



Highlights of [GAO-06-59](#), a report to congressional committees

MEDICARE

Little Progress Made in Targeting Outpatient Therapy Payments to Beneficiaries' Needs

Why GAO Did This Study

For years, Congress has wrestled with rising Medicare costs and improper payments for outpatient therapy services—physical therapy, occupational therapy, and speech-language pathology. In 1997 Congress established per-person spending limits, or “therapy caps,” for nonhospital outpatient therapy but, responding to concerns that some beneficiaries need extensive services, has since placed temporary moratoriums on the caps. The current moratorium is set to expire at the end of 2005.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required GAO to report on whether available information justifies waiving the caps for particular conditions or diseases. As agreed with the committees of jurisdiction, GAO also assessed the status of the Department of Health and Human Services' (HHS) efforts to develop a needs-based payment policy and whether circumstances leading to the caps have changed.

What GAO Recommends

GAO suggests that Congress give HHS interim authority to allow, under certain conditions, payments exceeding the caps after the moratorium expires. GAO recommends that HHS expedite developing a means to assess beneficiaries' therapy needs, and HHS concurs. GAO also recommends that HHS improve its system for identifying improper therapy claims beyond initiatives already under way.

www.gao.gov/cgi-bin/getrpt?GAO-06-59.

To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7119 or steinwalda@gao.gov.

What GAO Found

Data and research available are, for three reasons, insufficient to identify particular conditions or diseases to justify waiving Medicare's outpatient therapy caps. First, Medicare claims data—the most comprehensive data for beneficiaries whose payments would exceed the caps—often do not capture the clinical diagnosis for which therapy is received. Nor do they show particular conditions or diseases as more likely than others to be associated with payments exceeding the caps. Second, even for diagnoses clearly linked to a condition or disease, such as stroke, the length of treatment for patients with the same diagnosis varies widely. Third, because of the complexity of patient factors involved, most studies do not define the amount or mix of therapy services needed for Medicare beneficiaries with specific conditions or diseases. Provider groups remain concerned about adverse effects on beneficiaries needing extensive therapy if the caps are enforced. HHS does not, however, have the authority to provide exceptions to the therapy caps.

Despite several related statutory requirements, HHS has made little progress toward developing a payment system for outpatient therapy that considers individual beneficiaries' needs. In particular, HHS has not determined how to standardize and collect information on the health and functioning of patients receiving outpatient therapy services—a key part of developing a system based on individual needs for therapy.

The circumstances that led to the therapy caps remain a concern. Medicare payments for outpatient therapy are still rising significantly, and increases in improper payments for outpatient therapy continue. HHS could reduce improper payments and Medicare costs by improving its system of automated processes for rejecting claims likely to be improper.

Beneficiaries for Whom 2002 Medicare Payments for Outpatient Therapy Services Would Have Exceeded Therapy Caps, Had They Been in Place, and by How Much

Cap	Projected number of beneficiaries whose payments would have exceeded caps	Projected percentage of beneficiaries whose payments would have exceeded caps	Average amount above cap (dollars)	Estimated total above cap (millions of dollars)*
Occupational therapy	129,509	17.4	\$1,237	\$160.2
Physical therapy and speech-language pathology	508,686	14.5	\$1,263	\$642.4

Source: Daniel E. Ciolek and W. Hwang, *Final Project Report* (Baltimore, Md.: Computer Sciences Corporation/AdvanceMed, 2004).

Note: Because of a moratorium, therapy caps were not in effect in 2002; use of outpatient therapy services might have been different had the spending caps been in place. Because hospital outpatient departments are exempt from the caps, payments for services provided by hospital outpatient departments were excluded from this analysis.

*This study estimated that the totals above the caps represented 23.7 percent of all outpatient therapy expenditures for 2002.