

Appendix

The Medicare Physician Fee Schedule (MPFS) is calculated based on several factors, as shown in the following formula¹⁸:

$$[(\text{Work RVU} \times \text{Work GPCI}) + (\text{PE RVU} \times \text{PE GPCI}) + (\text{MP RVU} \times \text{MP GPCI})] \times \text{CF}$$

There are seven variables in this formula that can potentially be adjusted to change physician reimbursement¹⁸. The major variables are relative value units (RVUs), conversion factor (CF), and Geographical Practice Cost Indices (GPCI). The RVUs and GPCI are each comprised of three parts, including work, practice expense (PE), and malpractice (MP). Work RVUs are based on time and intensity of the involved work. This usually accounts for 50% of the total RVUs. All work RVUs are reviewed by statute at a minimum of every five years. Changes to the work RVUs from the most recent review took effect on January 1, 2012.

Practice expense RVUs are generated from the cost of running a practice. This includes rent, supplies, equipment, and office staff. These data are updated from the American Medical Association Physician Practice Information Survey. Malpractice RVUs are self-explanatory.

The GPCI are applied to each of the three subsets of the RVUs. This is done to account for the differences in the cost of practicing medicine in different areas of the country. These values are updated every three years. The normal value is 1.0. Certain frontier states cannot fall below that 1.0 threshold; Alaska does not fall below 1.5. This value is multiplied by each of the RVUs in the final fee schedule formula.

The conversion factor is a dollar amount that is multiplied by the total RVUs adjusted by the GPCI. This conversion factor is updated on a yearly basis by statute. This value is partly determined by the Medicare Economic Index (MEI). The MEI measures inflation in practice costs and wages faced by physicians. Ultimately, the conversion factor update is determined by the MEI adjusted positively or negatively when compared with the target Sustainable Growth Rate (SGR).

In 2012, the Centers for Medicare & Medicaid Services reduced the work RVUs for codes 29880 and 29881, and bundled 29877 (and also G0289) into those codes, thereby eliminating 29877 (or G0289) as a secondary code for any procedure done with a meniscectomy. The conversion factor between 2011 and 2012 stayed relatively constant, increasing from 33.9764 to 34.0376¹⁹. However, it is still more than two points lower than in 2010, and has increased only three points since 1992¹⁹. The CF for 2013 has dropped again to 34.0230¹¹. Table I and Table II illustrate the changes in these codes from 2011 to 2013^{11,20}. ■

TABLE E-1 Code 29880 for the Years 2011 to 2013*

	2011 Local	2011 National	2012 Local	2012 National	2013 Local	2013 National
CF	33.9764	33.9764	34.0376	34.0376	34.023	34.023
RVU W	9.5634	9.45	7.45651	7.39	7.4565	7.39
RVU PE	9.23552	9.31	8.02602	8.01	8.016	8
RVU M	2.09235	1.85	1.33835	1.45	1.3384	1.45
Total RVU	20.89127	20.61	16.82088	16.85	16.8109	16.84
Payment	693.97	684.28	572.54	573.53	571.96	572.95
GPCI W	1.012		1.009		1.009	
GPCI PE	0.992		1.002		1.002	
GPCI M	1.131		0.923		0.923	

*Local = Houston, Texas; the National Geographical Practice Cost Index (GPCI) is defined as 1.00. CF = conversion factor, RVU = relative value unit, W = work, PE = practice expense, and M = malpractice.

TABLE E-2 Code 29881 for the Years 2011 to 2013*						
	2011 Local	2011 National	2012 Local	2012 National	2013 Local	2013 National
CF	33.9764	33.9764	34.0376	34.0376	34.023	34.023
RVU W	8.81452	8.71	7.09327	7.03	7.0933	7.03
RVU PE	8.79904	8.87	7.77552	7.76	7.8356	7.81
RVU M	1.9227	1.7	1.26451	1.37	1.2645	1.37
Total RVU	19.53626	18.82	16.1333	16.16	16.1834	16.21
Payment	648.27	639.44	549.14	550.05	550.61	551.51
GPCI W	1.012		1.009		1.009	
GPCI PE	0.992		1.002		1.002	
GPCI M	1.131		0.923		0.923	

*Local = Houston, Texas; the National Geographical Practice Cost Index (GPCI) is defined as 1.00. CF = conversion factor, RVU = relative value unit, W = work, PE = practice expense, and M = malpractice.