

forth in paragraph (e)(3)(iii) of this section to obtain the physician charge for each anesthesia CPT procedure code at a particular VA facility.

(2)(i) *Total facility-adjusted RVUs for physician services other than anesthesia and specified CPT procedure codes.* The work expense and practice expense components of the RVUs for CPT procedure codes (other than anesthesia and those CPT procedure codes set forth in paragraphs (e)(2)(ii) through (e)(2)(iv) of this section) are compiled using 2002 Medicare RVUs. For radiology CPT procedure codes, these compilations do not include separately identified technical component RVUs. For CPT procedure codes that generate an outpatient facility charge, the facility practice expense RVUs are substituted for the non-facility practice expense RVUs. For medicine and surgery CPT procedure codes with separate professional and technical components that also generate an outpatient facility charge, only the professional component is compiled. The sum of the facility-adjusted work expense RVU as set forth in paragraph (e)(2)(i)(A) of this section and the facility-adjusted practice expense RVU as set forth in paragraph (e)(2)(i)(B) of this section equals the total facility-adjusted RVUs.

(A) *Facility-adjusted work expense RVUs.* For each CPT procedure code for each geographic area, the 2002 work expense RVU is multiplied by the work expense 2002 Medicare Geographic Practice Cost Index. The result constitutes the facility-adjusted work expense RVU.

(B) *Facility-adjusted practice expense RVUs.* For each CPT procedure code for each geographic area, the 2002 practice expense RVU is multiplied by the practice expense 2002 Medicare Geographic Practice Cost Index. The result constitutes the facility-adjusted practice expense RVU.

(ii) *RVUs for laboratory and pathology CPT procedure codes based on Medicare's Clinical Diagnostic Laboratory Fee Schedule.* For CPT procedure codes without modifiers that are not assigned separately identified work and practice expense RVUs in paragraph (e)(2)(i) of this section, laboratory fee RVUs are developed based on the 2002 edition of the Medicare Clinical Diagnostic Laboratory Fee Schedule (found in the files-for-download section of the Centers for Medicare & Medicaid Services (CMS) Internet site at <http://www.cms.gov/providers/pufdownload/>). The Medicare Clinical Diagnostic Laboratory Fee Schedule payment amounts are upwardly adjusted so that the payment levels are, on average, equivalent to

Medicare Physician Fee Schedule payment levels, using statistical comparisons to the 80th percentile derived from the 2001 MDR charge database. These adjusted payment amounts are then divided by the 2001 Medicare conversion factor to derive a laboratory fee RVU corresponding to each CPT code. These RVUs are added to the 2002 work and practice expense RVUs for the corresponding professional component (if any) of a given CPT procedure code to derive nationwide total RVUs. The resulting nationwide total RVUs are multiplied by the geographic adjustment factors as set forth in paragraph (e)(2)(v) of this section to obtain the facility-specific total RVUs.

(iii) *RVUs for specified CPT procedure codes.* For CPT procedure codes without modifiers that are not assigned RVUs in (e)(2)(i) or (e)(2)(ii) of this section, total RVUs are developed based on various charge databases. For these CPT procedure codes, the nationwide 80th percentile billed charges are obtained, where statistically credible, from the 2001 MDR charge database (available from Ingenix Publishing Group, 5225 Wiley Post Way, Salt Lake City, UT 84116). Then for remaining CPT procedure codes, the nationwide 80th percentile billed charges are obtained, where statistically credible, from the 2000 Part B Medicare Standard Analytical File 5% Sample. For any remaining CPT procedure codes, the nationwide 80th percentile billed charges are obtained, where statistically credible, from the 2001 Prevailing Healthcare Charges System, a nationwide commercial insurance database compiled by Ingenix (Ingenix Publishing Group, 5225 Wiley Post Way, Salt Lake City, UT 84116). The nationwide 80th percentile billed charges so obtained are divided by the untrended nationwide conversion factor for the corresponding physician CPT procedure code group as set forth in paragraphs (e)(3) and (e)(3)(i) of this section. The resulting nationwide total RVUs are multiplied by the geographic adjustment factors as set forth in paragraph (e)(2)(v) of this section to obtain the facility-specific total RVUs.

(iv) *RVUs for specified CPT procedure codes.* For CPT procedure codes without modifiers that are not assigned RVUs in paragraphs (e)(2)(i), (e)(2)(ii), or (e)(2)(iii) of this section, the nationwide total RVUs are calculated by summing the work expense and practice expense RVUs found in the 2002 St. Anthony's RBRVS (available from Ingenix Publishing Group, 5225 Wiley Post Way, Salt Lake City, UT 84116). The resulting nationwide total RVUs are

multiplied by the geographic adjustment factors as set forth in paragraph (e)(2)(v) of this section to obtain the facility-specific total RVUs.

(v) *RVU geographic area adjustment factors for specified CPT procedure codes.* The geographic area adjustment factor for each facility location consists of the weighted average of the 2002 work expense and practice expense Medicare Geographic Practice Cost Indices for each facility location using charge data for representative CPT procedure codes statistically selected and weighted for work expense and practice expense.

(3) *Facility-adjusted 80th percentile conversion factors.* CPT procedure codes are separated into the following 24 physician CPT procedure code groups: allergy immunotherapy, allergy testing, anesthesia, cardiovascular, chiropractor, consults, emergency room visits and observation care, hearing/speech exams, immunizations, inpatient visits, maternity/cesarean deliveries, maternity/non-deliveries, maternity/normal deliveries, miscellaneous medical, office/home urgent care visits, outpatient psychiatry/alcohol and drug abuse, pathology, physical exams, physical medicine, radiology, surgery, therapeutic injections, vision exams, and well baby exams. For each of the 24 physician CPT procedure code groups, representative CPT procedure codes were statistically selected and weighted so as to give a weighted average RVU comparable to the weighted average RVU of the entire physician CPT procedure code group (the selected CPT procedure codes are set forth in the 2001 Milliman USA, Inc., Health Cost Guidelines fee survey, available from Milliman USA, Inc., 1301 5th Avenue, Suite 3800, Seattle, WA 98101-2605). The 80th percentile charge for each selected CPT procedure code is obtained from the 2001 MDR charge database (available from Ingenix Publishing Group, 5225 Wiley Post Way, Suite 500, Salt Lake City, Utah 84116). A nationwide conversion factor (a monetary amount) is calculated for each physician CPT procedure code group as set forth in paragraph (e)(3)(i) of this section. The nationwide conversion factors for each of the 24 physician CPT procedure code groups are trended forward as set forth in paragraph (e)(3)(ii) of this section. The resulting amounts for each of the 24 groups are multiplied by geographic area adjustment factors as set forth in paragraph (e)(3)(iii) of this section, resulting in facility-adjusted 80th percentile conversion factors for each VA facility geographic area for the 24