



State of Vermont

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Agency of Human Services

The Department of Vermont Health Access (DVHA) appreciates the opportunity to provide further information on this update to the Resource-Based Relative Value Scale (RBRVS) fee schedule for professional services. The information below will describe, in technical detail, the relationship between relative value units, the conversion factor, and the dollar amount paid for a procedure. Before delving into the technical explanation, it is important to note that during recent Medicare updates, the relative value units (RVUs) for primary care and mental health services increased. This resulted in Medicare implementing corresponding decreases in its Conversion Factor as a result of budget neutrality requirements; however, the net result was increased reimbursement for primary care and mental health services. Therefore, **DVHA's annual rate adjustment for this fee schedule will result in increased reimbursement for primary care and mental health services for those services that fall within DVHA's budget.**

The RBRVS fee schedule specifies rates of Medicaid reimbursement for professional services (for example, services provided in a physician's office, like a primary care or specialty visit) and is the same underlying system used by Medicare to reimburse for professional services. The RBRVS fee schedule relies on national cost data to determine what resources are needed to provide a particular service relative to all other services. It is maintained by the Centers for Medicare and Medicaid Services (CMS) for use in the federal Medicare program and is updated annually to reflect new data and other policy changes.<sup>1</sup>

Each procedure in the RBRVS fee schedule is assigned a relative value unit (RVU) quantity. The number of units determines the payment level for the procedure. There are three geographically-adjusted components that comprise an RVU. These components are:

1. **Physician work**, including the time and clinical skill necessary to treat a patient during the encounter.
2. **Practice expense**, including labor costs as well as expenses for building space, equipment, and office supplies.
3. **Professional liability insurance expense**, including the cost of malpractice insurance premiums.

**Physician Work + Practice Expense + Liability Insurance Expense = Relative Value Unit (RVU)**

The total RVU is then multiplied by a Vermont Conversion Factor, which is a value that converts the RVU into a dollar amount.

**RVU x Vermont Conversion Factor = Dollar Amount Paid for Procedure**

When DVHA updates its RBRVS fee schedule, it aligns with the most up-to-date RVUs that Medicare uses. DVHA also uses information about the most current Medicare Conversion Factor to adjust its two Conversion Factors (one for primary care providers delivering primary care services and one for all other services). From year to year, underlying changes in Medicare RVUs and Conversion Factors can alter how certain services are reimbursed by Medicare, and in turn, by Medicaid when DVHA makes corresponding rate updates.

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<sup>1</sup> Additional information on this methodology is [available on the Center for Medicare and Medicaid Services' \(CMS\) website](#). A high-level description of how relative value units are determined is also [available on the American Medical Association website](#).

**Fiscal Impact of Changes to Rates in DVHA's Application of the Medicare Resource-Based Relative Value Scale Fee Schedule for Professional Services**

Data Used in the Fiscal Model is Medicaid Utilization with Dates of Service in Calendar Year 2019

The formula for payment in Medicare's/DVHA's RBRVS is: **Conversion Factor \* Relative Value Unit.**

Medicare has one Conversion Factor. DVHA has traditionally had two Conversion Factors (the higher of the two is for primary care services).

**Relative Value Units File from Medicare**

**Primary Care Conversion Factor**

as a Percent of what Medicare pays

**Standard Conversion Factor**

as a Percent of what Medicare pays

% of national relative values used for Work

% of national relative values used for Practice

% of national relative values used for Malpractice Insurance

| Baseline Priced Under DVHA Rates Effective Nov 1, 2020 | Repriced Under New DVHA Rates Effective Jan 1, 2022 |
|--|---|
| CY2020   | CY2022  |
| \$36.09  | \$33.60   |
| 100%   | 100%  |
| \$29.71  | \$28.54   |
| 82%  | 85%   |
| 100.0%   | 100.0%  |
| 100.8%   | 100.1%  |
| 58.2%  | 56.9%   |

CMS applies a percentage of the relative values published as the national average to account for geographic cost differences.

