

BRIEFINGS ON

Outpatient Rehab

REIMBURSEMENT AND REGULATIONS

What will Congress do? Medicare reimbursement, therapy caps, and the PQRI

Congress has at least three items on its plate that need a final decision before January 1, 2008. It must decide whether to slash Medicare reimbursement, extend the therapy cap exceptions process, and continue to pay the 1.5% Physician Quality Reporting Initiative (PQRI) bonus.

If Congress doesn't act before the year's end, therapists will face a 10.1% cut in Medicare reimbursement in 2008 and an additional 5% cut in 2009. Anyone reimbursed under Medicare Part B should be concerned, says healthcare lobbyist **Jerome Connolly, PT**, president of Washington, DC-based Connolly Strategies & Initiatives, which includes PTPN, Inc., based in Calabasas, CA, among its clients. In late July, the House of Representatives passed a bill addressing the fee schedule and the therapy caps, but it was combined with the State Children's Health Insurance Program (SCHIP) reauthorization. When companion

legislation passed the Senate, only the SCHIP portion went through and Medicare was left behind. The Senate Finance Committee is currently working on a Medicare bill and attempting to determine what can be included and how it will be paid for. It all comes down to money and what the government can afford.

In a perfect world, the Medicare Physician Fee Schedule would not face reimbursement cuts and the therapy cap would not exist. The problem is finding the money to fix both

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—Jerome Connolly, PT

permanently, which government officials estimate will cost billions of dollars, says Connolly.

Even a temporary fix that wipes out the 10.1% cut and provides small reimbursement updates for a couple of years carries a price tag of more than \$20 billion, according to government estimates. The advantage of a two-year waiver is the time it would permit to develop a permanent solution to the fee schedule problem.

If a two-year fee schedule provision is pursued, it is expected that a two-year extension to the therapy cap exceptions process would be included. And it is possible that Congress would direct CMS to conduct a study to come up with a plan to permanently replace the therapy cap, Connolly says. But currently, members of Congress are not able to agree on sources of enough funding to offset the cost of such a two-year piece of legislation.

The consequences

If Congress doesn't act before January 1, 2008, and the 10.1% takes effect, there will be serious consequences for any therapist who has a substantial percentage of Medicare patients. This is anywhere from 20% or higher.



IN THIS ISSUE

p. 3 Administrative law judge
Learn how to prepare your case before an administrative law judge.

p. 6 Outcome measures
Find out how Calabasas, CA-based PTPN, Inc., is using outcome measures to compare how its therapists rank on a national level.

p. 8 Risk management
CNA HealthPro's Physical Therapy Claims Study takes a snapshot of therapy claims and provides guidance on creating a risk management plan.

p. 10 BRRR coding corner
Rick Gawenda, PT, answers readers' questions about electronic signatures, dealing with denials, and billing.

Senate update

< continued from p. 1

Even therapists who don't see Medicare patients are at risk for reduced reimbursement because many private insurers benchmark their payments according to Medicare. If the therapy cap exceptions process isn't extended into 2008, it will significantly disrupt the flow of patients, says Connolly. It's the patient who is inconvenienced the most. Because it's an annual per beneficiary cap and not per episode, it affects patients' care, especially for those who need a considerable amount of therapy.

A double-edged sword

This is a tricky situation. If Congress doesn't act before December 31, the 10.1% cut occurs and the therapy cap is fully implemented. But if Congress were to pass the House version of Medicare legislation, the extension process would be extended and the fee cut averted. But the

1.5% PQRI bonus would not be available for 2008 and that program would become uncompensated. In early November, CMS published the final rule implementing the Medicare Physician Fee Schedule. The rule assumes the application of current law and describes what will occur on January 1, i.e., the 10.1% rate cut and the implementation of the full-therapy cap, but retention of the opportunity to receive a 1.5% bonus if one satisfactorily meets the PQRI requirements.

"The optimal outcome," says Connolly, "would be for Congress to pass legislation that extends the therapy cap exceptions process for two years, provides a modest update in the conversion factor through 2009 but leaves the PQRI bonus in place for 2008. Then, all we would have to worry about is a presidential veto." ■

Editor's note: A PT since 1972, Connolly served as senior vice president for Health Policy at Alexandria, VA-based APTA for six years before forming his private lobbying practice, Connolly Strategies & Initiatives (CSI) in Washington, DC. CSI's clients include Calabasas, CA-based PTPN, Inc. Connolly can be reached at jerry@connollystrategies.com.

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Illustration by
David Harbaugh



"A bulletin from AOTA to all facilities . . . 'You're in a litigious climate—expect a blizzard of lawsuits. We recommend snow blowers; so gentlemen, start your engines.' "