

divided the practice expense pool into two groups based on whether direct or indirect costs were involved and used a different allocation basis for each group.

(i) Direct costs—For direct costs (which include clinical labor, medical supplies, and medical equipment), we used the procedure specific CPEP data on the staff time, supplies, and equipment as the allocation basis.

(ii) Indirect costs—To allocate the cost pools for indirect costs, including administrative labor, office expenses, and all other expenses, we used the total direct costs combined with the physician fee schedule work RVUs. We converted the work RVUs to dollars using the Medicare CF (expressed in 1995 dollars for consistency with the SMS survey years).

• *Step 4*—For procedures performed by more than one specialty, the final procedure code allocation was a weighted average of allocations for the specialties that perform the procedure, with the weights being the frequency with which each specialty performs the procedure on Medicare patients.

b. Other Methodological Issues

(i) Nonphysician Work Pool

For services with physician work RVUs equal to zero (including the technical components of radiology services and other diagnostic tests), we created a separate practice expense pool using the average clinical staff time from the CPEP data and the “all physicians” practice expense per hour.

We then used the adjusted 1998 practice expense RVUs to allocate this pool to each service. We have removed services from the nonphysician work pool if the requesting specialty predominates utilization of the service. Also, for all radiology services that are assigned physician work RVUs, we used the adjusted 1998 practice expense RVUs for radiology services as an interim measure to allocate the direct practice expense cost pool for radiology specialties to the most appropriate SMS specialty.

(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. Nonphysician Workpool

The nonphysician work pool is a special methodology that we used to determine practice expense RVUs for many services that do not have physician work RVUs. While the nonphysician work pool is of benefit to many of the services that were originally included, we have allowed specialties to request that their services be removed from the pool. Because the nonphysician work pool includes a variety of services performed by many different specialties, we use the “all physician” average practice expense per hour in place of a specialty-specific practice expense per hour.

As discussed in the August 15, 2003 proposed rule, we are continuing to study the alternatives that are available and any modifications to the nonphysician workpool would be published in proposed rulemaking.

Comment: Several specialty societies expressed support for the ongoing study of this complex issue and appreciate that any modifications to the nonphysician workpool would be published as proposed rulemaking for review and comment prior to implementation. A biopharmaceutical company commented that we should move forward to develop a new methodology that better recognizes actual resource consumption so that we can develop a preferable alternative.

Response: We are appreciative of the support and will continue to study this issue.

b. Supplemental Practice Expense Survey Data

i. Survey Criteria and Submission Dates

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. 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 proposed to change the required submission date to March 1, which would allow us to publish our decisions regarding survey data in the proposed rule and provide an opportunity for public comment on survey results. We also proposed 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 would be March 1, 2004 and March 1, 2005, respectively.

Comment: Specialty societies expressed appreciation for our proposal to extend the deadline for submission of surveys. Commenters also approved of our proposal to change the due date for submission of supplemental practice expense survey data to March 1, so that the implications of the use of the survey data could be discussed in the proposed rule.

Response: We will implement the change in the submission dates for supplementary surveys as proposed. The deadline for submission of the supplemental data to be considered in CY 2005 and CY 2006 would be March 1, 2004 and March 1, 2005, respectively. We will revise § 414.22(b)(6)(ii) to reflect this change.

ii. Submission of Supplemental Surveys

The College of American Pathologists (CAP) submitted supplemental survey data for independent laboratories for consideration for CY 2004. Our contractor, The Lewin Group, evaluated the data and has recommended acceptance.

Comment: Based on our proposal to revise the date for submission of supplemental survey data, CAP requested that we delay incorporation of this survey data until next year’s proposed rule. CAP also expressed an interest in being able to evaluate the combined effects of the use of the new survey data along with the technical change for pathology services before the changes are implemented. Therefore, CAP requested that we also extend the moratorium on calculating the technical component as the difference between the global and professional component practice expense RVUs by one additional year, as discussed in the August 15, 2003 proposed rule. This request for a delay in incorporating the new survey data, as well as extending the moratorium was supported by the AMA and several specialty societies.

Response: We agree with the comments that suggest extending by one year the moratorium on calculating the technical component practice expense RVU as the difference between the global and professional component RVUs for pathology services. We also agree with comments suggesting that we not incorporate the CAP survey into the practice expense methodology until next year. We will evaluate the CAP