



**American Orthotic &
Prosthetic Association**

**MAINTAIN THE MEDICARE FEE SCHEDULE PAYMENT UPDATE FOR
ORTHOTIC AND PROSTHETIC SERVICES**

- The Medicare program pays for orthotic and prosthetic (O&P) services based on a pre-determined fee schedule. The fee schedule amount for O&P services is calculated using historical Medicare allowed amounts from 1986-1987 and is updated annually based on the Consumer Price Index (CPI). Since the Medicare O&P fee schedule was implemented in 1989, federal reimbursement rates for O&P services have increased only 35 percent while the CPI has increased by more than 66 percent.
- The Medicare Modernization Act of 2003 (MMA) implemented a three-year period with no annual inflation update for Medicare reimbursement rates for O&P services. Therefore, O&P provider payment rates were frozen between Jan. 1, 2003 and December 31, 2006, equating to a foregone inflation update of over 10% over this period. In 2007, the O&P fee schedule received a CPI-U update of 4.3%, which means that the field of O&P averaged a 1.1% increase over the past four years, well below the rate of inflation. If a new payment freeze for O&P services is put into effect, it will cause serious hardships for patient care facilities and have a chilling effect on the development of new technology, both of which are extremely likely to adversely affect beneficiary access to these critical services.
- Raw materials used to fabricate orthotic and prosthetic devices continue to increase at a rate much faster than the CPI. Over the past three years, titanium prices have increased more than 200 percent. Over this same period, aluminum has increased by approximately 75 percent and high grade plastics have increased by more than 100 percent. Because of the disparity between O&P facilities' and manufacturers' input costs and Medicare payment rates, many O&P businesses are coming under increasing financial pressure.
- Industry data indicates that employment costs for O&P professionals and administrative staff have increased by 3-5 percent annually—more than the CPI on which the Medicare O&P fee schedule is based. Additionally, most O&P facilities are small businesses that struggle to comply with the regulatory demands of the Medicare program. It is now common for an O&P facility to employ an administrative staff larger than its professional staff in an attempt to stay current with both Medicare and private insurance requirements. These increasing personnel costs are adding to the financial strain on the entire O&P field.
- Patients rely on O&P professionals to provide services that improve quality of life and allow them to return to activities of daily living that most people take for granted, such as going to work or driving a car. With dramatic increases in obesity and diabetes—increasingly prevalent medical conditions that frequently lead to the need for orthotic or prosthetic care—more patients are requiring these services. It has been estimated that there are nearly 21 million Americans living with diabetes today, a number that is expected to increase dramatically in the near future. Between 1999 and 2002, while the general Medicare population increased by 7 percent, Medicare beneficiaries requiring orthotic or prosthetic services increased by 40 percent. Adequate and regular payment updates are necessary to ensure that patients will continue to have access to these essential services.

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MEDICARE O&P FEE SCHEDULE PAYMENT UPDATE AND CPI-U ANNUAL PERCENTAGE CHANGES

Year	O&P Index	O&P Update*	CPI-U Index**	CPI-U
1984	100.0	-----	100.0	-----
1985	100.0	0.0%	103.8	+3.8%
1986	100.0	0.0%	105.7	+1.8%
1987	101.4	+1.4%	109.6	+3.7%
1988	101.1	-0.3%	114.0	+4.0%
1989	102.9	+1.8%	119.9	+5.2%
1990	101.8	-1.1%	125.5	+4.7%
1991	103.4	+1.6%	131.4	+4.7%
1992	108.3	+4.7%*	135.5	+3.1%
1993	111.7	+3.1%	139.5	+3.0%
1994	111.7	0.0%	143.0	+2.5%
1995	111.7	0.0%	147.3	+3.0%
1996	115.0	+3.0%	151.4	+2.8%
1997	118.2	+2.8%	154.9	+2.3%
1998	119.4	+1.0%	157.5	+1.7%
1999	120.6	+1.0%	160.7	+2.0%
2000	121.8	+1.0%	166.6	+3.7%
2001	126.3	+3.7%	171.9	+3.2%
2002	127.6	+1.0%	173.8	+1.1%
2003	129.0	+1.1%	177.5	+2.1%
2004	129.0	0.0%	183.4	+3.3%
2005	129.0	0.0%	188.0	+2.5%
2006	129.0	0.0%	196.1	+4.3%
2007	134.5	+4.3%	201.4	+2.7%
2008	138.1	+2.7%	211.5	+5.0%
2009	145.0	+5.0%		

Year Span	% Change—Medicare O&P Fee Schedule Allowables
1984-2008	+38.1%
1984-2009	+45.0%
1989-2008	+34.2%
1989-2009	+41.0%

Year Span	% Change—CPI-U
1984-2008	+111.5
1989-2008	+ 76.4%

* Figures in bold indicate years when the Medicare O&P Fee Schedule update equaled CPI-U

** CPI-U index modified to reflect value of 100 in June 1984. CPI-U calculated using Bureau of Labor Statistics from June to June of the previous year.