



# Medicare: Today's Issue

February 18, 2004

## *BETTER BENEFITS – MORE CHOICES*

*Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!*

### No Caps on Provider Reimbursement for Physical, Occupational, and Speech/Language Therapy **Moratorium on Therapy Caps Extended Through 2005**

#### Background

- Prior to the Balanced Budget Act of 1997 (BBA), Medicare paid “reasonable cost” for outpatient therapy services (including physical therapy, occupational therapy, speech/language therapy) furnished by facilities. Physicians and therapists in independent practice were paid under the physician fee schedule. In addition, therapists in independent practice were subject to an annual cap on the amount of services covered (set at \$900 prior to the BBA).
- The BBA moved payment for outpatient therapy furnished by facilities to the physician fee schedule. It also increased the caps on services provided by therapists in independent practice to \$1,500 and expanded the application of the caps to all outpatient therapy services except those provided by a hospital outpatient department. Initially, beneficiaries could receive up to \$1,500 of physical therapy (including speech/language therapy) and \$1,500 of occupational therapy services each year. For subsequent years, the amount of the cap would be updated annually by the Medicare Economic Index (MEI). (The payment limits for 2004 would be \$1,640.)
- The Balanced Budget Refinement Act of 1999 (BBRA) placed a moratorium on the coverage caps in 2000 and 2001. The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) extended the moratorium through 2002.
- Implementation of the annual caps (\$1,590 for 2003) began on September 1, 2003.

#### New Provisions

- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) sets a new moratorium on implementation of therapy caps for two years (2004 and 2005).
- It also directs the Secretary not to apply the therapy caps to expenses incurred from the date of enactment (December 8, 2003) through December 31, 2003.
- A deadline of March 31, 2004 is set for the submission of reports relating to therapy caps and therapy utilization, which were mandated by the BBA and the BBRA.
- GAO is required to identify conditions or diseases that may justify waiver of the therapy caps and to recommend criteria for such waivers. A GAO report is due to Congress October 1, 2004.