

## What IS the RBRVS, and why is it important that I know??

The purpose of this paper is to provide a brief description of the resource based relative value scale, often referred to colloquially as the “Medicare discount rate.” This physician payment system is currently used by the Centers for Medicare & Medicaid Services (CMS) and a growing number of private insurance companies. It is primarily the confusion with private insurance providers utilizing this payment system, commonly used to determine the surgical benefits payable by their policies, that the RBRVS is being reviewed.

The concept for the RBRVS is the result of the idea that payments for physician services should vary with the resource costs for providing those services. As such, the RBRVS has three separate components:

- Physician work
- Practice expense
- Professional liability insurance (PLI)

Annual updates to these relative values are based on recommendations from the AMA/Specialty Society Relative Value Scale Update Committee (RUC).

### Physician work component

The factors used to determine physician work serve to suggest a figure representing the general difficulty (time necessary, the technical skill and physical effort involved, as well the required mental effort and stress. The physician work element accounts for about 51% of the total relative value for each service.

### Practice expense component

The values were based on a formula using average Medicare-approved charges, which differ based on the site where the medical service is received. The practice expense component averages of 45% of the total relative value for each service.

### Professional liability insurance (PLI)

The PLI component of the RBRVS accounts for an average of 4% of the total relative value for each service. All components of the RBRVS are resource-based.

### Now, in “plain speak”

In laymen’s terms, the RBRVS is understood to be the amount that Medicare would approve and pay for a given medical procedure. So, what is the problem with a plan, as many currently do, that claims to pay as much as three times the RBRVS? Its simple; the actual amount is often a fraction of the billed amount, even after PPO repricing. Here is a quote from Wikipedia: ***“Most specialties charge 200–400% of Medicare rates for their procedures and collect between 50–80% of those charges, after contractual adjustments and write-offs.”*** What becomes of the difference? Normally, it is ‘balance billed’ to the patient!

### Buyer beware

Does this necessarily mean that a policy with a surgical payment schedule based upon RBRVS is automatically a poor choice? Not necessarily, providing that the consumer makes the purchase with the understanding that the policy is unlikely to provide sufficient surgical benefit to cover their actual billed charges, and that it would be wise to procure additional coverage to make up the difference.



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## **Additional dangers to look for**

When considering a health plan with surgical benefit tied to the RBRVS, make absolutely certain that the company bases its payment on the most current year available. At least one major carrier sells coverage 'locked in' to the 2011 RBRVS!

## **What about “Surgical Schedules?”**

In their defense, while plans who pay surgical benefits based upon a multiple of the RBRVS leave something to be desired, they tend to be much better than ones who pay on an established “surgical schedule.” These plans should generally be avoided.

## **What should I look for, instead of RBRVS?**

My recommendation, whenever ‘defined benefit’ health plans are appropriate, would be to look for one that pays for surgery based upon the duration of a hospital confinement, as logically, more expensive surgical procedures are normally the more complicated or otherwise elaborate ones that require a longer confinement. The concept of the “Daily Surgical Benefit” was originally developed by Manhattan Life Insurance Company for use in their FirstChoice limited medical series, and since copied by others. It is worth noting that two of these companies have since abandoned the Daily Surgical Benefit and instead incorporated the RBRVS, most likely as an effort to reduce claims payment. This in itself seems to speak volumes to the Daily Surgical Approach being better for the consumer than a plan with payments based upon the RBRVS.

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