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

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Mandated report: Improving outpatient therapy services

- Middle Class Tax Relief and Job Creation Act of 2012
  - Requires recommendations on how to reform the payment system under Part B to reflect patients' acuity, condition and therapy needs
  - Examine private sector initiatives to manage outpatient therapy benefits
  - Due June 15, 2013

Framework to evaluate potential policy changes

- How does the policy impact Medicare program spending?
- Will it improve beneficiary access to care?
- Will it improve the quality of care Medicare beneficiaries receive?
- Will the policy advance payment reform? Does it move away from fee-for-service and encourage a more integrated delivery system?

Today's presentation

- Commissioner questions addressed
  - National and local coverage determinations
  - Veterans' Health Administration
  - Evidence for outpatient therapy services
- Brief overview of therapy services
- Chairman's draft recommendations to improve Medicare's outpatient therapy benefit

Benefits of outpatient therapy

Type of Therapy	Clinical conditions	Benefits/Improvements
Physical therapy	Post-surgical care for knee and hip replacement, back pain, Parkinson's disease	Transfers from sitting/standing positions; posture and balance control; prevent falls
Occupational therapy	Stroke, Parkinson's disease, traumatic brain or spine injuries	Independence in basic and instrumental activities of daily living; reduces the risk of deterioration
Speech-Language Pathology	Aphasia, dysphasia, cognitive disorders, neurological conditions	Speech and communication and cognitive functions; swallowing function

Concerns about the outpatient therapy benefit under Medicare

- Provision of therapy services is sensitive to payment policy
- Regional variation not explained by health status
- CMS lacks basic information
  - Who should get therapy services?
  - What type, and for how long?
  - Do they improve, and by how much?

Total Medicare spending on outpatient therapy, 1998-2011

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Source: MedPAC analysis of Medicare claims data and CSC reports. Data not available for 2005.
Note: Numbers are preliminary and subject to change.

Spending per therapy user in high and low spending counties (national mean 2011 = $1,173)

High-spending counties
Average spending: $ 2,806

Rank	State	County	$
1	LA	ST. MARY	3,582
2	TX	JIM WELLS	3,293
3	LA	AVOYELLES	2,799
4	NY	KINGS	2,798
5	TX	RUSK	2,696
6	PA	LAWRENCE	2,653
7	TX	SAN PATRICIO	2,609
8	MS	LINCOLN	2,581
9	TX	HARDIN	2,550
10	LA	LINCOLN	2,501

Low-spending counties
Average spending: $ 477

Rank	State	County	$
1	NY	OTSEGO	406
2	IA	CLAY	428
3	MN	OLMSTED	436
4	ID	BLAINE	454
5	WI	JUNEAU	481
6	MN	MARTIN	506
7	AZ	APACHE	512
8	MT	YELLOWSTONE	513
9	ND	GRAND FORKS	517
10	MN	CASS	521

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Spending is risk adjusted for county health status using HCC risk scores.
Source: MedPAC analysis of 2011 Medicare claims data. Numbers are preliminary and subject to change.

CMS lacks data on functional status

- No widely-used standardized tools to measure functional status in outpatient therapy
- Many assessment tools are discipline-specific, and are proprietary
- Providers are not required to report standardized data on functional status to be reimbursed
- Clinical diagnosis codes are also not clear

Summary of policy options from September

- Develop outpatient therapy episodes
  - Lack clear data, could lead to more episodes
- Options that ensure access but strengthen administrative controls
  - HOPDs under the cap; reduce certification period for plan of care; manual review for additional services; implement national payment edits; collect information on functional status

Administrative tools to manage the therapy benefit

- Improve payment accuracy
  - Multiple procedure payment reduction
- Additional controls on expenditures
  - Reduce level of caps
  - Reduce payment rates

Multiple procedure payment reduction for therapy services

- Medicare applies MPPR to practice expense payment when multiple therapy services provided on same day
- Rationale: efficiencies occur when multiple services provided in single session because certain activities not performed twice
- CMS found that efficiencies justified reductions to practice expense ranging from 28%-56%

Option: Increase MPPR for therapy services to 50%

- CMS proposed 50% reduction for 2011 but adopted 25% reduction as a first step
- Congress set reduction at
  - 20% for services in nonfacility settings
  - 25% for services in facility settings
- Congress could increase reduction to 50% in all settings and require that savings be used to reduce Medicare spending
- Would reduce financial incentives to provide additional therapy services in same session

Reduce the level of therapy caps

- Annual per-beneficiary caps on outpatient therapy spending; 2012 level was $1,880

Mean and median program spending by cap

	PT/SLP	Occup. therapy	All
Mean/user	$1,009	$1,026	$1,173
Median/user	$609	$547	$629

- In 2011, 19% exceeded PT/SLP cap; 22% exceeded OT cap
- Reduce caps to a level that still accommodates most beneficiaries
- Coupled with a manual exceptions process, would accommodate additional therapy needs

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Source: MedPAC analysis of 2011 Medicare claims data. Numbers are preliminary and subject to change.

Policy areas encompassed by Chairman's draft recommendations

- Assure program integrity of outpatient therapy services
- Assure access to outpatient therapy services while managing Medicare's costs
- Improve management of the benefit in the longer-term