# PUBLICATION

## Outpatient Therapy Providers - Location Matters [Ober|Kaler]

**2016**

**Included in its publication announcing changes for outpatient therapy services in the 2016 Medicare Physician Fee Schedule (MPFS), CMS announced a new requirement for Medicare-certified outpatient therapy providers (e.g., CORFs and rehabilitation agencies including OPT/OSPs,) that will change reimbursement for providers operating in large geographic areas. Effective for claims with *dates of service on or after July 1, 2016*, the nine-digit zip code of the location where services were provided must be included on the claim form. Accordingly, payment will be made based on the rate for that geographic locality.**

Due to the historic cost-based system of reimbursement for certified outpatient therapy providers, Medicare enrolled these providers as institutional providers. Since institutional providers were required to submit claims using the UB claim format, there was no data field on the claim form to include practice location information. Furthermore, during the early years of cost-based reimbursement many providers had a singular practice location. The Medicare enrollment rules, however, allowed for providers to add extension locations and over time many providers expanded operations. Furthermore, prior to March 2013, there was no restriction on how far the extension locations could be located from the primary practice location. In essence, a singular provider could have operations throughout an entire state.

Despite the geographic expansion of outpatient therapy providers, following the Balanced Budget Act of 1997 and the shift to reimbursement under the MPFS, outpatient therapy providers were paid based on the geographic location of the provider's main or primary location. Therefore, if the provider's primary location was in a geographic area that has a higher payment rate than the geographic area of some or all of the provider's extension locations, claims for all services were paid at the higher rate. CMS determined that it was time to amend its claims rules to have payment align with where outpatient therapy services are provided. CMS published guidance on this clarified policy in MLN Matters Number MM9489; and, updated Section 170.1.1 of Chapter 1 of the Medicare Claims Processing Manual via Transmittal 3454 [PDF].

## Ober|Kaler's Comments

In addition to determining the financial implications of this change, providers need to work closely with any electronic billing software vendor and the corresponding clearinghouse to be sure: (1) that the nine-digit zip code can be entered into the billing system, and (2) that the claims data will include the full nine-digit zip code when it is transmitted to Medicare by the clearinghouse. Additionally, providers should confirm that the provider's enrollment data includes all extension locations that should have been reported and each location has a correct address. The failure to have accurate data will not only carry the risk of a billing privilege revocation, but, after July 1, 2016, there will be the potential for overbilling if the nine-digit zip code is inaccurate.