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## Reference Guide to Calculate Michigan Workers' Compensation Maximum Allowable Payment for Evaluation & Management, Medicine, Physical Medicine, Radiology, and Surgery Fee Schedule Effective: 12/26/2014

- **Note:** Codes listed with "0" or not listed may be BR (By Report). A BR procedure is reimbursed at the provider's usual and customary charge or reasonable amount, whichever is less, defined in the definition section of the Health Care Services Rules.
- The absence or presence of a code does not indicate workers' compensation coverage.
- Please refer to the Health Care Services Manual for additional information.

### Evaluation & Management, Medicine, Pathology, Physical Medicine, Radiology, Surgery

Calculate the Michigan Maximum Allowable Payment (MAP) using the following formula:

$$\text{Total Michigan RVU for CPT}^{\circledR} \text{ Code} \times \$47.19 \text{ (Michigan Conversion Factor)} = \text{Michigan MAP}$$

- The **CMS 2014 National Physician Fee Schedule (RVU14D)** was used for the following methodology:

The Maximum Allowable Payment (MAP) is based upon the Centers for Medicare and Medicaid (CMS) Resource-Based Relative Value Scale (RBRVS). RBRVS attempts to ensure the fees are based on the resources used to provide each service described by CPT<sup>®</sup> procedural coding. Relative Value Units (RVU) are derived based on the work expense involved in providing each service, the practice expense (includes office expenses), and the malpractice insurance expense. Specific geographical indices (GPCI) are then applied to the RVU to determine the Total Michigan RVU. Michigan Workers' Compensation is applying the following GPCI resulting from a meld using 60% of the Detroit area GPCI and 40% of the rest of the state's GPCI:

**Michigan GPCI Values:**  
Work **1.0060**  
Malpractice (MP) **1.3474**  
Practice Expense (PE) **.9742**

Calculate the Total Michigan RVU using the following formula:

$$\text{Adjusted Work RVU (Work RVU} \times 1.0060) + \text{Adjusted MP RVU (MP RVU} \times 1.3474) + \text{Adjusted PE RVU (PE RVU} \times .9742) = \text{Michigan Total RVU}$$

Most MAP amounts in Chapters 6-13 (except for anesthesia services) can be determined by multiplying the **Michigan Total RVU by the Conversion Factor**. The Conversion Factor for the CPT<sup>®</sup> procedure codes is found in R418.101002 of the Health Care Services Rules. **The Michigan Conversion Factor effective 12/26/2014 is \$47.19.**

The MAP amounts represent the Maximum Allowable Payments that a provider can be paid for rendering services under the State of Michigan Workers' Disability Compensation Act. When a provider's charge is lower than the MAP amount, or if a provider has a contractual agreement with the carrier to accept discounts for lower fees, payment is made at the lower amount.

The *National Physician Fee Schedule Relative Value File (October 2014 release)*; and *Geographic Practice Cost Indices by Medicare Carrier and Locality* tables are available on the agency website.



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**Health Care Services Rules for reference:**

- **R 418.10106** Procedure codes; relative value units; other billing information.

Rule 106. (1) Upon annual promulgation of R 418.10107, the health care services division of the workers' compensation agency shall provide separate from these rules a manual, tables, and charts containing all of the following information on the agency's website, [www.michigan.gov/wca](http://www.michigan.gov/wca):

- (a) All Current Procedural Terminology (CPT®) procedure codes used for billing health care services.
- (b) Medicine, surgery, and radiology procedures and their associated relative value units.
- (c) Hospital maximum payment ratios.
- (d) Billing forms and instruction for completion.

(2) The procedure codes and standard billing and coding instructions for medicine, surgery, and radiology services shall be adopted from the most recent publication entitled "Current Procedural Terminology (CPT®)" as adopted by reference in R 418.10107. However, billing and coding guidelines published in the CPT codebook do not guarantee reimbursement. A carrier shall only reimburse medical procedures for a work-related injury or illness that are reasonable and necessary and are consistent with accepted medical standards.

(3) The formula and methodology for determining the relative value units shall be adopted from the "Medicare RBRVS Fee Schedule" as adopted by reference in R 418.10107 using geographical information for the state of Michigan. The geographical information, (GPCI), for these rules is a melded average using 60% of the figures published for the city of Detroit added to 40% of the figures published for the rest of this state.

(4) The maximum allowable payment for medicine, surgery, and radiology services shall be determined by multiplying the relative value unit assigned to the procedure times the conversion factor listed in the reimbursement section, part 10 of these rules.

(5) Procedure codes from "HCPCS 2014 Level II Professional Edition" as adopted by reference in R 418.10107 shall be used to describe all of the following services:

- (a) Ambulance services.
- (b) Medical and surgical expendable supplies.
- (c) Dental procedures.
- (d) Durable medical equipment.
- (e) Vision and hearing services.
- (f) Home health services.

(6) Medical services shall be considered "By Report" (BR) if a procedure code listed in "HCPCS 2014 Level II Professional Edition" or "Current Procedural Terminology (CPT®) 2014 Professional Edition" as adopted by reference in R 418.10107 does not have an assigned value.

- **R 418.101002** Conversion factors for practitioner services.

Rule 1002. (1) The workers' compensation agency shall determine the conversion factors for medicine, evaluation and management, physical medicine, surgery, pathology, and radiology procedures. The conversion factor shall be used by the workers' compensation agency for determining the maximum allowable payment for medical, surgical, and radiology procedures. The maximum allowable payment shall be determined by multiplying the appropriate conversion factor times the relative value unit assigned to a procedure. The relative value units are listed for the medicine, surgical, and radiology procedure codes in a manual separate from these rules. The manual shall be published annually by the workers' compensation agency using codes adopted from "Current Procedural Terminology (CPT®)" as adopted by reference in R 418.10107(a). The workers' compensation agency shall determine the relative values by using information found in the "Medicare RBRVS: The Physicians' Guide" as adopted by reference in R 418.10107(c).

(2) The conversion factor for medicine, radiology, and surgical procedures shall be \$47.19 for the year 2014 and shall be effective for dates of service on the effective date of these rules.