

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



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Medicare Physician Fee Schedule

PAYMENT SYSTEM FACT SHEET SERIES



ICN 006814 May 2014



Please note: The information in this publication applies only to the Medicare Fee-For-Service Program (also known as Original Medicare).

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

- ❖ Physician services;
- ❖ Medicare PFS payment rates;
- ❖ Medicare PFS payment 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:

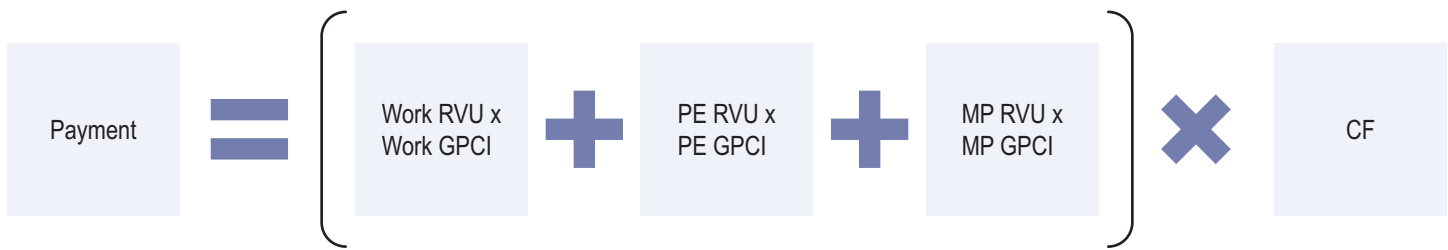
- ❖ Physicians' offices;
- ❖ Hospitals;
- ❖ Ambulatory Surgical Centers;
- ❖ Skilled Nursing Facilities and other post-acute care settings;
- ❖ Hospices;
- ❖ Outpatient dialysis facilities;
- ❖ Clinical laboratories; and
- ❖ Beneficiaries' homes.

Medicare PFS Payment Rates

Payment rates for an individual service are based on the following components as shown in the Medicare PFS payment rates formula on page 3:

- 1) Relative Value Units (RVU);
 - ❖ Work RVU;
 - ❖ Practice expense (PE) RVU; and
 - ❖ Malpractice (MP) RVU;
- 2) Conversion Factor (CF); and
- 3) Geographic Practice Cost Indices (GPCI).

Medicare PFS Payment Rates Formula



Each component of the Medicare PFS payment rates formula 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 time and intensity associated with furnishing a Medicare PFS service and account for approximately 50 percent of the total payment associated with a service;
- ❖ **PE RVUs** reflect the costs of maintaining a practice (such as renting office space, buying supplies and equipment, and staff costs); and
- ❖ **MP RVUs** reflect the costs of malpractice insurance.

2) Conversion Factor (CF)

To determine the payment rate for a particular service, each of the three separate RVUs is adjusted by the corresponding GPCI. The sum of the geographically adjusted RVUs is multiplied by a dollar CF. The statute specifies the formula by which the CF is updated on an annual basis.

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;
- ❖ Projected growth in the domestic economy;
- ❖ Projected growth in the number of beneficiaries in Fee-For-Service Medicare; and
- ❖ Changes in law or regulation.

However, in recent years Congress has taken action to establish a specific update amount.

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 above. The purpose of these adjustments is to account for geographic variations in the costs of practicing medicine in different areas within the country.



Resources

The chart below provides Medicare PFS resource information.

Medicare Physician Fee Schedule Resources

For More Information About...	Resource
Medicare Physician Fee Schedule	http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/PhysicianFeeSched on the Centers for Medicare & Medicaid Services (CMS) website
Medicare Learning Network® (MLN) publication titled “How to Use The Searchable Medicare Physician Fee Schedule (MPFS)”	http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/How_to_MPFS_Booklet_ICN901344.pdf on the CMS website
Physician Fee Schedule Search Tool	http://www.cms.gov/apps/physician-fee-schedule on the CMS website
All Available MLN Products	“Medicare Learning Network® Catalog of Products” located at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/Downloads/MLN_Catalog.pdf on the CMS website or scan the Quick Response (QR) code on the right 
Provider-Specific Medicare Information	MLN publication titled “MLN Guided Pathways: Provider Specific Medicare Resources” booklet located at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNEdWebGuide/Downloads/Guided_Pathways_Provider_Specific_Booklet.pdf on the CMS website
Medicare Information for Beneficiaries	http://www.medicare.gov on the CMS website



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