



## Evaluating Your Costs – An RVU Analysis

Why not learn more about how much it costs your practice to provide services to your patients? A cost analysis provides a practice with the tools to make informed decisions and to concentrate its efforts for maximum reimbursement and efficiency. As stated by B.C. Forbes, "If you don't drive your business, you will be driven out of business."

The data needed to perform a cost analysis is readily accessible in most medical practices. A cost analysis can be used to:

- reduce costs for providing services
- decrease expenses by eliminating unprofitable services
- analyze capitated and global payment contracts
- negotiate higher payments for key, or unique, services provided by the practice
- market the practice's most profitable services

You can use the Resource Based Relative Value Scale (RBRVS) to determine your costs. The RBRVS system, implemented by CMS in 1992, is based on the resources required to provide a service.

The three resource components include:

- **Work.** This component reflects the physician's time and training.
- **Overhead.** This component reflects the non-physician, or staff time, for all aspects of providing the service plus rent, utilities, billing costs, etc.
- **Malpractice.** This component reflects the cost for the risk assumed in providing a particular service.

To perform the analysis, you'll need the following information:

- A report from your practice management system listing total volume for each procedure performed (by CPT code), and the total charges and payments received for the same time period.
- The practice's statement of income and expenses for the corresponding period of time.

The income and expense statement must identify separately all physician expenses such as salary and benefits, conferences and travel, automobile, and any other expenses specifically related to the physicians. These expenses comprise the "work" component of the analysis.

The malpractice expense must be easily distinguishable from the practice's other insurance-related expenses. Most practices capture this item separately for accounting purposes.

You should utilize a full year's worth of data to conduct an RBRVS analysis. The data from the practice should include all services provided during the year, including reimbursements received for these services.

Running a medical practice is just like operating any other business. There is always room for improvement. Many practices tend to be heavily invested in “doing things the way we have always done them.” A business cannot survive if the cost of producing a product or providing a service is greater than its selling price. The same goes for medical practices. If a physician knows how much it costs to provide services, he or she can make more fully informed practice decisions.

The table below provides an example of a calculation of practice costs by CPT code representing a limited number of procedures.

**CALCULATION OF PRACTICE COSTS BY CPT4 CODE**

CPT	Frequency	Adjusted Work RVUs	Adjusted Work Cost	Adjusted Practice RVUs	Adjusted Practice Cost	Adjusted Malpractice RVUs	Adjusted Malpractice Cost	Total Adjusted RVUs	Total Practice Costs
58100	455	319.50	\$3,530.51	389.30	\$6,240.52	19.25	\$625.80	728.04	\$10,396.82
58150	157	2,366.36	\$26,148.81	1,283.43	\$20,573.57	131.72	\$4,282.72	3,781.50	\$51,005.10
58558	180	845.60	\$9,344.01	438.59	\$7,030.64	45.68	\$1,485.42	1,329.87	\$17,860.07
58662	51	594.68	\$6,571.30	265.61	\$4,257.74	33.80	\$1,098.93	894.08	\$11,927.97
99024	1,057	177.71	\$1,963.77	363.71	\$5,830.39	7.45	\$242.30	548.88	\$8,036.46
99385	774	1,171.19	\$12,941.95	1,058.14	\$16,962.10	27.28	\$887.12	2,256.61	\$30,791.17

The table below shows a comparison of costs and charges, along with additional practice data, relating to total charges and payments for each CPT code. Total charges were divided by the frequency to arrive at an average charge for procedure. This is also done for total payments for each CPT code.

**COMPARATIVE TABLE OF COSTS AND CHARGES**

CPT	Frequency	Total Adjusted RVUs	Total Practice Costs	Costs per CPT	Total Charges	Charges per CPT	Total Payments	Average Payment
58100	455	728.04	\$10,396.82	\$22.85	\$110,875.00	\$243.68	\$39,336.71	\$86.45
58150	157	3,781.50	\$51,005.10	\$324.87	\$328,452.00	\$2,092.05	\$157,049.88	\$1,000.32
58558	180	1,329.87	\$17,860.07	\$99.22	\$133,475.00	\$741.53	\$50,995.64	\$283.31
58662	51	894.08	\$11,927.97	\$233.88	\$78,720.00	\$1,543.53	\$28,371.11	\$556.30
99024	1,057	548.88	\$8,036.46	\$7.60	\$0.00	\$0.00	\$0.00	\$0.00
99385	774	2,256.61	\$30,791.17	\$39.78	\$104,740.00	\$135.32	\$55,394.34	\$71.57

This table compares payments to costs and shows profitability for each service provided.

**FINAL COST COMPARISON REPORT**

CPT	Frequency	Costs per CPT	Charges per CPT	Charges Minus Costs	Average Payment	Average Payment Minus Cost
58100	455	\$22.85	\$243.68	\$220.83	\$86.45	\$63.60
58150	157	\$324.87	\$2,092.05	\$1,767.18	\$1,000.32	\$675.44
58558	180	\$99.22	\$741.53	\$642.31	\$283.31	\$184.09
58662	51	\$233.88	\$1,543.53	\$1,309.65	\$556.30	\$322.42
99024	1,057	\$7.60	\$0.00	(\$7.60)	\$0.00	(\$7.60)
99385	774	\$39.78	\$135.32	\$95.54	\$71.57	\$31.79