



Client Alert

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Centers for Medicare & Medicaid Services Signals Home Health Prospective Payment System Rate Reduction

A May 2011 Office of Inspector General (OIG) report entitled "Review of Physician Therapy Services Provided During the Home Health Episodes in Calendar Year 2008" concludes that Medicare has been paying twice for therapy services provided by physicians to patients receiving home healthcare services. Medicare's home health prospective payment system (PPS) requires consolidated billing for home health services, including therapy. In establishing the PPS base rate for home health, the Centers for Medicare & Medicaid Services (CMS) included reimbursement for therapy services that previously were separately billable to Part B by physicians, therapists and outside facilities. However, since 2003, CMS has permitted physicians to bill directly under Part B for therapy services furnished during home health episodes and did not reduce the home health PPS base rate accordingly.

Studying data from 2008, the OIG found that Medicare paid physicians \$13.5 million for therapy services during home health episodes. For the same period, the OIG found that home health agencies received approximately \$117.5 million to provide therapy services. Consequently, the OIG recommends that CMS eliminate any duplicate payments either by 1) adjusting the home health PPS rate to exclude physician-provided therapy services or 2) making physician therapy services subject to the consolidated billing requirement. The latter option presumably would require physicians, like independent physical therapists, to bill home health agencies for their therapy services to patients during a home health episode.

CMS concurred with the OIG's findings and announced that in rebasing the home health PPS, as required by the Patient Protection and Affordable Care Act, starting in 2014, it will take into account only those therapy services provided either directly or indirectly by home health agencies and reported on home health claims. As a result, physicians will continue to be able to bill Medicare directly for Part B physical therapy they provide to home health patients, and the home health PPS rate will be reduced.

To review the complete OIG report and the response from CMS, please visit <http://oig.hhs.gov/oas/reports/region1/10900530.pdf>.

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