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SPECIAL NOTICE
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Part B Therapy Caps Effective January 1, 2006

The outpatient therapy limits are now in effect. The dollar amount of each cap for 2006 is \$1,740. One cap is for physical therapy (PT) and speech language pathology (SLP) combined, and one for occupational therapy (OT) separately. The beneficiary is responsible for the Part B annual deductible of \$124 and the 20% co-pay. Medicare pays up to 80% of the remainder. Therapy services include only PT, SLP, and OT paid under the Physician Fee Schedule. Outpatient therapy services billed by hospitals are not included in the limits. Therefore, residents in a portion of the nursing home that is not certified as a SNF may receive medically necessary covered services from an outpatient hospital department even after reaching the limit. However, for residents occupying a bed in a Medicare certified skilled nursing facility (SNF), Medicare will not cover services from a hospital outpatient department after a beneficiary reaches the cap. Consolidated billing rules apply, regardless of the caps.

Efforts are underway to create an exception policy, potentially by Mid-March, to provide for therapy services above the cap.

Providers must notify beneficiaries of the therapy financial limitation at their first therapy encounter with the beneficiary. Providers may use the Notice of Exclusion from Medicare Benefits (NEMB) form or a similar form of their own design to inform beneficiaries of the therapy financial limitation. The Advance Beneficiary Notice (ABN) form cannot be used. The NEMB form can be accessed at <http://www.cms.hhs.gov/center/people.asp>.

It is important for providers to set up a system to track the therapy limits for each beneficiary. The Medicare Summary Notice that each beneficiary who uses therapy service receives will report the total dollar amount for the year that counts toward the cap. Outpatient rehabilitation services that exceed the limit will be denied.

For complete instructions for the caps, see CMS Manual System Pub 100-04 Medicare Claims Processing, Transmittal 759. A PowerPoint presentation is also available on the CMS Medicare Learning Network.

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