RBRVS System for Pediatricians: A Fair, Fast, and Accurate Method to Set Pricing

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How Do You Set Your Prices Now?

“Don't tell, but I called down the street.”
“I asked on one of the mailing lists I'm on.”
“It just seemed like the right price.”
“It's a little more than they charge across town.”
“I found a copy of one of our fee schedules and added a few bucks.”
“Magic Eight Ball®.”
Medicare needed a system to allow the gov't to plan a budget each year

Method to quantify the value and price of every procedure while adjusting for geographic location

Government implemented system on Jan 1, 1992

Relative Value Unit is assigned to every CPT code

All public and private payors use components of Medicare RBRVS to reimburse physicians.
Published in the Federal Register and at

RBRVS – Resource Based Relative Value System

PCC
Pediatric EHR Solutions

2012 National Physician Fee Schedule Relative Value File

RBRVS – Resource Based Relative Value System

Published in the Federal Register and at

cms.gov
Components of the RVU

Value for each procedure is based on three components:

- **Physician work**
  (~46%)

- **Practice expense**
  (~45%)

- **Professional liability expense**
  (~9%)
Costs associated with practicing in Hollywood, CA are much different from costs for practicing in, say, Hollywood, FL.

Geographic adjustment is made to each component of an RVU.

<table>
<thead>
<tr>
<th>Locality</th>
<th>Work</th>
<th>Practice Expense</th>
<th>Malpractice</th>
<th>Diff 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan, NY</td>
<td>1.052</td>
<td>1.180</td>
<td>1.615</td>
<td>+0.4%</td>
</tr>
<tr>
<td>Miami, FL</td>
<td>1.000</td>
<td>1.029</td>
<td>2.566</td>
<td>+5.9%</td>
</tr>
<tr>
<td>Detroit, MI</td>
<td>1.000</td>
<td>0.989</td>
<td>1.691</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Vermont</td>
<td>1.000</td>
<td>1.015</td>
<td>0.595</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>1.000</td>
<td>0.901</td>
<td>0.526</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Idaho</td>
<td>1.000</td>
<td>0.902</td>
<td>0.512</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>
Calculating An RVU Value

<table>
<thead>
<tr>
<th>2019 RVU Value of 99213 for a practice in Tennessee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Work RVU * Work GPCI) +</td>
</tr>
<tr>
<td>(Practice Expense RVU * PE GPCI) +</td>
</tr>
<tr>
<td>(Malpractice Expense RVU * ME GPCI) =</td>
</tr>
</tbody>
</table>

\[
\text{(Work RVU} \times \text{Work GPCI}) + (0.97 \times 1.000) + (1.05 \times 0.901) + (0.07 \times 0.526) = 1.9529 \text{ RVUs}
\]

TOTAL 1.9529 RVUs
Medicare Conversion Factor

National value used to convert procedure RVU values into payment amounts.

Medicare reimbursement amount for 1 RVU. Updated annually.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion Factor</td>
<td>$33.98</td>
<td>$34.04</td>
<td>$34.02</td>
<td>$35.82</td>
<td>$35.75</td>
<td>$35.83</td>
<td>$35.89</td>
<td>$35.99</td>
<td>$36.04</td>
</tr>
</tbody>
</table>

Graph showing the trend of Medicare Conversion Factor from 2011 to 2019.
Translate to Payment

Multiply RVU value by Medicare conversion factor to calculate Medicare value.

Annual 99213 value for a “NY, Rest of” practice:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>99213 RVU Value</td>
<td>2.04</td>
<td>2.04</td>
<td>1.97</td>
<td>1.98</td>
<td>1.98</td>
<td>1.97</td>
<td>2.01</td>
</tr>
<tr>
<td>Conversion Factor</td>
<td>$34.02</td>
<td>$35.8</td>
<td>$35.7</td>
<td>$35.8</td>
<td>$35.8</td>
<td>$35.9</td>
<td>$36.0</td>
</tr>
<tr>
<td>Medicare $ Value</td>
<td>$69.48</td>
<td>$73.0</td>
<td>$70.4</td>
<td>$70.8</td>
<td>$71.2</td>
<td>$70.8</td>
<td>$72.4</td>
</tr>
</tbody>
</table>

Translate to Payment

 Medicare $ Value

<table>
<thead>
<tr>
<th></th>
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</table>
OK, that's the system ... but how much more should I charge relative to Medicare?

**Typical Pediatric Pricing**

- 165%
- 120%
- 95%
- 145%
- 125%
Appropriate RBRVS Multiplier

Pick the pricing level that's right for your practice ... and don't go under it

Appropriate Pricing

<table>
<thead>
<tr>
<th>% of Medicare</th>
<th>165%</th>
<th>160%</th>
<th>160%</th>
<th>160%</th>
<th>160%</th>
</tr>
</thead>
<tbody>
<tr>
<td>180%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>150%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>120%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>90%</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>60%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Setting Your Price

Pick a year and an appropriate multiplier, then set your price based on the Medicare value for that year.

Example based on 2019 RVU values for Tennessee.

