



Advising the Congress on Medicare issues

Validating relative value units in Medicare's fee schedule for physicians and other health professionals

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Overview

- Inaccuracy of relative value units (RVUs) in fee schedule
 - Work RVUs
 - Much of inaccuracy due to assumptions about time spent furnishing services
- Commission's method for correcting inaccuracies
- Data on the feasibility of this approach

Commission's longstanding concerns about the fee schedule

- Distortions leading to underpayment for primary care
- Physicians in some specialties receive compensation averaging more than double that of primary care

Commission recommendations to rebalance the fee schedule

- Repeal SGR and replace it with updates higher for primary care than other services
- Collect data from cohort of efficient practices
- Identify overpriced services and price them appropriately

Statutory requirements on overpriced services

- Identify and review potentially misvalued services
 - Apply criteria such as rapid growth and technological advances
 - Adjust RVUs accordingly
- Validate RVUs
 - Consider elements of professional work
 - Conduct surveys and other data collection

Focus to date has been individual services

- CMS has process with input from RUC for review of specific services
- Contracts awarded for collection and analysis of data on specific services
- With focus on individual services
 - 7,000 billing codes
 - Time assumed for each one
 - Work RVUs mostly a function of time

Problems with “bottom-up” approach

- Studies show assumptions about time per service are inflated
- Service-by-service (e.g., time-and-motion studies)
 - Costly and burdensome
 - Subject to bias

Commission method for validating RVUs

- Unit of analysis: physician or other health professional
- Examine data on:
 - Service mix
 - Total time worked
 - Time assumed in fee schedule
- Use data to identify services with time allotted that is too low or too high
- Refer services for detailed assessment

