MEDICAL SERVICES AND TREATMENT
HOW TO CALCULATE REIMBURSEMENT RATES

1.   How do I calculate the reimbursement rate for medical services and treatment?

The reimbursement rate for medical services and treatment (anesthesiology and ambulatory surgical centers are covered in other sections) is calculated by multiplying each RBRVS relative value unit (RVU) by each corresponding GPCI (geographic price costs index), adding those products, and then multiplying that total by the applicable Maryland Specific Conversion Factor (MSCF) as follows:

Non-facility MRA = ((RVU_{Work} x $GPCI_{Work}$) +

($RVU_{Transitioned\ Non\text{-}Facility\ PE}$ x $GPCI_{PE}$) +

(RVU_{MP} x $GPCI_{MP}$)) x MSCF.

Facility MRA =   ((RVU_{Work} x $GPCI_{Work}$) +

($RVU_{Transitioned\ Facility\ PE}$ x $GPCI_{PE}$) +

(RVU_{MP} x $GPCI_{MP}$)) x MSCF.

"MRA" means maximum reimbursement allowable.

"Facility" means hospital, ambulatory surgical center (ASC) performing an ASC approved procedure, or similar entity.

"Non-Facility" generally means a provider's office. Under Medicare's regulations the non-facility practice expense RVUs apply to services performed in a physician's office, a patient's home, an ASC if the physician is performing a procedure for which an ASC facility fee is not paid under Part 416, a nursing facility, or a facility or institution other than a hospital or skilled nursing facility, community mental health center, or ASC performing an ASC approved procedure.

"RVU" means the relative value unit quantifying the relative work ("work"), practice expense ("PE"), and malpractice costs ("MP") for each service.

"GPCI" means the geographic price cost index or the resource cost difference of providing a service, by geographic region, reflected in the relative work ("work"), practice expense ("PE"), and malpractice costs ("MP") of the service.

2.   Wow. This seems complicated?

No, it really is just addition and multiplication.

Non-facility MRA = ((RVU Work x GPCI Work) + (RVU Transitioned Non-Facility PE x GPCI PE) + (RVU MP x GPCI MP)) x MSCF

It is actually only five functions:

F1 = (RVU Work x GPCI Work)

F2 = (RVU Transitioned Non-Facility PE x GPCI PE)

F3 = (RVU MP x GPCI MP)

F4 = Add the values from F1 + F2 + F3

F5 = Multiply the value from F4 by the MSCF

3.   Why is the WCC using this formula?

CMS uses the same formula when calculating reimbursement but includes a Federal Budget Neutrality Factor (which can cause reimbursement to decrease):

2008 CMS Non-Facility Amount =
        ((Work RVU x Budget Neutrality Adjustor (0.8806) (round product to two decimal places) x Work GPCI) + (Transitioned Non-Facility PE RVU x PE GPCI) + (MP RVU x MP GPCI)) x Conversion Factor

By using the RVU values and performing the calculation without the Federal Budget Neutrality Adjustor the reimbursement rate is not subject to reduction by Congress.

4.   Where do I find the RVUs?

The RVUs may be obtained from the CMS website. If you want to create your own spreadsheet to calculate the MRA follow these steps:

RVUs

1.   Go to "http://www.cms.hhs.gov/"

2.   Click on "Medicare"

3.   Go to "Medicare Fee for Service Payment" and click on "Physician Fee Schedule"

4.   Click "PFS Federal Regulation Notices"

5.   Scroll down and click "Calendar Year Descending"

6.   Locate appropriate "Calendar Year" and "Regulation #" as needed (the WCC's calculations use

"2008" and "CMS-1385-FC")

7.   Click "Addendum B" zip file from list of available downloads

From this you will obtain a list of CPT codes and corresponding RVU values. You may input this information into any spreadsheet or calculating program. This is a list of the information found in the download.

