

conversion factor), anesthesia conversion factors, and the payment policy indicators used to price the claims with surgical modifiers. This file does not contain the calculated pricing amounts.

(2) Physician Fee Schedule Payment Amount File National/Carrier—This file contains the CPT code and the Medicare price for all services priced under the Physician Fee Schedule. These data can be downloaded for (a) the entire country, or (b) for a selected carrier (in most cases carriers correlate with states). There is no option of requesting data for selected HCPCS codes. The zip file, which is downloaded, contains a file named PF04pc.doc, which explains the data contained in each column. This file also contains a description of pricing localities used in the Physician Fee Schedule. Due to the size of the national file (as well as many of the carrier-specific files), these data are provided in a comma-delimited format, which can be used to populate database applications. Generally speaking, these data are too large for Excel, however if a carrier specific file has 3 or fewer localities, Excel can be used.

Another file that providers may find useful is the Zipcode to Carrier Locality File. This file will map ZIP Codes to CMS carriers and localities and map Zip Codes to their State and determine whether the ZIP Code has a rural designation as determined by CMS. You can access this file by typing the following: <http://cms.hhs.gov/providers/pufdownload/default.asp#alphanu> or you can access this data by using the following directions:

1. Go to the CMS homepage (<http://www.cms.hhs.gov>).
2. Place your cursor over the word "Professionals" in the blue area near the top of the page. Select "Physicians" from the drop-down menu.
3. Scroll down and under "Payment/Billing" select "Medicare Payment Systems."
4. Scroll down and under Coding Files select "Zipcode to Carrier Locality File."

Table of Contents

- I. Background
 - A. Legislative History
 - B. Published Changes to the Fee Schedule
- II. Specific Provisions for Calendar Year 2004
 - A. Resource-Based Practice Expense Relative Value Units
 - 1. Resource-Based Practice Expense Legislation
 - 2. Current Methodology
 - 3. Practice Expense Proposals for Calendar Year 2004
 - B. Geographic Practice Cost Indices (GPCIs)
 - C. Coding Issues
- III. Other Issues

- A. Definition of Diabetes for Diabetes Self-Management Training (DSMT)
- B. Outpatient Therapy Services Performed "Incident To" Physicians Services
- C. Status of Anesthesia Work and 5-Year Review
- D. Payment Policies for Anesthesia Services
- E. Technical Correction
- F. Publication Issues
- IV. Refinement of Relative Value Units for Calendar Year 2004 and Response to Public Comments on Interim Relative Value Units for 2003
- V. Update to the Codes for Physician Self-Referral Prohibition
- VI. Physician Fee Schedule Update for Calendar Year 2004
- VII. Allowed Expenditures for Physicians' Services and the Sustainable Growth Rate
- VIII. Anesthesia and Physician Fee Schedule Conversion Factors for CY 2004
- IX. Telehealth Originating Site Facility Fee Payment Amount Update
- X. Provisions of the Final Rule
- XI. Collection of Information Requirements
- XII. Response to Comments
- XIII. Regulatory Impact Analysis
- Addendum A—Explanation and Use of Addendum B
- Addendum B—2004 Relative Value Units and Related Information Used in Determining Medicare Payments for 2004 Addendum C—Codes with Interim RVUs
- Addendum D—2004 Geographic Practice Cost Indices by Medicare Carrier and Locality
- Addendum E—2005 Geographic Practice Cost Indices by Medicare Carrier and Locality
- Addendum F—Updated List of CPT/HCPCS Codes Used to Describe Certain Designated Health Services Under the Physician Self-Referral Provision

In addition, because of the many organizations and terms to which we refer by acronym in this proposed rule, we are listing these acronyms and their corresponding terms in alphabetical order below:

- AMA American Medical Association
- APC Ambulatory Payment Classification
- BBA Balanced Budget Act of 1997
- BBRA Balanced Budget Refinement Act of 1999
- BIPA Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000
- CF Conversion factor
- CFR Code of Federal Regulations
- CMS Centers for Medicare & Medicaid Services
- CNS Clinical Nurse Specialist
- CPT [Physicians'] Current Procedural Terminology [4th Edition, 2002, copyrighted by the American Medical Association]
- CPEP Clinical Practice Expert Panel
- CRNA Certified Registered Nurse Anesthetist

- DHHS Department of Health and Human Services
- E/M Evaluation and management
- ESRD End-Stage Renal Disease
- GAF Geographic adjustment factor
- GPCI Geographic practice cost index
- HCPCS Healthcare Common Procedure Coding System
- HHA Home health agency
- IDTFs Independent Diagnostic Testing Facilities
- MCM Medicare Carrier Manual
- MedPAC Medicare Payment Advisory Commission
- MEI Medicare Economic Index
- MGMA Medical Group Management Association
- MPFS Medicare Physician Fee Schedule
- MSA Metropolitan Statistical Area
- OMB Office of Management and Budget
- PC Professional component
- PEAC Practice Expense Advisory Committee
- PPO Preferred Provider Organization
- PPS Prospective payment system
- PRA Paperwork Reduction Act of 1995
- RUC [AMA's Specialty Society] Relative [Value] Update Committee
- RVU Relative value unit
- SGR Sustainable growth rate
- SMS [AMA's] Socioeconomic Monitoring System
- SNF Skilled Nursing Facility
- TC Technical component

I. Background

A. Legislative History

Since January 1, 1992, Medicare has paid for physicians' services under section 1848 of the Social Security Act (the Act), "Payment for Physicians' Services." This section provides for three major elements: (1) A fee schedule for the payment of physicians' services; (2) limits on the amounts that nonparticipating physicians can charge beneficiaries; and (3) a sustainable growth rate (SGR) for the rates of increase in Medicare expenditures for physicians' services. The Act requires that payments under the fee schedule be based on national uniform relative value units (RVUs) that are based on the resources used in furnishing a service. Section 1848(c) of the Act requires that national RVUs be established for physician work, practice expense, and malpractice expense. Section 1848(c)(2)(B)(ii)(II) of the Act provides that adjustments in RVUs may not cause total physician fee schedule payments to differ by more than \$20 million from what they would have been had the adjustments not been made. If adjustments to RVUs cause expenditures to change by more than