

## Payment Policies for Healthcare Services

Provided to Injured Workers and Crime Victims

# Chapter 28: Supplies, Materials, and Bundled Services

Effective July 1, 2024



**Link:** Look for possible [updates and corrections](#) to these payment policies on L&I's website.



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## Definitions

**The following terms are utilized in this chapter and are defined as follows:**

**Acquisition cost:** The acquisition cost equals:

- Wholesale cost of the item, *and*
- Shipping and handling if applicable, *and*
- Sales tax.

**By report:** A code listed in the fee schedule as “By Report” which doesn’t have an established fee because the service is too unusual, variable, or new. When billing for the code, the provider must provide a report that defines or describes the services or procedures. The insurer will determine an appropriate fee based on the report.



**Link:** For the full legal definition of By Report, see [WAC 296-20-01002](#).

**Bundled codes:** Procedure codes that are not separately payable because they are accounted for and included in the payment of other procedure codes and services.

Pharmacy and DME providers can bill HCPCS codes listed as bundled on the fee schedules because, for these provider types, there’s not an office visit or a procedure into which supplies and/or equipment can be bundled.



**Link:** For the legal definition of Bundled codes, see [WAC 296-20-01002](#).

**Itemized invoice:** An invoice for a supply item that includes acquisition cost.

**Primary surgical dressings:** Therapeutic or protective coverings directly applied to wounds or lesions on the skin or caused by an opening on the skin. These dressings include items such as:

- Telfa,
- Adhesive strips for wound closure, *and*
- Petroleum gauze.

**Secondary surgical dressings:** Secondary surgical dressings serve a therapeutic or protective function and secure primary dressings. These dressings include items such as:

- Adhesive tape,
- Roll gauze,
- Binders, *and*
- Disposable compression material.



## Modifiers

**The following CPT®, HCPCS, and/or local code modifiers appear in this chapter:**

Use	Payment Information
<b>-1S (Surgical dressings for home use)</b>	
<p>Use this modifier to indicate when surgical dressing supplies are dispensed for home use.</p> <p>Bill with the appropriate HCPCS code for each dressing item.</p>	<p>Services with this modifier may be bundled, based on who is providing the dressings.</p> <p>If not bundled, payment is made at <b>100%</b> of the fee schedule level or billed charge, whichever is less.</p>
<b>-NU (New purchased DME)</b>	
<p>Use this modifier to indicate when the DME dispensed is being purchased and doesn't need to be returned to the supplier.</p> <p><b>Note:</b> DME codes that are applicable to purchasing are listed in the L&amp;I <a href="#">Professional Services Fee Schedules</a>.</p>	<p>These services are represented by their own line on the professional services fee schedule.</p> <p>Payment will be made at <b>100%</b> of the modifier <b>-NU</b> rate for each specific DME provided or billed charge, whichever is less.</p>
<b>-RR (Rented DME)</b>	
<p>Use this modifier to indicate when the DME dispensed will be rented and returned to the supplier.</p> <p><b>Note:</b> DME codes that are applicable to rental are listed in the L&amp;I <a href="#">Professional Services Fee Schedules</a></p>	<p>These services are represented by their own line on the professional services fee schedule.</p> <p>Payment will be made at <b>100%</b> of the modifier <b>-RR</b> rate for each specific DME provided or billed charge, whichever is less.</p>



**Note:** Many factors contribute to the resulting allowed amount. Therefore, there may be other factors aside from modifier usage that reduce or affect payment. Refer to the applicable payment policies and fee schedules for the service(s) being provided for more information.



## Payment policy: Acquisition cost and itemized invoices

### General information

This policy describes what **acquisition cost** means, how it's calculated, and when charges for **supplies** are reimbursed at this rate. It also describes when an **itemized invoice** is required.

This policy doesn't apply to hospital bills. For the hospital **acquisition cost** policy, see [Chapter 35: Hospitals](#).

### Definition of acquisition cost

The **acquisition cost** equals:

- Wholesale cost of the item, *and*
- Shipping and handling if applicable, *and*
- Sales tax.

### Services that can be billed

Providers are reimbursed at **acquisition cost** for supply codes that:

- Are listed as **By Report** in the Fee Schedule, *and*
- Cost \$150 or more.

The following table summarizes the various ways the insurer pays for **supplies**:

	If the supply has a fee listed in the Fee Schedule...	If the supply is listed as "By Report" in the Fee Schedule...	If the supply is listed as "Bundled" in the Fee Schedule...
<i>You bill less than \$150 for the item...</i>	<b>Itemized invoice</b> not required. Submit standard documentation. Payment is made at the amount billed or the maximum fee, whichever is less.	<b>Itemized invoice</b> not required. Submit standard documentation. Payment is made at 80% of the amount billed.	You won't be paid for this item separately from the associated service(s).