File Layout of Addendum B (Relative Value Units (RVUs))

No.	Column Heading	Description
1	CPT/HCPCS	Current Procedural Terminology / Healthcare Common Procedure Coding System
2	Mod	Modifier
3	Status	Indicates payable status under Fee Schedule if service is covered.
4	Description	Service description
5	Physician Work RVUs	Reflect physician/practitioner work required to furnish a service
6	Fully Implemented Non-Facility PE RVUs	Representative of the **non-facility** practice expense values by the year 2010 (after 4 year phase-in or transition of PE RVU changes effective January 1, 2007)
7	Year 2008 Transitional Non-Facility PE RVUs	Representative of the second year transition of the **non-facility** practice expense changes effective January 1, 2008
8	Fully Implemented Facility PE RVUs	Representative of the **facility** practice expense values by the year 2010 (after 4 year phase-in or transition of PE RVU changes effective January 1, 2007)
9	Year 2008 Transitional Facility PE RVUs	Representative of the second year transition of the f**acility** practice expense changes effective January 1, 2008
10	Mal-Practice RVUs	Reflect malpractice costs inherent in furnishing a service.
11	Fully Implemented Non-Facility Totals	Total non-facility RVUs = {Physician Work RVU + Fully Implemented **Non-Facility** PE RVU + Mal-Practice RVU}
12	Year 2008 Transitional Non-Facility Totals	Total non-facility RVUs = {Physician Work RVU + Year 2008 Transitional **Non-Facility** PE RVU + Mal-Practice RVU}
13	Fully Implemented Facility Totals	Total facility RVUs = {Physician Work RVU + Fully Implemented **Facility** PE RVU + Mal-Practice RVU}
14	Year 2008 Transitional Facility Totals	Total facility RVUs = {Physician Work RVU + Year 2008 Transitional **Facility** PE RVU + Mal-Practice RVU}
15	Global	Global period

5.   There are facility and non-facility RVUs and fully-implemented and Year 2008 Transitional RVUs. Which do I use?

In 2007, CMS began phasing in new values over a four year period. The fully-implemented values will be in effect in 2010. For this reason, the 2008 transitional values should be used when calculating reimbursement for services provided in 2008.

Non-facility RVUs apply to services performed in a physician's office, a patient's home, an ASC if the physician is performing a procedure for which an ASC facility fee is not paid under Part

416, a nursing facility, or a facility or institution other than a hospital or skilled nursing facility, community mental health center, or ASC performing an ASC approved procedure.

Facility RVUs apply to services performed in an ASC when performing an ASC approved procedure, hospital, skilled nursing facility or community mental health center.

6. Where can I find the GPCIs?

GPCIs

1. Go to "http://www.cms.hhs.gov/"

2. Click on "Medicare"

3. Go to "Medicare Fee for Service Payment" and click on "Physician Fee Schedule Look-Up"

4. Click "Physician Fee Schedule Search"

5. Scroll down and click "Calendar Year Descending"

6. Confirm "Year," "HCPCS Criteria" and "Type of Information" required and click "Next" (the

WCC calculations use "2008," "Single HCPCS" and "Geographical Practice Cost Index")

7. Select "Specific Locality" and click "Next"

8. Select *0090101 = Baltimore/Surrounding Counties, Maryland

9. The next screen will display the following for the "locality" selected:

   * GPCI $_{Work}$ * GPCI $_{PE}$ * GPCI $_{MP}$

The GPCI value corresponding to each area (work, PE, MP) is then used in the formula to compute the MRA.

7. Where do the MSCFs come from?

The MSCFs were derived by multiplying the 2004 CMS conversion factor by the applicable

percentage multiplier. For example:

Ortho/Neurological Surgical MSCF = 2004 CMS Conversion Factor x 144%

Ortho/Neuro MSCF = $37.3374 x 144% = $53.77

All other medical services MSCF = 2004 CMS Conversion Factor x 109%

All other medical services MSCF = $37.3374 x 109% = $40.70

8.   Now what?

You may create a spreadsheet or use another program to calculate the MRA using the formulas listed above. For each CPT code you identify the corresponding RBRVS relative value units (RVU) for work, practice expense (PE), and malpractice costs (MP), multiply those by each corresponding GPCI (geographic price costs index), add those products, and then multiply that total by the applicable Maryland Specific Conversion Factor (MSCF).

