meet this definition. Suppliers are paid the lower of their actual charge or the DME fee schedule amount for monitors with special features.

Comment: Several commenters were concerned about our use of the prices listed in the Bruce mail order catalog as the basis of the special payment limits. Some commented that only a small percentage of home blood glucose monitors are obtained by Medicare beneficiaries through mail order catalogs; therefore, the pricing in the Bruce catalog does not reflect the retail prices of pharmacies and other suppliers of home blood glucose monitors.

Response: As we explained in the proposed notice (59 FR 756), we chose the Bruce catalog as the source of data for proposing special payment limits because it listed the largest number of home blood glucose monitors made by the largest number of home blood glucose monitor manufacturers. Prices comparable to the prices listed in the Bruce catalog are available in all localities from the various other mail order or retail outlets. We have reviewed numerous other sources of pricing and rebate information for the years 1986 through 1994 and have found this pricing and rebate information to be consistent with the pricing and rebate information listed in the corresponding editions of the Bruce catalog. The sources of pricing and rebate information that we surveyed include pharmacies and retail stores as well as mail order catalogs and mail order advertisements in Diabetes Forecast, a publication of the American Diabetes Association.

Comment: Some commenters maintained that the home blood glucose monitors represented in the Bruce catalog do not represent the entire home blood glucose monitor market. They noted that newer, technologically superior models of home blood glucose monitors such as the One Touch Basic, the AccuChek Easy, and the Glucometer Elite are not listed in the Winter 1993 edition of the Bruce catalog and therefore are not included in the data used in establishing the special payment limits for code E0607.

Response: In the proposed notice, we estimated that the six monitors listed in the Bruce Catalog accounted for approximately 90 percent of the market. Prices comparable to the prices listed in the Bruce catalog are available in all localities from other mail order catalogs and retail outlets.

If 1993 pricing and rebate information for the One Touch Basic, AccuChek Easy, and Glucometer Elite monitors was added to the data used in establishing the special payment limits for code E0607, the result would be a decrease in the 1993 special payment limit of \$57. The One Touch Basic monitor and the AccuChek Easy monitor are both priced less than the One Touch II and AccuChek III monitors, the models that appear in the Winter 1993 edition of the Bruce catalog. The current net price of the Glucometer Elite monitor, which was introduced to the market in 1993, is approximately \$60 (the retail price is approximately \$125 and a manufacturer rebate of \$65 is currently available).

Comment: One commenter, a supplier of home blood glucose monitors, suggested that we use its retail price of \$76.69 as the special payment limit for code E0607. The supplier submitted an invoice dated February 1, 1994, to show that its cost per unit was \$51.13 for a One Touch Basic monitor and stated that the proposed 1993 special payment limit of \$57 would only allow it a 10percent profit. Likewise, a manufacturer of home blood glucose monitors suggested that we use \$76, a median calculation based on average retail pricing for certain independent drug stores and DME suppliers, as the special payment limit for code E0607, while another manufacturer of home blood glucose monitors suggested that we use the Average Wholesale Price (AWP) of home blood glucose monitors as the special payment limit for HCPCS code E0607. The commenter defined AWP as the price the distributor charges the retailer for the product.

Response: These suggested amounts do not account for available manufacturer rebates; therefore, they are not indicative of the actual charge for the equipment in accordance with long-standing Medicare payment policy. Medicare payment for DME is equal to the lesser of the actual charge for the equipment (less the rebate amount) or the fee schedule amount.

On February 1, 1994, the manufacturer of the One Touch Basic monitor that the commenter obtained at a cost of \$51.13 offered a \$25 rebate paid directly to the supplier of the monitor. The cost of the monitor less the rebate is therefore \$26.13. In this case, the 1994 special payment limit of \$58.71 would allow for a 125 percent profit for the supplier.

Comment: One commenter maintained that a uniform special payment limit does not take into account the cost of doing business and the cost of living in different areas of the United States. The commenter stated that a payment "floor" and payment "ceiling" would be more appropriate.

Response: The average of the shipping and handling charges listed in the Bruce catalog is \$7. This amount is included in the special payment limits for purchased new home blood glucose monitors, and represents a proxy for expenses incurred by retail stores that supply home blood glucose monitors. We reiterate that we are confident that prices comparable to the prices listed in the Bruce catalog are available in all localities from the various other mail order or retail outlets. An additional allowance of \$8 is included in the special payment limit for new home blood glucose monitors furnished in Alaska, Hawaii, Puerto Rico, and the U.S. Virgin Islands.

Each special payment limit established in this notice for code E0607 is an upper payment limit or "ceiling." Lower payment limits, or "floors," will not be established for code E0607; however, if the actual charge for the monitor is less than the special payment limit, then the Medicare payment is equal to the actual charge less any unmet deductible or coinsurance amounts.

Comment: Several commenters were concerned about our use of manufacturer rebate information in proposing special payment limits for code E0607. This issue was addressed at the supplier consultation meeting held on June 15, 1993 and was discussed in the proposed notice (59 FR 757). The commenters argued that the rebate programs are temporary and therefore should not be considered when developing special payment limits for code E0607. În addition, some manufacturers of home blood glucose monitors commented that their companies and other manufacturers recently developed and implemented costly new rebate programs whereby the rebate is paid directly to the supplier of the monitor. This new program would allow the supplier to deduct the amount of the rebate from the claim submitted to Medicare for payment. These manufacturers believe that it is therefore no longer necessary to consider manufacturer rebate information when determining special payment limits for home blood glucose monitors.

Response: As we stated in the proposed notice (59 FR 756), manufacturer rebates for home blood glucose monitors are widespread and have been available for several years. The fact that some manufacturers have incurred expenses in order to implement revised rebate programs indicates that manufacturer rebates for home blood glucose monitors will continue. In addition, we are not aware that all manufacturers will implement