	If the supply has a fee listed in the Fee Schedule...	If the supply is listed as “By Report” in the Fee Schedule...	If the supply is listed as “Bundled” in the Fee Schedule...
<i>You bill \$150 or more for the item...</i>	<p><b>Itemized invoice</b> required. Submit with standard documentation.</p> <p>Payment is made at the amount billed or the maximum fee, whichever is less.</p>	<p><b>Itemized invoice</b> required. Submit with standard documentation.</p> <p>Payment is made at <b>acquisition cost</b>.</p>	<p>You won't be paid for this item separately from the associated service(s).</p>

## Requirements for billing

The **acquisition cost** must be billed as one charge. Sales tax and shipping and handling charges aren't paid separately and must be included in the total cost for the supply.

## Documentation requirements

All supplies require documentation to support their purchase regardless of cost. See [Chapter 2: Information for All Providers](#) for details.

As described in the table above, an **itemized invoice** showing **acquisition cost** must be submitted with bills for all **supplies** that:

- Cost more than \$150, *and*
- Aren't listed as **Bundled** in the Fee Schedule.

Providers must keep invoices for all **supplies** in their office files for a minimum of 5 years. A provider must submit a copy of the itemized invoice to the insurer when required (see table above) and/or upon request. Failure to produce an **itemized invoice** when required may result in bill denial or recoupment.



## Payment policy: Casting materials

### Services that can be billed

Bill for casting materials with HCPCS codes **Q4001-Q4051**.

### Services that aren't covered

No payment will be made for the use of a cast room. Use of a cast room is considered part of a provider's practice expense.



## Payment policy: Catheterization

### Services that can be billed

Separate payment is allowed for placement of a temporary indwelling catheter when treatment is:

- Performed in a provider's office, *and*
- Used to treat a temporary obstruction.



**Link:** For more information about catheterization to obtain specimen(s) for lab tests, see the Specimen collection and handling payment policy in [Chapter 23: Pathology and Laboratory Services](#).

### Payment limits

Separate payment isn't allowed when placement of a temporary indwelling catheter is performed:

- On the same day as a major surgical procedure, *or*
- During the postoperative period of a major surgical procedure that has a follow up period.



## Payment policy: Miscellaneous supplies

### Services that can be billed

HCPCS billing code **E1399** can be billed for a miscellaneous supply that meets both of these criteria:

- The supply (or DME item) doesn't have a valid HCPCS code assigned, *and*
- The item must be appropriate relative to the covered injury or type of treatment being received by the worker.

### Services that aren't covered

The insurer won't pay CPT® code **99070**, which represents miscellaneous **supplies** and materials provided by the provider.

### Requirements for billing

All bills for **E1399** items must have:

- Either the **-NU** or **-RR** modifier, *and*
- A description must be on the paper bill or in the remarks section of the electronic bill.

These specific miscellaneous **supplies** must be billed using HCPCS code **E1399**:

- Therapy putty and tubing, *and*
- Anti-vibration gloves.





## Payment policy: Services and supplies

### General information

Services and **supplies** must be medically necessary and must be prescribed by an approved provider for the direct treatment of an accepted condition.

Supplies include, but aren't limited to:

- Drugs administered in a provider's office,
- Medical and surgical supplies, *and*
- Prefabricated orthotics.

Providers must bill specific HCPCS or local codes for **supplies** and materials provided during an office visit or with other office services.

For covered medical and surgical **supplies** that pay **By Report**, providers must bill their usual and customary fees. To find out which codes pay **By Report**, see the Medical and Surgical Supplies section of the [Professional Services Fee Schedule](#).



**Links:** For more information on billing usual and customary fees, see [WAC 296-20-010\(2\)](#).

### Services that aren't covered

The insurer won't pay CPT® **99070**, which represents miscellaneous **supplies** and materials provided by the provider.

### Payment limits

Under the fee schedules, some services and supply items are considered **Bundled** into the cost of other services (associated office visits or procedures) and won't be paid separately. These include:

- **Supplies** used in the course of an office visit, *and*
- Fitting fees, which are **Bundled** into the office visit or into the cost of any DME.

For medical and surgical **supplies** that pay **By Report** (except **E1399**), see [Payment policy: Acquisition cost and itemized invoices](#).

To see which billing codes are **Bundled**, see [L&I's Professional Services Fee Schedule](#); in the dollar value column, such items show the word **Bundled** (instead of a dollar amount).



## Payment policy: Supply codes, bundled

### General information

In the following table, the items listed are used as orthotics/prosthetics and may be paid separately **for permanent conditions** if they are provided in the physician's office.

