



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

# NEWSLETTER

Volume 8 No. 9

February 1998

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

**SUBJECT:** **New Effective Date for Surety Bond and Disclosure Requirements for Providers of Only Durable Medical Equipment**

**EFFECTIVE:** Claims with service dates on or after February 27, 1998

**PURPOSE:** To notify providers of Durable Medical Equipment (DME) of a postponement in the effective date for implementation of surety bond and disclosure requirements, in accordance with Section 4724(g) of the Federal Balanced Budget Act of 1997. Also, to provide an acceptable surety bond form to support the surety bond requirement.

**BACKGROUND:** The New Jersey Division of Medical Assistance and Health Services (DMAHS), in the Medicaid Newsletter Volume 7, No. 69, dated December 1997, notified medical suppliers and Prosthetic and Orthotic (P&O) providers who provide DME of new requirements for a \$50,000 surety bond and full disclosure of ownership and controlling interest(s). For additional information concerning these new requirements, providers are encouraged to reference this Newsletter.

The initial Newsletter indicated that these requirements would apply to claims with service dates on or after January 1, 1998. Based on a recent decision by the Health Care Financing Administration (HCFA), the effective date for these requirements has been postponed from January 1, 1998, to February 27, 1998.

**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 (HCFA-1513) prior to February 27, 1998. This change in effective date applies to both the surety bond and ownership disclosure statement. Additional information and instructions provided in the Medicaid Newsletter Volume 7, No. 69, dated December 1997, remain unchanged.

**DME claims with service dates on or after February 27, 1998, submitted by medical suppliers and P&O providers who provide DME that fail to post the surety bond or fully disclose ownership interest 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.**

It is important to note that these requirements are a matter of State policy. Although DMAHS anticipates that HCFA will issue regulations on surety bonds in the near future, the timing of their release by HCFA has no impact on the State's decision to move forward with these requirements. DMAHS intends to implement these requirements for claims with service dates on or after February 27, 1998.

For your use, DMAHS has attached to this Newsletter an acceptable "Medicaid Surety Bond" form which was prepared in cooperation with the marketplace. Please share the bond form with bond agencies and/or insurance carriers who you may contact to post the required surety bond.

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

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(BLUE TAB MARKED "5")**