

# AN ALTERNATIVE PAYMENT SYSTEM FOR OUTPATIENT THERAPY

## POSITION

Physical therapists provide critical health care services to beneficiaries under Medicare Part B to help individuals remain in their homes, communities and society at their highest possible level of function. Currently, the Medicare physician fee schedule is used to pay for outpatient physical therapy services. Therefore, physical therapists are acutely aware of the threat of annual fee schedule reductions, the cost to repeal the flawed sustainable growth rate (SGR) formula, and the impact on beneficiaries' access to health care providers. As such, efforts to repeal or reform the SGR should reflect the role of both physicians and non physicians in providing outpatient Medicare services. Congressional action to reform the SGR should also consider permanent repeal of the outpatient therapy cap.

## ALTERNATIVE PAYMENT FOR OUTPATIENT THERAPY

When the SGR and therapy cap were created in 1997, Congress charged the Centers for Medicare and Medicaid Services (CMS) to develop an alternative payment system for outpatient therapy as an alternative to the therapy cap. In 2011, the American Physical Therapy Association (APTA) proposed to reform payment for outpatient therapy by transitioning from the current fee-for-service, procedural-based payment system to a per-session system that considers the severity of a patient's condition and intensity of therapist services required in a session. By adopting this alternative payment system, the outpatient therapy cap and associated cost of its annual exceptions process is no longer necessary. The APTA and other provider groups are collaborating with the American Medical Association (AMA) Current Procedural Terminology (CPT) workgroup to reform the physical medicine and rehabilitation coding system into a per-session system. These new codes will be valued by the Relative Value Update Committee (RUC). This new coding system could be implemented by CMS as a new methodology for payment as early as January 1, 2015.

## PROMOTING QUALITY OVER QUANTITY

APTA's proposal, including resources submitted to the CPT workgroup, promotes high-quality care over quantity of procedures. The proposal seeks to reflect the professional clinical reasoning and judgment of the therapist by considering: (1) Severity: the patient's clinical presentation, and (2) Intensity: the amount of therapy services required to manage and/or resolve the patient's condition. This system will provide policymakers and payers an accurate payment methodology that ensures the integrity of medically necessary services.

The APTA proposed system centers on a 3-tiered evaluation and a per-session intervention model that incorporates 3 levels of severity and 3 levels of intensity. Thus the entire model consists of 12 codes, 3 for evaluation and 9 for interventions. Each code corresponds to appropriate payment levels for outpatient therapy services.

| Complexity of the Evaluation | Level of Evaluation Code |
|------------------------------|--------------------------|
| Low (Problem-Focused)        | 1                        |
| Moderate (Detailed)          | 2                        |
| High (Comprehensive)         | 3                        |

| Level of Intervention Code |          | Patient Severity at the Time of Visit |          |      |
|----------------------------|----------|---------------------------------------|----------|------|
|                            |          | Low                                   | Moderate | High |
| Intensity of Therapy       | Low      | 4                                     | 5        | 6    |
|                            | Moderate | 7                                     | 8        | 9    |
|                            | High     | 10                                    | 11       | 12   |