

Physician Payment and Therapy Relief Act of 2010

Bill Summary:

Medicare payments to physician are scheduled to be reduced by 23 percent as of December 1, 2010. Legislative action is needed so that Medicare beneficiaries' access to physicians is not jeopardized. The bill would continue the existing 2.2 percent update that expires November 30, 2010 for an additional month through December 31, 2010 and fully offset the cost.

The bill would also codify a modification of the multiple payment procedure reduction (MPPR) finalized by Centers for Medicare & Medicaid Services (CMS) this month by applying a 20 percent reduction, rather than the 25 percent reduction in the final rule, to the PE component for the second and subsequent outpatient therapy services for services paid under the physician fee schedule (PFS) that are furnished in the office setting. The savings would not be distributed on a budget neutral basis as in the final rule but would be used instead as savings to offset the additional one month of the physician payment update.

MPPR Background:

Earlier this year, CMS proposed to apply a 50 percent reduction to the practice expense (PE) component for the second and subsequent outpatient therapy services furnished for the same beneficiary on the same day for outpatient therapy services paid under the Medicare Physician Fee Schedule. In the final physician rule, CMS modified the MPPR policy to apply a 25 percent reduction, rather than the proposed 50 percent reduction, to the PE component for certain second and subsequent therapy services furnished for the same beneficiary on the same day. By law, CMS must apply the savings from this reduction for therapy services paid under the PFS on a budget-neutral basis and redistribute the savings within the PFS.

Explanation of Offsets:

The cost of a one month physician payment update is \$1 billion over ten years. The savings from the MPPR codification that applies a 20 percent reduction to the PE component for the second and subsequent outpatient therapy services under the physician fee schedule is also \$1 billion over ten years.

The bill would fully offset an additional one month physician payment update through the end of the year and help ensure continued access for Medicare beneficiaries while also providing a measure of relief to therapists providing outpatient services under the PFS who would otherwise see the 25 percent MPPR reduction as of January 1, 2011.