If the condition is **acute or temporary**, these items aren't considered prosthetics.

For example:

- Foley catheters and accessories for permanent incontinence or ostomy **supplies** for permanent conditions may be paid separately when provided in the physician's office, *and*
- The Foley catheter used to obtain a urine specimen, used after surgery, or used to treat an acute obstruction wouldn't be paid separately because it is treating a temporary problem, *and*
- If a patient had an indwelling Foley catheter for permanent incontinence, and a problem developed which required the physician to replace the Foley, then the catheter would be considered a prosthetic/orthotic and would be paid separately.

### HCPCS supply codes

This HCPCS supply code is bundled:	And it has this abbreviated description:
<b>A4327</b>	Fem urinary collect dev cup
<b>A4328</b>	Fem urinary collect pouch
<b>A4335</b>	Incontinence supply
<b>A4338</b>	Indwelling catheter latex
<b>A4340</b>	Indwelling catheter special
<b>A4344</b>	Cath indw foley 2 way silicn
<b>A4346</b>	Cath indw foley 3 way
<b>A4356</b>	Ext ureth clmp or compr dvc
<b>A4357</b>	Bedside drainage bag
<b>A4358</b>	Urinary leg or abdomen bag
<b>A4361</b>	Ostomy face plate
<b>A4362</b>	Solid skin barrier
<b>A4364</b>	Adhesive, liquid or equal

This HCPCS supply code is bundled:	And it has this abbreviated description:
<b>A4366</b>	Ostomy vent
<b>A4367</b>	Ostomy belt
<b>A4368</b>	Ostomy filter
<b>A4369</b>	Skin barrier liquid per oz
<b>A4371</b>	Skin barrier powder per oz
<b>A4372</b>	Skin barrier solid 4x4 equiv
<b>A4373</b>	Skin barrier with flange
<b>A4375</b>	Drainable plastic pch w fcpl
<b>A4376</b>	Drainable rubber pch w fcpl
<b>A4377</b>	Drainable plastic pch w/o fp
<b>A4378</b>	Drainable rubber pch w/o fp
<b>A4379</b>	Urinary plastic pouch w fcpl
<b>A4380</b>	Urinary rubber pouch w fcpl
<b>A4381</b>	Urinary plastic pouch w/o fp
<b>A4382</b>	Urinary heavy plastic pch w/o fp
<b>A4383</b>	Urinary rubber pouch w/o fp
<b>A4384</b>	Ostomy faceplate/silicone ring
<b>A4385</b>	Ostomy skin barrier solid ext wear
<b>A4387</b>	Ostomy closed pouch w attachment st barrier
<b>A4388</b>	Drainable pouch w external wear barrier
<b>A4389</b>	Drainable pouch w st wear barr
<b>A4390</b>	Drainable pouch ex wear convex
<b>A4391</b>	Urinary pouch w ex wear barr
<b>A4392</b>	Urinary pouch w st wear barr
<b>A4393</b>	Urine pouch w ex wear bar conv
<b>A4394</b>	Ostomy pouch liq deodorant
<b>A4395</b>	Ostomy pouch solid deodorant
<b>A4398</b>	Ostomy irrigation bag

This HCPCS supply code is bundled:	And it has this abbreviated description:
<b>A4399</b>	Ostomy irrig cone/cath w brs
<b>A4400</b>	Ostomy irrigation set
<b>A4402</b>	Lubricant per ounce
<b>A4404</b>	Ostomy ring each
<b>A4405</b>	Nonpectin based ostomy paste
<b>A4406</b>	Pectin based ostomy paste
<b>A4407</b>	Ext wear ost skn barr <=4sq
<b>A4408</b>	Ext wear ost skn barr >4sq
<b>A4409</b>	Ost skn barr w flng <=4 sq l
<b>A4410</b>	Ost skn barr w flng >4sq
<b>A4413</b>	2 pc drainable ost pouch
<b>A4414</b>	Ostomy sknbarr w/o conv<=4sq in
<b>A4415</b>	Ostomy skn barr w/o conv >4 sqi
<b>A4416</b>	Ost pch clsd w barrier/fltr
<b>A4417</b>	Ost pch w bar/bltinconv/fltr
<b>A4418</b>	Ost pch clsd w/o bar w fltr
<b>A4419</b>	Ost pch for bar w flange/flt
<b>A4420</b>	Ost pch clsd for bar w lk fl
<b>A4421</b>	Ostomy supply misc
<b>A4422</b>	Ost pouch absorbent material
<b>A4423</b>	Ost pch for bar w lk fl/fltr
<b>A4424</b>	Ost pch drain w bar & filter
<b>A4425</b>	Ost pch drain for barrier fl
<b>A4426</b>	Ost pch drain 2 piece system
<b>A4427</b>	Ost pch drain/barr lk flng/f
<b>A4428</b>	Urine ost pouch w faucet/tap
<b>A4429</b>	Urine ost pouch w bltinconv
<b>A4430</b>	Ost urine pch w b/bltin conv

