

**DEPARTMENT OF SOCIAL AND HEALTH SERVICES  
MEDICAL ASSISTANCE ADMINISTRATION  
Olympia, Washington**

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**Memorandum No.: 00-11 MAA**  
**Issued:** April 15, 2000  
**For Information Call:**

**From:** James C. Wilson, Assistant Secretary  
Medical Assistance Administration (MAA)

**Subject:** **CHANGES TO RESOURCE BASED RELATIVE VALUE SCALE  
(RBRVS) SYSTEM**

**Effective with dates of service on or after July 1, 2000**, the Medical Assistance Administration (MAA) will implement a site of service (SOS) payment differential for professional services.

### **What's Changing?**

MAA is implementing a SOS payment differential for professional services provided on or after July 1, 2000, based on the Health Care Financing Administration's (HCFA) payment policy. This payment differential establishes distinct maximum allowable fees for professional services performed in facility and non-facility settings.

### **How are the fees established for professional services performed in the facility and non-facility settings?**

Based on the RBRVS methodology, MAA's fee schedule amounts are established using three relative value unit (RVU) components (work, practice expense and malpractice expense). Last year, HCFA began using two levels of the practice expense component for many procedure codes to implement the site of service payment differential for Medicare. The resulting HCFA RVUs, published in the November 2, 1999, *Federal Register*, are being used in MAA's July 1, 2000, update. MAA will use the two levels of practice expense RVUs to determine the fee

schedule amounts for reimbursing professional services beginning July 1, 2000. This may result in two RBRVS maximum allowable fees for a procedure code. These are:

- **Facility setting maximum allowable fees (FS MAF)** - Paid when the provider performs the services in a facility setting and the cost of the resources are the responsibility of the facility; or
- **Non-facility setting maximum allowable fees (NFS MAF)** - Paid for services when the provider performing the service typically bears the cost of resources, such as labor, medical supplies, and medical equipment associated with the service performed.

Some services, by nature of their description, are performed only in certain settings and have only one maximum allowable fee per code. Examples of these services include many:

- Evaluation and management codes, which specify the site of service within the description of the procedure codes; and
- Major surgical procedures that are generally only performed in hospital settings.

### **How will the site of service payment policy affect provider reimbursements?**

Providers billing professional services will be reimbursed at one of two maximum allowable fees, depending on where the service is performed.

### **Why reimburse providers differently for services performed in facility and non-facility settings?**

When a provider performs a professional service in a facility setting, MAA makes two payments, one to the performing provider and another to the facility. The reimbursement to the facility includes the payment for resources. The NFS MAF includes the allowance for resources.

The professional FS MAF excludes the allowance for resources that are included in the payment to the facility. Reimbursing the lower FS MAF to performing providers when the facility is also reimbursed eliminates duplicate payment for resources.

### **When will professional services be reimbursed at the Facility Setting Maximum Allowable Fee?**

Providers will be reimbursed at the FS MAF when MAA also makes a payment to a facility. MAA will follow HCFA's determination for using the FS MAF, except when this is not possible due to system limitations.

Professional services billed with the following place of service codes will be reimbursed at the FS MAF:

MAA Place of Service Code	HCFA Place of Service Description
1	Inpatient Hospital
2	Outpatient Hospital
5	Emergency Room- Hospital
8	Skilled Nursing Facility
8	Nursing Facility
2	Hospice
1	Inpatient Psychiatric Facility
2	Psychiatric Facility Partial Hospitalization
7	Intermediate Care Facility/Mentally Retarded
1	Comprehensive Inpatient Rehabilitation Facility
2	Comprehensive Outpatient Rehabilitation Facility
2	End-Stage Renal Disease Treatment Facility

Due to Medicare consolidated billing requirements, MAA does not make a separate payment to providers who perform the certain services in hospitals and skilled nursing facilities. The facilities will be reimbursed at the NFS MAF. Some therapies, such as physical therapy services (Current Procedural Terminology (CPT) 97001-97799), will always be paid at the NFS MAF.

**When will professional services be reimbursed at the Non-Facility Setting Maximum Allowable Fee?**

The NFS MAF is paid when MAA does not make a separate payment to a facility. Services performed in a provider's office, client's home, facility or institution (listed in the following table) will be reimbursed at the NFS MAF. MAA will follow HCFA's determination for using the NFS MAF, except when this is not possible due to system limitations.

*CPT codes and descriptions are copyright 1999 American Medical Association*

Professional services billed with the following place of service codes will be reimbursed at the NFS MAF:

MAA Place of Service Code	HCFA Place of Service Description
3	Office *
4	Home
3	Ambulatory Surgery Center
9	Birthing Center
9	Military Treatment Facility
6	Custodial Care Facility
9	Adult Living Care Facility
3	Federally Qualified Health Center
3	Community Mental Health Center
9	Residential Substance Abuse Treatment Facility
9	Psychiatric Residential Treatment Center
3	State or Local Public Health Clinic
3	Rural Health Clinic
3	Independent Laboratory
9	Other Unlisted Facility

\*Includes Neurodevelopmental Centers

**What professional services will have an SOS payment differential?**

Most of the services with an SOS payment differential are from the surgery, medicine and evaluation and management ranges of CPT. However, some HCPCS, CPT radiology, pathology and laboratory codes also have an SOS payment differential.

The above changes will be published in the replacement pages to your program specific billing instructions or additional numbered memoranda issued to incorporate SOS payment differential in your appropriate fee schedules.