<table>
<thead>
<tr>
<th>CPT Code</th>
<th>Medicare Value</th>
<th>Your Multiplier</th>
<th>Your Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>99391</td>
<td>$95.38</td>
<td>150%</td>
<td>$143.06</td>
</tr>
<tr>
<td>90460</td>
<td>$15.73</td>
<td>175%</td>
<td>$27.53</td>
</tr>
<tr>
<td>99214</td>
<td>$103.36</td>
<td>200%</td>
<td>$206.72</td>
</tr>
<tr>
<td>Percentile</td>
<td>10&lt;sup&gt;th&lt;/sup&gt;</td>
<td>25&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Median</td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>----------------</td>
<td>--------</td>
</tr>
<tr>
<td></td>
<td>141%</td>
<td>152%</td>
<td>173%</td>
</tr>
</tbody>
</table>

![Pediatric Pricing Benchmark](chart.png)
Pediatric Pricing Benchmark

Pricing Relative to Medicare


133% 139% 141% 150% 147% 153% 165% 158% 159% 152% 156% 162% 166% 171% 171% 173% 183%
Review!

CPT Code: 99213

Work RVU $x$ GPCI +
PE RVU $x$ GPCI +
MalP RVU $x$ GPCI

2.17 $\times$ $35.82 = 77.75$

$\text{Medicare Rate} \times \text{Pricing Multiplier} = 136.06$

YOUR PRICE: $136.06$
Holy Cow, That's A Lot Of Work!

Free Resources for RVU Calculation:

- http://www.cms.hhs.gov/PhysicianFeeSched/01_overview.asp
- http://www.physicianspractice.com
- http://chipsblog.pcc.com
Holy Cow, That's A Lot Of Work!

Good news, but you have to wait.
Why Don't My Numbers Match?

- Private insurers should not be using the Budget Neutrality adjustment *unless* your contract states that they will pay you “x% of the Medicare fees.”
- The carrier may be using a different year than you expect.
- The carrier may be using a different *location* than you expect.
- The carrier may not be doing good math. Shocking.
All of the insurance companies utilize the RBRVS system in one way or another. It's the standard.

More and more insurance companies use the RBRVS system directly.

With the arrival of HSAs and HDHPs, practices are going to need a system that substantiates their worth.
With PCC's RVU calculators, it's fast and easy.

It allows you to compare your practice to others.

It is potentially an effective provider productivity measurement.

Most of all: it's guaranteed to increase your income, if only a little.
Now...Make Your Own!


Now...Make Your Own!

### Pricing Analysis (RVU Report per Procedure)

<table>
<thead>
<tr>
<th>Procedure Code Set A</th>
<th>RVU Status Code</th>
<th>Units</th>
<th>Number of Valid RVU Units</th>
<th>Charge Amount</th>
<th>Total Number of RVUs</th>
<th>Avg RVU Per Unit</th>
<th>Avg Charge Amount</th>
<th>Avg RVU Practice FACF $68.69</th>
<th>Avg RVU Medicare FACF</th>
<th>Avg Deposited as Percent of Medicare FACF</th>
<th>Avg Deposited</th>
<th>RVU Medicare FACF at 140%</th>
<th>RVU 140% Charge Difference</th>
<th>Underbilled Amount</th>
<th>Amount Deposited (all pmts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>99392</td>
<td>N</td>
<td>1</td>
<td>1</td>
<td>$185.00</td>
<td>2.90</td>
<td>2.90</td>
<td>$185.00</td>
<td>$0.00</td>
<td>$199.44</td>
<td>0.00%</td>
<td>$104.64</td>
<td>$146.50</td>
<td>$38.50</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>99391-25-U7</td>
<td>N</td>
<td>13</td>
<td>13</td>
<td>$2,527.00</td>
<td>35.33</td>
<td>2.72</td>
<td>$194.38</td>
<td>$83.48</td>
<td>$186.75</td>
<td>85.20%</td>
<td>$97.98</td>
<td>$137.17</td>
<td>$743.79</td>
<td>$0.00</td>
<td>$1,085.22</td>
</tr>
<tr>
<td>99213</td>
<td>A</td>
<td>1506</td>
<td>1506</td>
<td>$202,950.00</td>
<td>3027.06</td>
<td>2.01</td>
<td>$134.76</td>
<td>$46.75</td>
<td>$138.10</td>
<td>64.52%</td>
<td>$72.46</td>
<td>$101.44</td>
<td>$50,181.36</td>
<td>$0.00</td>
<td>$70,402.53</td>
</tr>
</tbody>
</table>

Criteria for this report run:
- Transaction Date Range: 07/08/18 - 07/07/19
- RVU Multiplier: 140%
- RVU Zipcode: 78504
- RVU Database Year: 2019
- Budget Neutrality Adjustment: No

Procedures:
- 99213 OV 99213 99391 25 Mod 25 PE <1 YRS
- 99391-25 Mod 25 U7 PE <1 YRS 99392 PE 1-4 YRS
- 99391 PP PE <1 YRS 99391-25 -Mod 25 U7 PE <1 YRS

RVU Practice FACF: $68.69 (90 percent of Medicare)
RVU Medicare FACF: $36.04
Now...Make Your Own!


And this is where you tell me it doesn’t matter...