

## RBRVS overview

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The resource-based relative value scale (RBRVS) is the physician payment system used by the Centers for Medicare & Medicaid Services (CMS) and most other payers. The RBRVS is based on the principle that payments for physician services should vary with the resource costs for providing those services and is intended to improve and stabilize the payment system while providing physicians an avenue to continuously improve it.

Since the introduction of the RBRVS, the AMA has worked with national medical specialty societies to provide recommended updates and changes directly to CMS. The vehicle for this influence is the AMA/Specialty Society RVS Update Committee (RUC), which provides relative value recommendations to CMS annually.

In 1992, Medicare significantly changed the way it pays for physician services. Instead of basing payments on charges, the federal government established a standardized physician payment schedule based on RBRVS.

In this system, payments are determined by the resource costs needed to provide them, with each service divided into three components:

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

Payments are calculated by multiplying the combined costs of a service times a conversion factor (a monetary amount determined by CMS) and adjusting for geographical differences in resource costs.

Annual updates to the physician work, practice expense and professional liability insurance relative values are based on recommendations from the AMA/Specialty Society Relative Value Scale Update Committee (RUC), which was formed in 1991 to make recommendations to CMS on the relative values to be assigned to new or revised codes in the Current Procedural Terminology (CPT®) code book. The relative values in the RBRVS were originally developed to correspond to the approximately 10,000 CPT procedure codes. The RBRVS is updated annually to reflect new and revised CPT codes.

## Physician work component

The physician work component accounts for an average of 51% of the total relative value for each service. The factors used to determine physician work include the time it takes to perform the service, the technical skill and physical effort, the required mental effort and judgment and stress due to the potential risk to the patient. The physician work relative values are updated each year to account for changes in medical practice. Also, CMS must review the whole scale at least every 5 years.

## Practice expense component

The practice expense component accounts for an average of 45% of the total relative value for each service. The values were based on a formula using average Medicare-approved charges from 1991 (the year before the RBRVS was implemented) and the proportion of each specialty's revenues attributable to practice expenses. In January 1999, CMS began a transition to resource-based practice expense relative values for each CPT code, which differ based on the site of service.

## Professional liability insurance (PLI)

On Jan. 1, 2000, CMS implemented the PLI relative value units. The PLI component of the RBRVS accounts for an average of 4% of the total relative value for each service. With this implementation and the final transition of the resource-based practice expense relative units on Jan. 1, 2002, all components of the RBRVS are resource-based.

## Additional Medicare payment information

- Medicare physician payment schedule
- Medicare RBRVS 2022: The Physicians' Guide
- RBRVS DataManager

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