more of direct or indirect ownership in the disclosing entity.

Providers who fail to comply with the above requirements shall be denied participation in the New Jersey Medicaid program.

Please submit the original surety bond, a properly completed HCFA-1513, and the "Additional Surety Bond Information Sheet" FD-394 by CERTIFIED MAIL - RETURN RECEIPT REQUESTED to:

**UNISYS
Provider Enrollment Unit
P.O. Box 4804
Trenton, NJ 08650-4804**

Please note that the green "Certified Mail - Return Receipt Card" (PS Form 3811) will be returned by the United States Postal Service.

In the future, providers are responsible for annually submitting an **original** surety bond in the amount of \$50,000 to the State of New Jersey, Department of Human Services. The **FD-394** must accompany the original surety bond.

If you have any questions concerning this Newsletter, please do not hesitate to contact the Chief, Pharmaceutical Services, at (609) 588-2724.

**RETAIN THIS NEWSLETTER NUMERICALLY BEHIND THE NEWSLETTER TAB
(BLUE TAB MARKED "5")**



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ADDITIONAL SURETY BOND INFORMATION

PLEASE INDICATE YOUR COMPANY'S NAME AND LIST ALL DME PROVIDER NUMBERS CURRENTLY ASSIGNED TO YOUR COMPANY BY THE NEW JERSEY DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS). PLEASE LIST THIS INFORMATION IN THE SPACES PROVIDED BELOW.

COMPANY NAME: _____

PROVIDER NUMBER(S): _____

Please note that claim payments on and after January 1, 1998 are based, in part, on the bonded status of a provider. The failure of a company to provide this information may result in payment delays or denied payments from the New Jersey Medicaid program.