



*Center for Health and Safety  
in the Workplace*

*Overview of a Resource-based Relative  
Value Scale Fee Schedule for Physician  
and Other Practitioner Services*

# *Today's Presentation*

- Provide a general overview of the RB-RVS and how Medicare payment is determined
- Provide an overview of the SB 863 provisions

# *Medicare's RB-RVS Fee Schedule Has Three Basic Elements*

1. **Relative value units (RVUs)** for each medical service compare the resources required for one service to those required for other services based on:
2. The **conversion factor (CF)** converts the RVUs into a Medicare payment amount for the procedure.
  - Determines overall fee schedule payment levels.
  - Medicare program uses a single CF for all services except anesthesia.
3. The **geographic adjustment factor (GAF)** accounts for geographic differences in the costs of maintaining a physician practice.
  - Separate geographic practice cost indices (GPCIs) apply to the RVUs for the three components constituting the service
  - There are nine payment areas (localities) in California.

# *RVUs Reflect the Resources Required for a Typical Patient*

- **Work RVUs** reflect the time and intensity of the physician's effort
  - Take into account pre- and post-procedure time as well as intra-service work
  - Derived through multiple methodologies, but mainly estimates from surveys of practicing physicians
- **Practice expense RVUs** reflect the cost of maintaining an office (clinical and office staff, rent, office supplies and equipment)
  - Separate RVUs for facility-setting vs. non-facility settings
  - Recognizes that some facility costs are covered by the separate facility payment
- **Malpractice RVUs** are based on the insurance premiums of specialties performing the services

# Determining the Medicare payment amount involves several steps



**Unadjusted rate x policy adjustments = payment**

- Modifiers
- Multiple procedure discounting
- Limited license practitioners
- Global fees for surgical procedures
- Health professional shortage area bonus <sub>5</sub>

# ***CMS Adopts Changes in the RB-RVS through an Annual Rulemaking Process***

- **AMA's CPT Editorial Panel maintains the CPT coding system used to describe physician services**
  - **Changes in CPT necessitate annual updates to the RB-RVS for new and revised codes**
- **AMA's Relative Value Update Committee (RUC) is a multi-specialty expert panel that makes recommendations to CMS regarding RVUs for work and practice expenses**
  - **Annual updates for new or revised CPT codes**
  - **Rolling review of potentially mis-valued services**
- **CMS reviews RUC recommendations and sets final RVUs**
  - **Clinical review of time and intensity of each service**
  - **Proposed rule for public comment around July 1 of each year**
  - **Multi-specialty refinement panel reviews public comments**
  - **Final decisions published in a final rule around November 1**

# ***SB 863 Requires the AD to Implement and Periodically Revise a RB-RVS Fee Schedule***

- Annual updates to reflect changes in procedure codes, relative weights, and inflation
- Maximum reasonable fees in the aggregate not exceed 120 percent of amounts payable by Medicare in 2012 updated for inflation
  - Services not covered by Medicare included at the fee schedule amounts established by the AD
- Four year transition between current OMFS allowances and the RB-RVS allowances
- Ground rules shall differ from Medicare rules as appropriate
- LC § 4600 continues to determine issues of medical necessity, frequency and duration of medical treatment

## ***Default Option Is Effective January 1, 2014 If the AD Has Not Adopted a RB-RVS***

- **Conversion factors specified for 4-year transition from:**
  - **Aggregate expenditure levels based on current OMFS to 120 percent of Medicare rates**
  - **Separate conversion factors for surgery, radiology and all other services to a single conversion factor with anesthesia continuing to have a separate conversion factor**
- **Medicare ground rules apply**
  - **Exception: a statewide GAF of 1.078 shall applies in lieu of locality-specific factors**

## **Default Conversion Factors Transition Average OMFS Allowances to Single Conversion Factor at 1.2 Medicare**

Type of Service	Current: 100% OMFS	2014: 75/25 Blend	2015: 50/50 Blend	2016: 25/75 Blend	2017: 120 % Medicare
<b>Surgery</b>	<b>\$52.43</b>	<b>\$49.53</b>	<b>\$46.63</b>	<b>\$43.74</b>	<b>40.85</b>
<b>Radiology</b>	<b>61.36</b>	<b>56.23</b>	<b>51.10</b>	<b>45.97</b>	<b>40.85</b>
<b>Anesthesia</b>	<b>31.52</b>	<b>30.06</b>	<b>28.61</b>	<b>27.15</b>	<b>25.69</b>
<b>Other Services</b>	<b>35.95</b>	<b>37.17</b>	<b>38.40</b>	<b>39.62</b>	<b>40.85</b>

- **Based on overall allowances rather than service-specific allowances**
- **100% OMFS is Lewin -estimated “budget neutral” CF prior to GAF**
- **120% Medicare is based on July 2012 conversion factor**
- **Blend is decreasing “budget neutral” CF and increasing RB-RVS CF**
- **CF will be updated annually for inflation and adjusted by the GAF**

# ***Other General OMFS Provisions Apply to the RB-RVS Fee Schedule***

- **Fees must be adequate to ensure a reasonable standard of services and care for injured employees**
- **AD has authority to adjust the conversion factors, RVUs and other factors affecting payment amounts within the aggregate 120 percent limit**
- **Changes to conform with any relevant changes in the Medicare payment system shall be made within 60 days after the effective date of the changes**



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