

interim measure to allocate the direct practice expense cost pool for radiology.

(ii) Crosswalks for Specialties Without Practice Expense Survey Data

Since many specialties identified in our claims data did not correspond exactly to the specialties included in the SMS survey data, it was necessary to crosswalk these specialties to the most appropriate SMS specialty.

(iii) Physical Therapy Services

Because we believe that most physical therapy services furnished in physicians' offices are performed by physical therapists, we crosswalked all utilization for therapy services in the CPT 97000 series to the physical and occupational therapy practice expense pool.

3. Practice Expense Proposals for Calendar Year 2004

a. Non-Physician Work Pool

The non-physician work pool was created as an interim measure until we could further analyze the effect of the top-down methodology on the Medicare payment for services that do not have physician work RVUs (see the November 1998 final rule (63 FR 58841)).

In the June 28, 2002 proposed rule (67 FR 43849), we discussed alternatives that we have considered to address the non-physician work pool issue, including ideas raised by the Lewin Group as well as recommendations in a 2001 GAO report. While we have not reached a final resolution on how to best address this issue, we are continuing to study the alternatives that are available. We also believe that our proposal extending the deadline for the submission of supplemental survey data (see following discussion) will provide an opportunity for specialties whose services are affected by the non-physician work pool to submit practice expense data that can be used for determining practice expense RVUs under the physician fee schedule. Any modifications to the non-physician work pool would be published in proposed rulemaking.

b. Supplemental Practice Expense Survey Data

As required by the BBRA, we established criteria to evaluate data collected by organizations to supplement the data normally used in determining the practice expense component of the physician fee schedule. Due to the time constraints imposed by the statute for publication of the physician fee schedule final rule, we have required supplementary survey

data to be submitted by August 1 to be considered for computing practice expense RVUs for the following year. We are proposing to change the required submission date to March 1. This would allow us to publish our decisions regarding survey data in the proposed rule and would provide an opportunity for public comment on survey results.

To continue to ensure the maximum opportunity for specialties to submit supplementary practice expense data, we are again proposing to extend for an additional 2 years the period for accepting survey data that meets the criteria set forth in the November 2000 final rule (as modified in the December 31, 2002 final rule). The deadline for submission of the supplemental data to be considered in CY 2005 and CY 2006 are March 1, 2004 and March 1, 2005, respectively.

In the December 31, 2002 final rule (67 FR 79979), we responded to comments expressing concern about the impact of making the technical component the difference between the global and professional component practice expense RVUs for services that are not affected by the non-physician work pool calculations. We agreed to a one-year moratorium on implementation of the proposed change for pathology services paid under the physician fee schedule to allow for a supplemental survey of independent laboratories. Consistent with the change to making the survey deadline March 1, we are considering whether to extend the moratorium by one additional year. By extending the moratorium, we can show the impact of the independent laboratory survey in the 2004 proposed rule and allow public comment on its results prior to making changes to the practice expense RVUs on January 1, 2005. We welcome public comment on whether we should adopt the proposed change for 2004 in this year's final rule or extend the moratorium by 1 year.

c. Oncology Survey Data

In the December 31, 2002 final rule (67 FR 79973), we indicated that the American Society of Clinical Oncology (ASCO) submitted a supplemental practice expense survey. Our contractor, the Lewin Group, raised specific concerns to us about the survey results. Consequently, we did not incorporate the survey into the practice expense methodology but indicated that we would further examine its results with the Lewin Group and confer with ASCO about our concerns. We have discussed the oncology survey together with the Lewin Group and ASCO. These discussions were useful in providing us with more information upon which to

make a final decision regarding incorporation of the oncology survey into the practice expense methodology. We expect to make our decision known in a subsequent proposed rule that will address Medicare payment for drugs currently paid based on 95 percent of the average wholesale price.

d. Practice Expense for a Professional Component Service

Since the inception of the resource-based practice expense methodology, we have assigned all staff equipment and supply costs for services with professional and technical components (PC and TC) to the technical portion of the service. We have done this because we believe that generally all of these direct cost inputs are associated with obtaining the diagnostic information and there would be no direct costs associated with the physician interpretation. However, we now believe that there may be limited exceptions where it is appropriate to assign direct inputs to a PC service. For instance, the Practice Expense Advisory Committee (PEAC) recommended that we include clinical staff time in certain codes that have both a PC and TC component for activities such as scheduling the procedure and educating the patient when the procedure is done in the facility setting. We accepted these recommendations but, because the practice expense methodology currently does not assign direct inputs to PC services and the TC is not paid in the facility setting, these procedures were not credited with the recommended practice expense inputs.

We propose to modify the practice expense methodology to allow direct inputs to be added to PC services when these inputs are clearly associated with the professional service, including when the PEAC makes such recommendations. We are proposing to add the PEAC recommended staff times to the PC of the following cardiac services: CPT codes 93508, 93510, 93511, 93514, 93524, 93526, 93527, 93528, 93529, 93530, 93531, 93532, 93533 and 93624. The practice expense RVUs for these codes will increase slightly from this change resulting in minor reductions in practice expense RVUs for some other services performed by cardiologists. There will be no impact on the practice expense RVUs for any other specialty.

e. Utilization Data

We use Medicare utilization data in the development of specialty-specific practice expense RVUs that are then weight averaged to determine a single practice expense RVU per code. Prior to