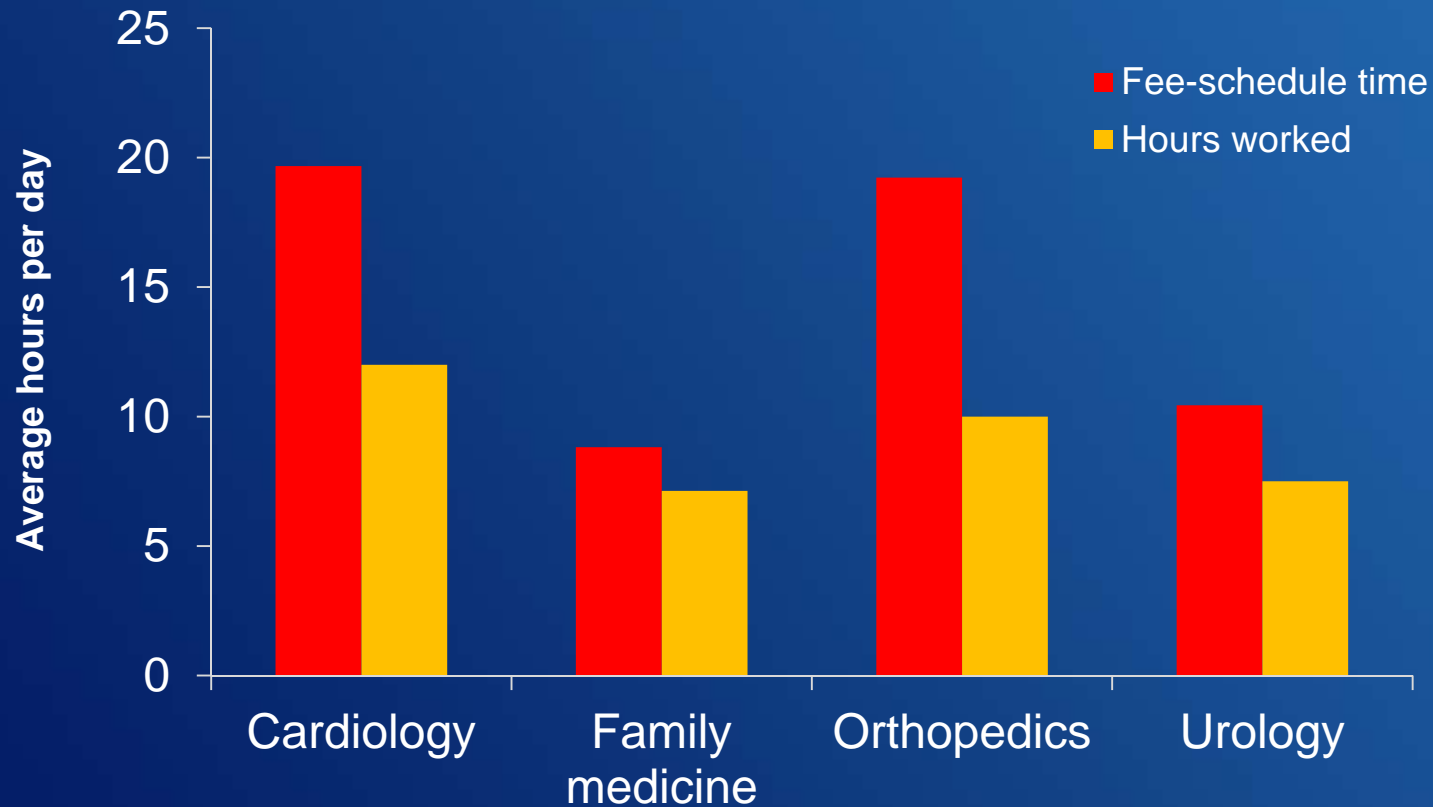
Feasibility study

- Data collected by contractor from small number of practices
 - Services furnished by physicians and other health professionals
 - Hours worked in patient care
- Fee-schedule time assumptions compared to reported hours worked

Participating practices

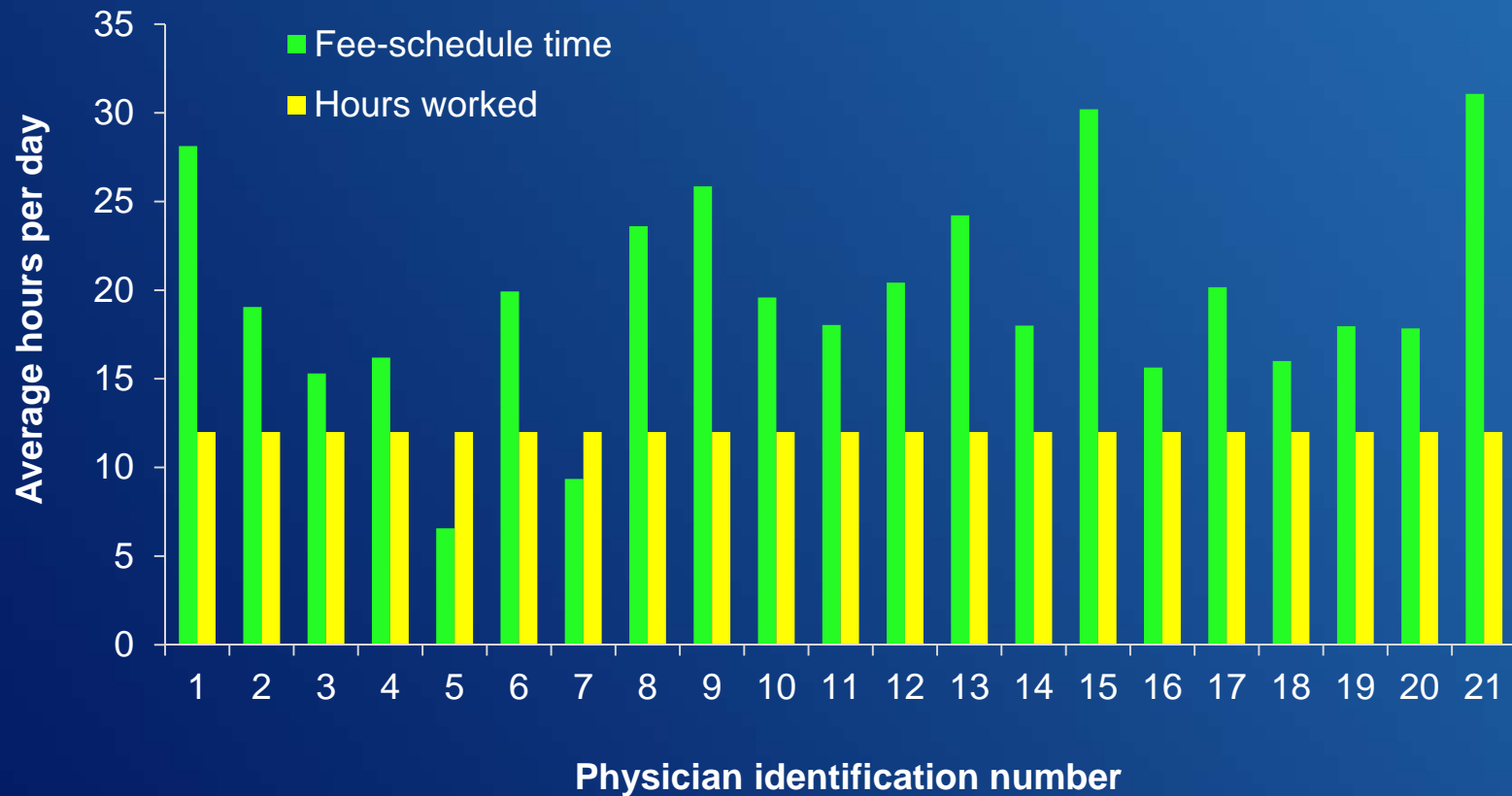
- Specialties:
 - Family medicine
 - Medical oncology
 - Urology
 - Radiology
 - Orthopedics
 - Cardiology (2)
- 7 practices interviewed about staffing, technology, productivity
- 4 practices submitted complete data for feasibility study

