

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



Medicare Physician Fee Schedule

PAYMENT SYSTEM FACT SHEET SERIES





This publication provides the following information about the Medicare Physician Fee Schedule (PFS):

- ❖ Physician services;
- ❖ Therapy services;
- ❖ Medicare PFS payment rates;
- ❖ The Medicare PFS rates formula; and
- ❖ Resources.

Physician Services

Medicare Part B pays for physician services based on the Medicare PFS, which lists the more than 7,400 unique covered services and their payment rates. Physicians' services include the following:

- ❖ Office visits;
- ❖ Surgical procedures;
- ❖ Anesthesia services; and
- ❖ A range of other diagnostic and therapeutic services.

Physicians' services are furnished in all settings including:

- ❖ Physicians' offices;
- ❖ Hospitals;
- ❖ Ambulatory Surgical Centers;
- ❖ Skilled Nursing Facilities (SNF) and other post-acute care settings;

- ❖ Hospices;
- ❖ Outpatient dialysis facilities;
- ❖ Clinical laboratories; and
- ❖ Beneficiaries' homes.

Therapy Services

Medicare Part B also pays for the services of physical therapists, occupational therapists, and speech-language pathologists based on the Medicare PFS. Therapy services paid based on the Medicare PFS may be furnished in the following settings:

- ❖ Offices of therapists in private practice;
- ❖ Hospital outpatient departments;
- ❖ SNFs;
- ❖ Home Health Agencies (for beneficiaries who are not under a home health plan of care);
- ❖ Outpatient physical therapy providers; and
- ❖ Comprehensive Outpatient Rehabilitation Facilities.

Medicare Physician Fee Schedule Payment Rates

Payment rates for an individual service are based on the following three components:

- 1) Relative Value Units (RVU);
- 2) Conversion Factor (CF); and
- 3) Geographic Practice Cost Indices (GPCI).

Each component is discussed in more detail below.

1) Relative Value Units (RVU)

Three separate RVUs are associated with the calculation of a payment under the Medicare PFS:

- ❖ Work RVUs reflect the relative levels of time and intensity associated with furnishing a Medicare PFS service and account for approximately 50 percent of the total payment associated with a service. By statute, all work

RVUs must be examined no less often than every five years. As noted in the calendar year (CY) 2010 Medicare PFS final rule, the fourth five-year review of work was initiated in 2009. Changes to work RVUs resulting from this review are effective beginning in CY 2012. In addition, beginning in CY 2013, the five-year review of physician work process has been consolidated with the misvalued codes initiative to allow for ongoing annual public input from interested stakeholders who can nominate codes to review;

- ❖ Practice expense (PE) RVUs reflect the costs of maintaining a practice (e.g., renting office space, buying supplies and equipment, and staff costs). For CY 2012, indirect cost data that are used in the calculation of PE RVUs for most specialties were updated using the American Medical Association's Physician Practice Information Survey (PPIS) data. The PPIS is a multispecialty, nationally representative indirect PE survey of both physicians and non-physician practitioners. Its use is being transitioned over a four-year period beginning in CY 2010; and
- ❖ Malpractice (MP) RVUs represent the remaining portion of the total payment associated with a service. The second five-year review of MP RVUs was completed in CY 2009.

2) Conversion Factor (CF)

To determine the payment rate for a particular service, each of the three separate RVUs, identified in 1) Relative Value Units (RVU) above, is adjusted by the corresponding GPCI as explained in 3) Geographic Practice Cost Indices (GPCI) below. The sum of the geographically adjusted RVUs is multiplied by a dollar CF. The CF is updated on an annual basis according to a formula specified by statute. The formula specifies that the update for a year is equal to the Medicare Economic Index (MEI) adjusted up or down depending on how actual expenditures compare to a target rate called the Sustainable Growth Rate (SGR). The MEI is a measure of inflation faced by physicians with respect to their practice costs and general wage levels. The SGR is calculated based on medical inflation, the projected growth in the domestic economy, projected growth in the number of beneficiaries in Fee-For-Service Medicare, and changes in law or regulation. Based on the criteria discussed above, the update to the CF for CY 2012 is \$24.6712.

3) Geographic Practice Cost Indices (GPCI)

GPICs are adjustments that are applied to each of the three relative values used in calculating a physician payment, as described in 1) Relative Value Units (RVU) above. The purpose of these adjustments is to account for geographic variations in the costs of practicing medicine in different areas within the country. The Centers for Medicare & Medicaid Services (CMS) is required to update the GPICs every three years and to phase in any changes over two years. The GPCI work floor provisions for CY 2012 are as follows:

- ❖ The 1.0 work floor will remain in effect for services furnished in frontier States only. Frontier States include:
 - Montana;
 - Nevada;
 - North Dakota;
 - South Dakota; and
 - Wyoming; and
- ❖ The 1.5 work floor for Alaska will remain in place.

The Medicare Physician Fee Schedule Payment Rates Formula

The Medicare PFS payment rates formula is shown below:

$$[(\text{Work RVU} \times \text{Work GPCI}) + (\text{PE RVU} \times \text{PE GPCI}) + (\text{MP RVU} \times \text{MP GPCI})] \times \text{CF}$$



Resources

For more information about the Medicare PFS, visit http://www.cms.gov/PhysicianFeeSched/01_overview.asp and refer to the “Medicare Reimbursement” section of the Medicare Learning Network® (MLN) publication titled “MLN Guided Pathways to Medicare Resources Basic Curriculum for Health Care Professionals, Suppliers, and Providers” booklet at http://www.cms.gov/MLNEdWebGuide/Downloads/Guided_Pathways_Basic_Booklet.pdf on the CMS website. To access the Physician Fee Schedule Lookup Tool, visit <http://www.cms.gov/apps/physician-fee-schedule/overview.aspx> on the CMS website. You can access the following via the search tool:

- ❖ Pricing amounts;
- ❖ Various payment policy indicators;
- ❖ RVUs;
- ❖ GPCIs by a single procedure code, a range, and a list of procedure codes;
- ❖ National payment amounts; and
- ❖ A specific Medicare Contractor and a specific Medicare Contractor locality.

For more information about how to use the searchable PFS, refer to the MLN publication titled “How to Use the Searchable Medicare Physician Fee Schedule (MPFS)” located at http://www.cms.gov/MLNProducts/downloads/How_to_MPFS_Booklet_ICN901344.pdf on the CMS website.

To find final rules, visit <http://www.gpo.gov/fdsys/search/home.action> on the U.S. Government Printing Office website. To find Medicare information for beneficiaries (e.g., Medicare basics, managing health, and resources), visit <http://www.medicare.gov> on the CMS website.

This fact sheet was current at the time it was published or uploaded onto the web. Medicare policy changes frequently so links to the source documents have been provided within the document for your reference.

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