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Medicare Physician Fee Schedule (MPFS)

Educational briefing for providers

What is the Medicare Physician Fee Schedule?

The Medicare Physician Fee Schedule (MPFS) governs how Medicare pays physicians and other clinicians for professional services provided through Medicare Part B. The fee schedule contains billing information for over 7,400 unique services. Generally, physicians are paid for specific services based on:

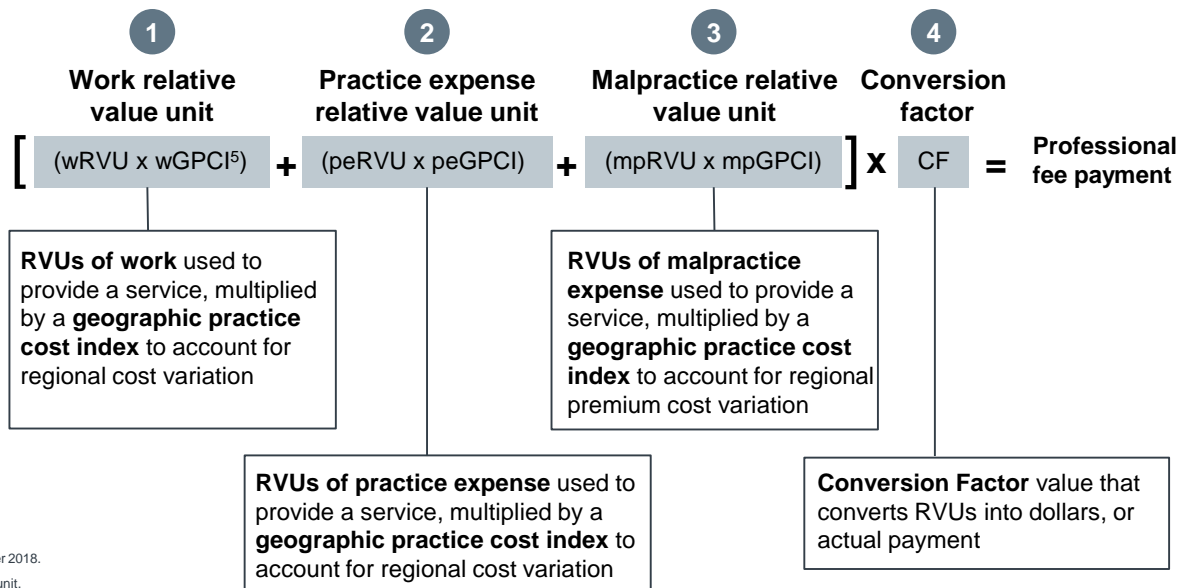
- The number of work, practice expense, and malpractice RVUs¹ assigned to the service
- The value of each RVU
- Geography-based adjustments

All physicians receive the professional component of their payment through the MPFS. Physicians practicing in ASCs², HOPDs³, SNFs⁴, and hospitals receive an additional payment, called the technical component, based on where the service was provided. Services provided in a physician office do not receive a technical payment.

How does Medicare calculate payment using the fee schedule?

The core components of Medicare's calculation are three types of RVUs, which rank the resources used to provide each service on a common scale. These resources include the physician's work, the expenses of the physician's practice, and professional liability insurance (work RVU, practice expense RVU, and malpractice RVU, respectively). Each RVU value is multiplied by the geographic practice cost index corresponding with where the service was provided. Next, all RVU values are added together. Then, the RVUs are multiplied by the conversion factor to get the dollar amount of payment.

The Medicare physician payment formula



Updated November 2018.

- 1) Relative value unit.
- 2) Ambulatory surgery center.
- 3) Hospital outpatient department.
- 4) Skilled nursing facility.
- 5) Geographic practice cost index.

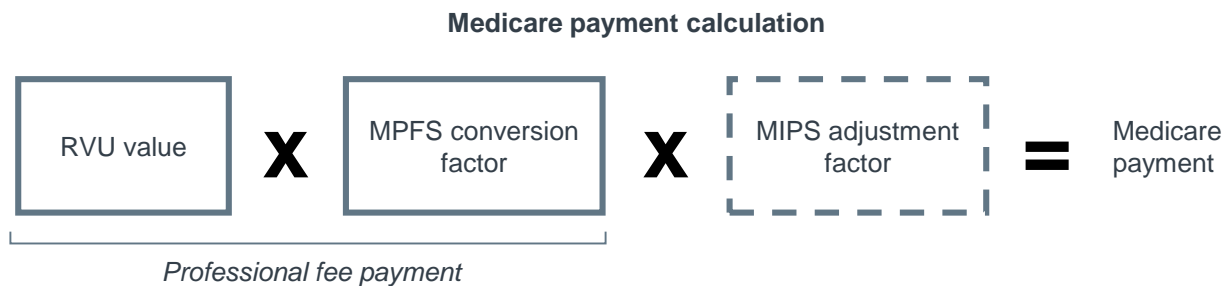
Source: CMS, Advisory Board research and analysis.

Medicare Physician Fee Schedule (MPFS)

Educational briefing for providers (continued)

How does MACRA¹ factor into Medicare physician payment?

For MIPS² participants, there will be an additional component to physician payment: the MIPS adjustment factor. MIPS can either positively or negatively affect physician payment depending on physician performance.



Why is the Medicare Physician Fee Schedule a key issue for medical groups?

- ▶ **Groups should look to CMS for indications of changes to commercial reimbursement:** Often commercial payers mirror changes Medicare makes to reimbursement. For example, if Medicare starts reimbursing a service for telehealth, it is more likely commercial payers will follow.
- ▶ **Reimbursement may change each year because the fee schedule is updated annually:** Each year, Medicare sets the value of each RVU type and value of the conversion factor through rulemaking. That means how much physicians are paid for services one year may be different the next. Groups need to monitor the rule making process for basic changes to get an accurate assessment of revenue.
- ▶ **Groups have the opportunity to voice their opinion:** Because the fee schedule changes year over year, physicians, groups, and other industry stakeholders are able to share their perspective during the comment period. It is typically 60 days following the release of a proposed rule. Based on public comments, CMS releases an updated rule in November. On January of the following year, changes in the final rule take effect.

Additional Advisory Board research and support



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