OR

You can download the WCC 2008 MRAs for ortho/neuro and all other medical services from the WCC website.

To use the WCC MRA download, simply identify the CPT code and follow across the chart to locate the applicable reimbursement: either facility or non-facility and, depending on the CPT code, either the ortho/neurosurgical MSCF will apply or the other medical services MSCF will apply. The MRA listed is the maximum reimbursement allowable.

9.   What does the WCC download look like?

MRA 2008   Version 5/16/08

CPT®/ HCPCS	Mod	Status	Physi-cian Work RVUs[2]	Fully Imple-mented Non-Facility PE RVUs[2]	Fully Imple-mented Facility PE RVUs[2]	Mal-Practice RVUs[2]	Global	Non-Facility (Baltimore) All Other Med Services and Treatment	Facility (Baltimore) Orthopedic and Neurological Surgical	Facility (Baltimore) All Other Med Services and Treatment
0016T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0017T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0019T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0026T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0027T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0028T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0029T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0030T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0031T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0032T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0041T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0042T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0043T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0046T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0047T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0048T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0049T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0050T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0051T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0052T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0053T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0058T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0059T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0060T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0061T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0062T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0063T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0064T		C	0.00	0.00	0.00	0.00	XXX	0.00	NA	0.00
0066T		N	0.00	0.00	NA	0.00	XXX	0.00	NA	NA

10.   Can you show me a sample calculation?

CPT / HCPCS	**12001**
Modifier	**-**
Status	**A**
Description	**Repair Superficial Wound**
Physician Work RVU	**1.720**
Work GPCI (*Balt/Surr Cnty*)	**1.012**
Trans. Non-Facility PE RVU	**1.860**
PE GPCI (*Balt/Surr Cnty*)	**1.069**
Mal-Practice RVU	**0.150**
MP GPCI (*Balt/Surr Cnty*)	**1.010**

Non-facility MRA = ((RVU Work x GPCI Work) + (RVU Transitioned Non-Facility PE x GPCI PE) + (RVU MP x GPCI MP)) x MSCF

Non-Facility MRA = ((1.720 x 1.012) + (1.860 x 1.069) + (0.150 x 1.010)) x 40.70

Non-Facility MRA = 157.94

USEFUL DEFINITIONS

Although the WCC has provided a downloaded version of these calculations, for you to understand how the calculations are done will require some familiarity with the following terminology:

a.   "Resource Based Relative Value Scale" or "RBRVS" means the system by which medical providers are reimbursed based on the resource costs needed to provide a given service. Under the RBRVS, CMS assigns each medical procedure a relative value quantifying the relative work ("work"), practice expense ("PE"), and malpractice costs ("MP") for each service.

b.   "RBRVS Relative value unit" or "RVU" means the uniform value assigned by CMS to each medical procedure and service identified by CPT/HCPCS code quantifying the work ("work"), practice expense ("PE"), and malpractice costs ("MP") for each service.

c.   "Geographic Price Cost Index" or "GPCI" means the resource cost difference of providing a service, by geographic region, reflected in the relative work ("work"), practice expense ("PE"), and malpractice costs ("MP") of the service.

d.   "Healthcare Common Procedure Coding System" (HCPCS) means one of two coding systems used by CMS: level I, consisting of CPT codes, and level II, used primarily to identify products, supplies, and services not included in the CPT codes, such as ambulance services and durable medical equipment, prosthetics, orthotics, and supplies.

e.   "Maximum Reimbursement Allowable" or "MRA" means the amount payable to an authorized provider, unless subject to a private agreement to the contrary, calculated pursuant to the Fee Guide for the provision of medical services and treatment rendered to an individual whose injury or disease falls within the scope of Labor and Employment Article, Title 9, Annotated Code of Maryland.

f.   "Maryland Specific Conversion Factor" or "MSCF" means a fixed dollar amount used as a multiplier in calculating the MRA for medical services and treatment, orthopedic and neurological surgical procedures, and anesthesiology services.