

Frequently Asked Questions

Blue Cross and Blue Shield of Alabama

New Payment Methodology

November 3, 2009

1. What Payment Methodology is Blue Cross and Blue Shield of Alabama implementing?

Blue Cross will transition from locally developed pricing and claims edit systems to a nationally recognized standard methodology. Below are the components:

- Resource Based Relative Value Scale (RBRVS) for procedure code valuation system
- National Correct Coding Initiative (NCCI) for claims edits
- Site-of-Service Differential

2. What is the RBRVS Methodology?

RBRVS is based on the principle that payments for physician services should correspond with the resource costs for providing those services. Some procedures are more complex and time consuming than others and require more resources. A relative value unit (RVU) has three components that may vary based on the nature of the procedure or service. Below are the three components:

Physician Work – Reflects the physician’s time, skill and intensity required for the service being performed.

Practice Expense – Reflects the physician’s direct expense that includes: office rent, staff salaries, supplies, equipment and other overhead expenses that may be required to provide a service. The practice expense can vary based on the site of the service, i.e., whether the procedure was performed in the physician’s office or in a hospital setting.

Practice Liability Expense – Reflects the professional liability or malpractice expense to the physician to provide a service.

RBRVS Methodology is nationally recognized and widely used by over 70 percent of commercial payers. In addition, Centers for Medicare and Medicaid Services (CMS), TRICARE and other government programs use RBRVS Methodology. The RVU determination is maintained and adjusted based on recommendations of committees involving the American Medical Association and specialty societies to ensure that the entire medical profession is represented in the process.

3. What is the “site-of-service” differential?

The Practice Expense component of the RVU provides the ability to establish a physician fee that is appropriate to compensate a physician for the costs associated with performing a procedure in a given setting (office, outpatient hospital, etc).

- **Non-Facility Practice Expense** – Represents the physician’s direct and indirect cost when performing a procedure in the office. These costs can include rent for office space, employees’ salaries, supplies, equipment, etc. The implementation of RBRVS allows for additional payment for services performed in the “non-facility” site-of-service, which may result in a larger payment for a service performed in the office setting. The payment for a particular service performed in the office setting will appear under the “non-facility” section of the fee schedule.

- **Facility Practice Expense** – Represents hospital outpatient, inpatient or other facility expenses such as rent, supplies, equipment, some staff salaries, etc. that do not belong to the physician performing the service. The result of the site-of-service differential is that the payment to a physician for some services may be less when performed in a facility. The payment for a particular service performed in a facility will appear in the “facility” section of the fee schedule.

4. Why is Blue Cross and Blue Shield of Alabama making these changes?

Many factors have come together to point Blue Cross toward taking a more national view. Some of these include Federal initiatives, the Love Settlement and the move toward greater transparency in all aspects of healthcare.

By making these changes, Blue Cross will be consistent with the national and federal methodology currently used by over 70 percent of all payers who are utilizing the RBRVS and NCCI methodology, as well as allowing for:

- Greater clarity and transparencies of payment methodology
- Improved efficiencies with standard claims submissions due to the adoption of national claims filing standards
- Increase recognition of non-procedure components of patient care, with a particular emphasis on Primary Care
- Future value-based incentive programs

5. Will the change in payment methodology result in a decrease in overall payments by Blue Cross?

Because previous fee schedule changes have been made on a code-by-code basis, RBRVS analysis revealed the current fee schedule has inconsistencies with regard to the relative pricing of procedures one to another. This fact further led us to the need to recalibrate the Preferred Medical Doctors (PMD) fee schedule.

Impact will vary even within a specialty based on the services that are provided and the individual billing practices. The PMD Network payment, in aggregate, is not expected to change. However, payment for some individual Physicians' *Current Procedural Terminology* (CPT) codes will increase, while others will decrease as a result of this process.

6. Blue Cross has indicated that they will “phase in” this methodology, what does that mean?

The adoption of RBRVS and the NCCI edits is an overall change in how Blue Cross conducts business. Because these changes require substantial systems changes, testing and provider education, we will implement as a multi-year process. Providers will receive information as the implementation proceeds.

7. Will Blue Cross provide education prior to the implementation and after?

Blue Cross is developing a number of educational materials and media to assist in this transition, i.e., information packets, webinars, Town Meetings, individual physician visits, etc. Blue Cross will also maintain a payment methodology portal on the Blue Cross web site, **bcbsal.com**, with additional information and resources. Though these methodologies are not new to physicians, they are a different way of doing business for Blue Cross, and we are dedicated to providing information and education as we move through this transition.

RBRVS Specific Questions

8. Will Blue Cross payments be the same as those paid by Medicare?

Blue Cross is adopting the RBRVS and NCCI payment methodologies, but the fee schedule and corresponding payments are in no way tied to Medicare. The Blue Cross conversion factors are based on historic PMD payment and utilization. The intent is to continue to support the PMD network and properly value and recognize medical services.

9. What conversion factor(s) are you going to utilize?

In the initial implementation phase, many conversion factors will be used to aid in the transition process. Blue Cross intends to incorporate fewer conversion factors as future phases are implemented.

10. Will the site-of-service differential affect current reimbursement?

The RBRVS site-of-service component recognizes the additional expenses that a physician may incur by performing certain procedures in the office. In the past, Blue Cross has recognized those additional expenses with an additional percentage payment for certain procedures. In our new payment methodology, this will be accomplished through the non-facility fee schedule for those procedures.

11. Will providers be able to see the new fees?

Providers will be able to view the payment for particular procedures prior to implementation through our web site, bcbsal.com. Select "I am a Provider" and sign into *ProviderAccess*. Blue Cross will notify you when the fees are available for viewing.

NCCI Specific Questions

12. Will Blue Cross adopt all of the NCCI edits?

Blue Cross intends to adopt all the NCCI code combination edits. We may have some additional proprietary fragmented coding edits that are not otherwise addressed by NCCI, also.

13. Will Blue Cross recognize the "TC" modifier?

Blue Cross will not recognize the technical component modifier "TC" in the first phase of implementation of NCCI. Blue Cross does intend to recognize the "TC" modifier in a future phase of implementation. Providers will be given additional information in advance.

14. Will Blue Cross require any changes related to how providers file bilateral procedures?

With the initial implementation, Blue Cross will *not* require providers to file their bilateral claims any differently for processing. We will begin to educate providers on proper billing of bilateral services within in the RBRVS and NCCI Methodology prior to implementation of any revised billing requirements.

15. How will a physician know which procedure codes bundle into another?

Providers will be able to view the procedures that bundle into one another and those that are mutually exclusive through the application that currently exists behind *ProviderAccess*. Providers will be notified when this information is available for viewing.

16. Will there be new EDI edits?

There will be some new Electronic Data Interchange (EDI) edits to accommodate the implementation of RBRVS and NCCI edits. Information relative to those edits will be provided to EDI vendors and providers through the education prior to implementation.

17. ProviderFacts Special Edition 2009-015 and Frequently Asked Questions indicate that Blue Cross will adopt the NCCI standards but may have proprietary fragmented coding edits that are not otherwise addressed by NCCI. Can you help us understand the difference?
Blue Cross will utilize proprietary edits for codes that are not addressed by Medicare in NCCI edits because of non-coverage and for codes that Blue Cross recognizes, but Medicare does not.