

Understanding Facility and Non-Facility Pricing

Resource Based Relative Value Scale (RBRVS) is based on the principle that payments for physician services should vary with the resource costs for providing those services. In determining the value of a procedure, each Physicians' *Current Procedural Terminology* (CPT) code has been given a Relative Value Unit (RVU). A relative value has three components and those components may vary based on the nature of the procedure or service as mentioned above.

The RVU for each procedure is based on the components explained below:

Physician Work – This reflects the physician's time, skill and intensity required for the service.

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

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

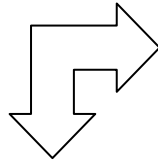
The *Practice Expense* component may vary with the site-of-service. Physician services may be performed in many different settings i.e., physician office, hospital inpatient, outpatient, ambulatory surgery center (ASC), etc. The *Practice Expense* component within the RBRVS methodology is classified into two categories (a facility and a non-facility setting). The value of the practice expense may be different when a procedure is performed in a "non-facility" setting as opposed to a "facility" setting.

The RVU specific to the site-of-service (facility or non-facility) establishes a physician fee that is appropriate to compensate for the physician's costs that are associated with performing a given procedure in a particular setting. In most cases, the physician practice expense in the office setting is higher than it would be in a hospital.

- **Non-Facility Practice Expense** represents the physician's direct and indirect cost related to providing that service in the physician's office, patient home or other non-hospital setting. Expenses may include rent for office space, employees, supplies, equipment, etc.
- **Facility Practice Expense** represents the physician's direct and indirect cost of providing a service in a facility setting. The expenses of rent, supplies, labor and equipment are part of the cost of the facility where the service is being rendered.

The result of accounting for "cost to the physician" may be a different payment for the same procedure when performed in different settings.

The fees will be reflected on the fee schedule in the following way:



Facility – For services provided in the hospital (inpatient or outpatient), ASC or other type facility, the provider payment is shown here.

Preferred Medical Doctors Fee Schedule

Type Service	Code	Facility Fee \$	Non-Facility Fee \$
2	12345	\$XX.XX	\$YY.YY
2	22345	\$XX.XX	\$YY.YY
2	32345	\$XX.XX	\$YY.YY
2	42345	\$XX.XX	\$YY.YY
2	53345	\$XX.XX	\$YY.YY
2	63345	\$XX.XX	\$YY.YY
5	73345	\$XX.XX	\$YY.YY
6	99213	\$XX.XX	\$YY.YY

Non-Facility –When a service is performed in the physician’s office or non-facility location, the payment for that service is located in this column. The payment may be higher to account for the additional direct and indirect cost of the provider for providing the service in that setting.