This HCPCS supply code is bundled:	And it has this abbreviated description:
<b>A4431</b>	Ost pch urine w barrier/tapv
<b>A4432</b>	Os pch urine w bar/fange/tap
<b>A4433</b>	Urine ost pch bar w lock fln
<b>A4434</b>	Ost pch urine w lock flng/ft
<b>A5051</b>	Pouch clsd w barr attached
<b>A5052</b>	Clsd ostomy pouch w/o barr
<b>A5053</b>	Clsd ostomy pouch faceplate
<b>A5054</b>	Clsd ostomy pouch w/flange
<b>A5055</b>	Stoma cap
<b>A5061</b>	Pouch drainable w barrier at
<b>A5062</b>	Drnble ostomy pouch w/o barr
<b>A5063</b>	Drain ostomy pouch w/flange
<b>A5071</b>	Urinary pouch w/barrier
<b>A5072</b>	Urinary pouch w/o barrier
<b>A5073</b>	Urinary pouch on barr w/flng
<b>A5081</b>	Stoma plug or seal, any type
<b>A5082</b>	Continent stoma catheter
<b>A5083</b>	Stoma absorptive cover
<b>A5093</b>	Ostomy accessory convex inse
<b>A5102</b>	Bedside drain btl w/wo tube
<b>A5105</b>	Urinary suspensory
<b>A5112</b>	Urinary leg bag
<b>A5113</b>	Latex leg strap
<b>A5114</b>	Foam/fabric leg strap
<b>A5121</b>	Solid skin barrier 6x6
<b>A5122</b>	Solid skin barrier 8x8
<b>A5126</b>	Disk/foam pad +or- adhesive
<b>A5131</b>	Appliance cleaner



## Payment policy: Surgical dressings dispensed for home use

### Requirements for billing

Providers must bill the appropriate HCPCS code for each dressing item, along with the local billing code modifier **-1S** for each item.

### Payment limits

**Primary surgical dressings** and **secondary surgical dressings** dispensed for home use are payable at **acquisition cost** when all of these conditions are met:

- They are dispensed to a patient for home care of a wound, *and*
- They are medically necessary, *and*
- The wound is due to an accepted work related condition.

The cost for surgical dressings applied during a procedure, office visit, or clinic visit is included in the practice expense component of the RVU (overhead) for that provider. Separate payment isn't allowed.

Items such as elastic stockings, support hose, and pressure garments aren't **secondary surgical dressings** and must be billed with the appropriate HCPCS code.

Surgical dressing **supplies** and codes billed without the local modifier **-1S** are considered **Bundled** and won't be paid.

Pneumatic compression devices used during surgery and sent home with the worker are considered surgical supplies. The cost of the device is bundled into the surgical service fee and is not separately payable, even to **DME** suppliers. For details on coverage of pneumatic compression devices, see [Chapter 9: Durable Medical Equipment](#).



## Payment policy: Surgical trays and supplies used in the physician's office

### Payment limits

L&I follows CMS's policy of bundling HCPCS codes for surgical trays and **supplies** used in a physician's office. Surgical trays and **supplies** won't be paid separately.

#### **Special note: Surgical dressings and other items dispensed for home use**

Surgical dressings and other items dispensed for home use are separately payable when billed with local modifier **-1S**.



## Links to related topics

If you're looking for more information about...	Then see...
<b>Administrative rules</b> for topics relevant to this chapter	<a href="#">Washington Administrative Code (WAC) 296-20-1102</a> <a href="#">WAC 296-20-01002</a>
<b>Becoming an L&amp;I provider</b>	<a href="#">Become A Provider on L&amp;I's website</a>
<b>Billing</b> instructions and forms	<a href="#">Chapter 2: Information for All Providers</a>
<b>Fee schedules</b> for all healthcare facility services (including ASCs)	<a href="#">Fee schedules on L&amp;I's website</a>
Payment policies for <b>catheterization to obtain specimens for lab tests</b>	<a href="#">Chapter 23: Pathology and Laboratory Services</a>
Payment policies for <b>durable medical equipment (DME)</b>	<a href="#">Chapter 9: Durable Medical Equipment</a>
Payment policies for <b>hospital acquisition cost policy</b>	<a href="#">Chapter 35: Hospitals</a>

### Need more help?

Email L&I's Provider Hotline at [PHL@Lni.wa.gov](mailto:PHL@Lni.wa.gov). If you would prefer a phone call, please email us your name and contact number.