| Service Category                              | Detail Lines     | Baseline Priced       | Repriced              | Dollar Difference   | Percent Difference |
|---|------------------|-----------------------|-----------------------|---------------------|--------------------|
| <b>All Codes</b>                              | <b>1,642,340</b> | <b>\$ 103,957,261</b> | <b>\$ 113,266,709</b> | <b>\$ 9,309,448</b> | <b>9.0%</b>        |
| Eval & Mgmt Codes, Primary Care Providers     | 274,897          | \$ 20,100,476         | \$ 21,960,114         | \$ 1,859,638        | 9.3%               |
| Eval & Mgmt Codes, not Primary Care Providers | 400,894          | \$ 29,180,640         | \$ 32,409,110         | \$ 3,228,470        | 11.1%              |
| OB-GYN  | 2,466            | \$ 3,248,593          | \$ 3,522,072          | \$ 273,479          | 8.4%               |
| Mental Health Services                        | 356,485          | \$ 24,394,285         | \$ 28,639,893         | \$ 4,245,608        | 17.4%              |
| Chiropractic                                  | 28,222           | \$ 990,407            | \$ 959,231            | \$ (31,176)         | -3.1%              |
| Integumentary                                 | 12,997           | \$ 1,324,527          | \$ 1,309,082          | \$ (15,445)         | -1.2%              |
| Musculoskeletal                               | 13,206           | \$ 2,637,785          | \$ 2,600,886          | \$ (36,899)         | -1.4%              |
| Respiratory                                   | 2,697            | \$ 397,782            | \$ 391,899            | \$ (5,883)          | -1.5%              |
| Cardiovascular                                | 2,314            | \$ 505,647            | \$ 489,137            | \$ (16,510)         | -3.3%              |
| Digestive                                     | 7,809            | \$ 1,714,636          | \$ 1,692,144          | \$ (22,492)         | -1.3%              |
| Urinary                                       | 2,609            | \$ 312,669            | \$ 310,386            | \$ (2,283)          | -0.7%              |
| Genital Systems                               | 5,718            | \$ 893,910            | \$ 900,362            | \$ 6,452            | 0.7%               |
| Delivery Services                             | 3,598            | \$ 112,023            | \$ 109,716            | \$ (2,307)          | -2.1%              |
| Endocrine and Nervous                         | 5,052            | \$ 817,410            | \$ 810,450            | \$ (6,960)          | -0.9%              |
| Eye and Ocular                                | 3,932            | \$ 596,377            | \$ 581,485            | \$ (14,892)         | -2.5%              |
| Radiology                                     | 114,835          | \$ 4,038,382          | \$ 3,863,479          | \$ (174,903)        | -4.3%              |
| Pathology                                     | 24,171           | \$ 762,583            | \$ 721,373            | \$ (41,210)         | -5.4%              |
| Medicine                                      | 377,575          | \$ 11,851,080         | \$ 11,919,289         | \$ 68,209           | 0.6%               |
| All Other                                     | 2,863            | \$ 78,049             | \$ 76,601             | \$ (1,448)          | -1.9%              |

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| 82%  | 85%   |
| 100.0%   | 100.0%  |
| 100.8%   | 100.1%  |
| 58.2%  | 56.9%   |

CMS applies a percentage of the relative values published as the national average to account for geographic cost differences.

| Provider Type or Specialty            | Detail Lines     | Baseline Priced       | Repriced              | Dollar Difference   | Percent Difference |
|---------------------------------------|------------------|-----------------------|-----------------------|---------------------|--------------------|
| <b>All Provider Types/Specialties</b> | <b>1,642,340</b> | <b>\$ 103,957,261</b> | <b>\$ 113,266,709</b> | <b>\$ 9,309,448</b> | <b>9.0%</b>        |
| All Codes Primary Care Physicians     | 462,320          | \$ 29,074,542         | \$ 31,556,172         | \$ 2,481,630        | 8.5%               |
| All Codes Primary Care Nurses         | 124,782          | \$ 7,078,302          | \$ 8,013,928          | \$ 935,626          | 13.2%              |
| All Codes OB/GYN Services             | 39,554           | \$ 5,360,424          | \$ 5,749,440          | \$ 389,016          | 7.3%               |
| All Codes Specialists                 | 279,021          | \$ 22,996,000         | \$ 24,077,854         | \$ 1,081,854        | 4.7%               |
| All Codes Psychiatrists               | 27,550           | \$ 2,002,455          | \$ 2,318,779          | \$ 316,324          | 15.8%              |
| All Codes MS Psychologist             | 281,711          | \$ 19,323,615         | \$ 23,629,836         | \$ 4,306,221        | 22.3%              |
| All Codes PhD Psychologist            | 38,313           | \$ 3,068,215          | \$ 3,674,687          | \$ 606,472          | 19.8%              |
| All Codes Radiologists                | 99,420           | \$ 3,416,372          | \$ 3,256,109          | \$ (160,263)        | -4.7%              |
| All Codes Podiatrists                 | 5,881            | \$ 433,073            | \$ 458,753            | \$ 25,680           | 5.9%               |
| All Codes Optometrist/Optician        | 49,092           | \$ 2,655,840          | \$ 2,686,994          | \$ 31,154           | 1.2%               |
| All Codes Therapist                   | 165,010          | \$ 4,645,090          | \$ 4,541,432          | \$ (103,658)        | -2.2%              |
| All Codes Chiropractor                | 28,222           | \$ 990,407            | \$ 959,231            | \$ (31,176)         | -3.1%              |
| All Independent Lab                   | 586              | \$ 29,639             | \$ 28,957             | \$ (682)            | -2.3%              |
| All Codes All Other                   | 40,878           | \$ 2,883,287          | \$ 2,314,537          | \$ (568,750)        | -19.7%             |