

Benefit Fact Sheet

What is it?

RBRVS or Resource Based Relative Value Studies is a formula which assigns value to every medical procedure to calculate Medicare's fee schedule allowance.

Who uses it?

RBRVS is utilized by many health plans in negotiating fee schedules with in-network physicians. A health plan may negotiate with a physician to pay 130% of RBRVS, for example. Some carriers offer plans in which out-of-network reimbursement is paid based on the RBRVS fee schedule.

How does it impact employer-sponsored health plans?

Paying out-of-network providers less by applying the RBRVS fee schedule can reduce premium costs by approximately 3-8%. This cost savings is largely transferred onto employees who are subject to increased balance billing from out-of-network providers. For plans with high in-network utilization, reducing out-of-network reimbursement can be a viable cost savings option with minimal impact to participants.

How is the RBRVS schedule calculated?

In the RBRVS system, payments for services are determined by the resource costs needed to provide them. The cost of providing each service is divided into three components: physician work, practice expense and professional liability insurance. Payments are calculated by multiplying the combined costs of a service by a conversion factor (a monetary amount that is determined by the Centers for Medicare and Medicaid Services). Payments are also adjusted for geographical differences in resource costs.

The physician work component accounts, on average, for 52% of the total relative value for each service. The initial physician work relative values were based on the results of a Harvard University study. 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, the legislation enacting the RBRVS requires the Centers for Medicare and Medicaid Services (CMS) to review the whole scale at least once every five years.

Informational link(s)

- [Physician Fee Schedule Calculations](#) (Center for Medicaid and Medicare Services)
- [RBRVS Overview and Resources](#) (American Medical Association)

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: www.arlengroup.com/facts.