

September 6-7, 2012

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

**ISSUE:** The Middle Class Tax Relief and Job Creation Act of 2012 requires MedPAC to study outpatient therapy services delivered under Medicare Part B. The legislation directs MedPAC to address two specific areas: (1) how to improve the outpatient therapy so that the benefit is better designed to reflect functional limitations, severity, and the therapy needs of the patient; and (2) evaluate private sector initiatives to manage the therapy benefit. MedPAC is required to make recommendations about how to improve the payment system for outpatient therapy services. As part of this mandated study, we analyze spending, utilization, and data quality issues in this area.

**KEY POINTS:** We analyzed Medicare fee-for-service claims to examine type, site, location and frequency of outpatient therapy services received by beneficiaries. We also conducted site visits, hosted a panel of practitioners, payers and researchers, conducted several interviews of health plans and benefit managers, and spoke with CMS to complement our analytic work. On the basis of this work, we develop policy options in three key areas for the Commissioners' consideration: 1) improving management of the benefit, 2) collecting information on functional status, and 3) reforming the payment system for outpatient therapy services.

**ACTION:** Commissioners should discuss the issues raised by this mailing, and provide guidance for policy options for subsequent meetings this fall.

**STAFF CONTACT:** Adaeze Akamigbo and Ariel Winter (202-220-3700)