

AMERICAN MEDICAL ASSOCIATION HOUSE OF DELEGATES

Resolution: 131  
(A-19)

Introduced by: Texas

Subject: Update Practice Expense Component of Relative Value Units

Referred to: Reference Committee A  
(John Montgomery, MD, Chair)

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1 Whereas, In 1992, Medicare established a standardized physician payment schedule based on  
2 a resource-based relative value scale (RBRVS), where payments for services are determine by  
3 the resource costs needed to provide them; and  
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5 Whereas, Our AMA created the RVS Update Committee (RUC) to recommend payment  
6 schedules to the Centers for Medicare & Medicaid Services; and  
7

8 Whereas, RBRVS costs have three components: physician work, practice expense, and  
9 professional liability insurance; and  
10

11 Whereas, The AMA Practice Expense Advisory Committee, a subcommittee of the RUC, was  
12 charged with reviewing direct practice expenses to calculate practice expense relative values  
13 and to make code-specific recommendations to the RUC; and  
14

15 Whereas, Physician practice expenses have not been comprehensively reviewed since 2004,  
16 nor updated since 2007, while actual practice costs have increased dramatically since the last  
17 reviews in 2004 and 2007, including new practice costs related to electronic health records;  
18 quality documentation and reporting; population health registries; prior authorizations; pharmacy  
19 benefit manager reviews; prescription drug monitoring programs; interval increases in other  
20 federal, state, and local documentation requirements; and additional staff required to comply  
21 with these new reporting requirements; as well as rent, equipment, supplies, salaries, and  
22 inflation; and  
23

24 Whereas, Physicians require the resources to practice 21st-century medicine and implement the  
25 value-based payment requirements established by the 2015 Medicare Access and CHIP  
26 Reauthorization Act; and  
27

28 Whereas, The 2018 Rand Practice Expense Analysis concluded, “[T]he PPIS [Physician  
29 Practice Information Survey] survey inputs that are used for indirect cost allocation are outdated  
30 and likely to become increasingly inaccurate over time. ... We recommend establishing a new  
31 PE survey that can be repeated on an ongoing basis”; therefore be it  
32

33 RESOLVED, That our American Medical Association pursue efforts to update resource-based  
34 relative value unit practice expense methodology so it accurately reflects current physician  
35 practice costs, with a report back at the AMA House of Delegates 2019 Interim Meeting.  
36 (Directive to Take Action)

Fiscal Note: Not yet determined  
Received: 05/24/19

## RELEVANT AMA POLICY

### **The RUC: Recent Activities to Improve the Valuation of Primary Care Services D-400.986**

Our AMA continues to advocate for the adoption of AMA/Specialty Society RVS Update Committee (RUC) recommendations, and separate payment for physician services that do not necessarily require face-to-face interaction with a patient.

Citation: BOT Rep. 14, A-08; Reaffirmed: CMS Rep. 01, A-18

### **PLI-RVU Component of RBRVS Medicare Fee Schedule D-400.988**

Our AMA will: (1) continue its current activities to seek correction of the inadequate professional liability insurance component in the Resource-Based Relative Value Scale Formula; (2) continue its current activities to seek action from the Centers for Medicare & Medicaid Services to update the Professional Liability Insurance Relative Value Units (PLI-RVU) component of the RBRVS to correctly account for the current relative cost of professional liability insurance and its funding; and (3) support federal legislation to provide additional funds for this correction and update of the PLI-RVU component of the RBRVS, rather than simply making adjustments in a budget-neutral fashion.

Citation: (Res. 707, I-03; Reaffirmed: BOT Rep. 18, A-05; Modified: CCB/CLRPD Rep. 2, A-14

DRAFT