

RBRVS Overview

The Medicare Resource Based Relative Value Scale (RBRVS) assigns a Relative Value Unit (RVU) to each service according to the resource costs needed to provide the service. These costs are measured in three components: (1) physician work (2) practice expense and (3) professional liability insurance. The three RVU components are:

1. **Physician Work (Work)** reflects the cost of the physician's time, technical skill, physical effort, mental effort and judgment, and physician stress due to risk and/or complications.
2. **Practice Expense (PE)** reflects the cost of the physician's equipment, rent, supplies, over head expenses and salaries for support personnel.
3. **Malpractice Expense** reflects the relative risk or professional liability associated with the service.

Practice Expense is dependent upon site of service; therefore the PE component is subdivided into non-facility PE and facility PE. The definitions are:

- **Non- Facility Practice Expense** represents the physician's direct and indirect costs related to each service when provided in the physician's office, patient's home, or other non-hospital setting such as a residential care facility.
- **Facility Practice Expense** represents the physician's direct and indirect costs related to each service when that service is provided in a hospital, ambulatory surgery center (ASC) or skilled nursing facility (SNF).
- Direct expenses included non-physician labor, medical equipment, and medical supplies. Indirect expenses include the cost of general office supplies, rent, utilities, and other over head.

The sum of these three components, physician work, practice expenses (non-facility or facility) and malpractice insurance reflect the total value of the service or the total Relative Value Units (RVUs). Because the practice expense is subdivided into two categories, two total RVU values are available for each service; the non-facility total and the facility total.

Geographic Practice Cost Indices (GPCIs) are adjustments that are applied to each of the three relative value components used in calculating a payment. The purpose of these adjustments is to account for geographic variations in the costs of practicing medicine in different areas within the country.

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The basic formula to pay for a service in Medicare's RBRVS is as follows:

Work RVU	as modified by.....	Work Expense (GPCI)
Practice Expense (PE) RVU	as modified by.....	Practice Expense GPCI
Malpractice Insurance (MP) RVU	as modified by.....	Malpractice Expense GPCI

$$\begin{aligned}
 & (\text{Work RVU} \times \text{Work GPCI}) + \\
 & (\text{Practice Expense RVU} \times \text{PE GPCI}) + \\
 & (\text{Malpractice RVU} \times \text{MP GPCI}) = \\
 & \text{TOTAL RVU}
 \end{aligned}$$

$$\text{Total RVU} \times \text{Conversion Factor (CF)} = \text{Total Medicare Payment}$$

The **Conversion Factor (CF)** represents the dollar value of each relative value unit. The conversion factor is used to convert the RVUs to a dollar amount for payment by multiplying the total RVU by the conversion factor.

History of Medicare RVUs and the RBRVS:

- January 1, 1992: Medicare moved to an RVU-based payment system using the three RVU components stated above. Initially, however, only the Physician Work RVU component was resource-based.
- January 1, 1999: Resource-based Practice Expense RVUs implemented by Medicare (transitioned in over four years).
- January 1, 2000: Resource-based malpractice insurance RVUs implemented by Medicare.
- The Work RVU is given the greatest weight, followed by the Practice Expense RVU and lastly the Malpractice RVU.
- Federal law requires that all RVUs be reviewed no less than every five years.
- Each year the Centers for Medicare and Medicaid Services (CMS) must make adjustments to the relative value units and the conversion factor to meet requirements related to the sustainable growth rate (SGR). A budget neutrality adjustment to the conversion factor may also be required.