

## **Mandated report: Improving Medicare's payment system for outpatient therapy services**

**ISSUE:** The Middle Class Tax Relief and Job Creation Act of 2012 requires the Commission to study outpatient therapy services and submit a report to the Congress that specifically addresses: (1) how to improve the outpatient therapy benefit so that it is better designed to reflect functional limitations, severity, and the therapy needs of the patient; and (2) evaluate private sector initiatives to manage the outpatient therapy benefit. The Commission is required to make recommendations about how to improve the payment system for outpatient therapy services. The mandated report is due June 2013.

**KEY POINTS:** As part of this mandated study, we presented an overview of the benefit to the Commission in March 2012; and in September 2012 staff presented analysis and information on spending, utilization, and data quality issues that affect the Medicare outpatient therapy benefit. We presented potential policy options in three key areas for consideration: 1) improving management of the benefit, 2) collecting information on patients' functional status, and 3) reforming the payment system for outpatient therapy services.

**ACTION:** Commissioners should review information presented in the September mailing materials (attached), and the new material presented in this mailing. Commissioners should be prepared to discuss draft recommendations based on the policy options, and provide guidance for final recommendations for outpatient therapy.

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