

## Dermatology Coding Alert

### READER QUESTIONS: Consider Geographic Differences in Payments

**Question:** How can I figure out what a procedure code pays in dollars when I'm only given the RVUs?

Kentucky Subscriber

**Answer:** Many insurers adopt in some form Medicare's resource-based relative value scale, which assigns codes relative value units (RVUs) based on the service's work and required resources. Each code consists of RVUs that represent service work, practice expense, and professional liability. These values depend on the service's location--nonfacility or facility.

To calculate how much a particular code pays nationally based on the Medicare Physician Fee Schedule (MPFS), you multiply the total location-specific RVUs for the code by Medicare's conversion factor (CF). The 2006 CF is 37.8975, the same as last year's CF.

**Example:** For 2006, the MPFS assigns level-three established patient visit code 99213 1.39 total nonfacility RVUs. So nationally, the code pays \$52.68.

**Tip:** For insurers that use Medicare's RBRVS with a different CF, substitute the private payer's rate to determine a code's payment.

**Remember:** You also have to account for any geographic adjustments for your area. Payers may follow Medicare's lead and subject payment rates to geographic practice cost indices (GPCIs), which account for cost-of-living differences based on locality. To calculate how much Medicare pays for a code in your area:

- multiply a service's component RVUs by your corresponding GPCIs and add the figures to obtain the code's geographically adjusted total RVUs. There is a different GPCI adjustment for each of the components: work, practice expense, and professional liability.
- multiply the total adjusted RVUs for the service by Medicare's CF.