

Internal Medicine Coding Alert

READER QUESTIONS: Why In-Office Procedures Pay More

Question: Would you explain the difference between facility and nonfacility relative value units (RVUs)?

Kansas Subscriber

Answer: CMS assigns codes facility and nonfacility RVUs. You can measure insurers' reimbursement rates by finding out how much Medicare pays nationally for a code.

To calculate Medicare's payment, multiply the code's RVUs by the year's conversion factor (\$37.8975 for 2005). Insurers will pay you based on nonfacility RVUs when the internist performs the procedure in the office or in a clinic. If she provides the procedure in the hospital, the insurer will pay you at the facility RVU rate.

Example: If you report simple repair code 12001 (Simple repair of superficial wounds of scalp, neck, axillae, external genitalia, trunk and/or extremities [including hands and feet]; 2.5 cm or less) in the office, the code carries 3.84 nonfacility RVUs (\$146). But if your physician performed the same procedure in the hospital, 12001 would carry 2.63 facility RVUs (\$100). In this case, the difference in location equals a \$46 difference in reimbursement.

Reason: Nonfacility RVUs usually pay at a higher rate than facility RVUs because they include office expenses, such as rent and equipment.

When your internist performs the procedure in a hospital, the facility is responsible for those fees. The conversion factor is the same for both facility and nonfacility RVUs.