For physicians, fee-schedule time exceeded hours worked

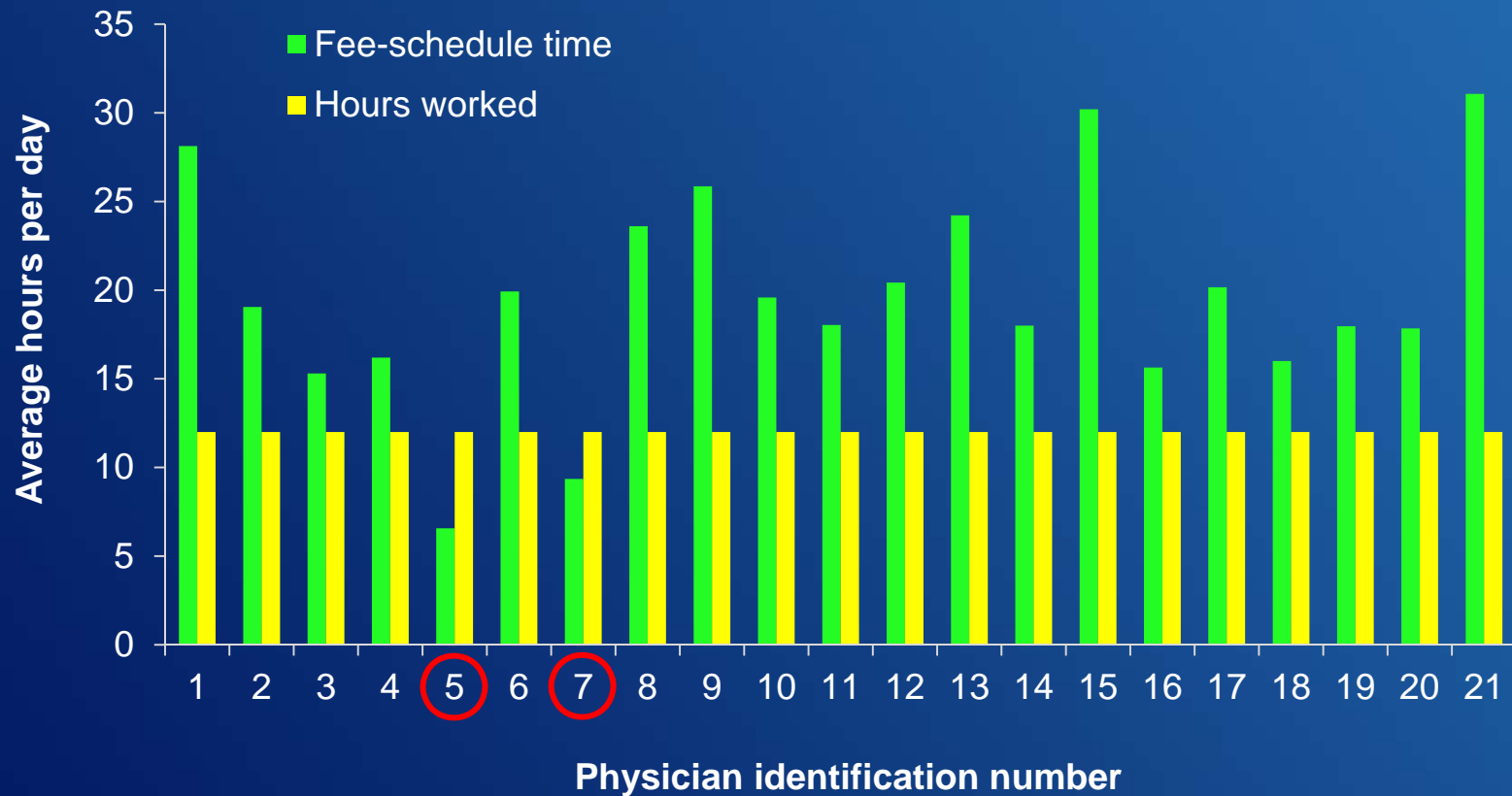


Source: Zismer et al. 2014.

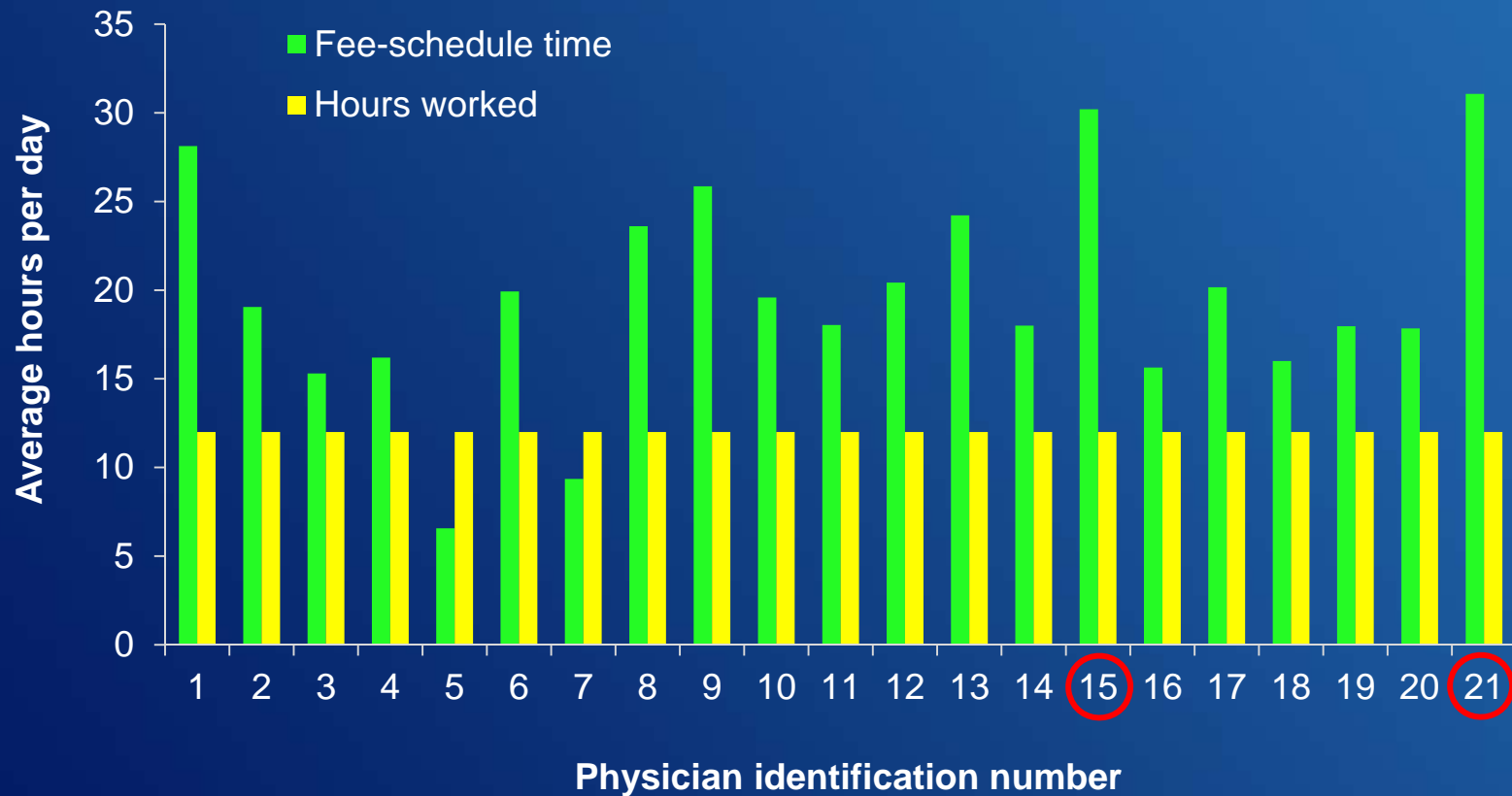
For most cardiology practice physicians, fee-schedule time exceeds hours worked



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For most cardiology practice physicians, fee-schedule time exceeds hours worked



Summary

- Commission has recommendations on validating RVUs
- Data collected by Commission contractor confirms feasibility of top-down approach
- Bottom-up costly to repeat with frequency
- CMS has \$2 million annually for validation
- Commission advised CMS that top-down is best approach