moda HEALTH	Reimbursement Policy Manual	Policy #:	RPM070
Policy Title:	**Modifier SU - Procedure Performed in Physician's Office (Facility and Equipment)**		
Section:	Modifiers	Subsection:	None

Scope: This policy applies to the following Medical (including Pharmacy/Vision) plans:

Companies:	☒ All Companies: Moda Partners, Inc. and its subsidiaries & affiliates ☐ Moda Health Plan ☐ Moda Assurance Company ☐ Summit Health Plan ☐ Eastern Oregon Coordinated Care Organization (EOCCO) ☐ OHSU Health IDS
Types of Business:	☒ All Types ☐ Commercial Group ☐ Commercial Individual ☐ Commercial Marketplace/Exchange ☐ Commercial Self-funded ☐ Medicaid ☐ Medicare Advantage ☐ Short Term ☐ Other: _____
States:	☒ All States ☐ Alaska ☐ Oregon ☐ Texas ☐ Washington
Claim forms:	☒ CMS1500 ☐ CMS1450/UB (or the electronic equivalent or successor forms)
Date:	☒ All dates ☐ Specific date(s): _____ ☐ Date of Service; For Facilities: ☐ n/a ☐ Facility admission ☐ Facility discharge ☐ Date of processing
Provider Contract Status:	☒ Contracted directly, any/all networks ☒ Contracted with a secondary network ☒ Out of Network

Originally Effective:	1/1/2000	Initially Published:	4/10/2019
Last Updated:	7/12/2023	Last Reviewed:	7/12/2023
Last update includes payment policy changes, subject to 28 TAC §3.3703(a)(20)(D)? No			
Last Update Effective Date for Texas:		7/12/2023	

Reimbursement Guidelines

A. No reimbursement is allowed for any service(s) appended with modifier SU.

1. The costs associated with operating an office, using the facility, and using the equipment for any procedure(s) are included in the reimbursement to the physician performing the service.
    a. CMS establishes Relative Value Units (RVU) for CPT and HCPCS codes that include the costs of running an office (such as rent, equipment, supplies and nonphysician staff costs) which are referred to as the practice expense RVU.
    b. The practice expense RVU is one component of the total RVU for the procedure code.
    c. These expenses should not be separately reported with modifier SU.
2. CMS indicates that HCPCS modifier SU, Procedure performed in physician's office (to denote use of facility and equipment), is not payable. (TCI[3], hcpcsdata.com[4])
3. If the charges associated with the use of the modifier SU are submitted by a different provider than the physician performing the office procedure, they will not be considered for separate reimbursement since these practice expenses are considered included in the reimbursement for the physician performing the service.

B. Exceptions: None.

Codes, Terms, and Definitions

Acronyms & Abbreviations Defined

Acronym or Abbreviation		Definition
AMA	=	American Medical Association
ASO	=	Administrative Services Only
CCI	=	Correct Coding Initiative (see "NCCI")
CMS	=	Centers for Medicare and Medicaid Services
CPT	=	Current Procedural Terminology
DRG	=	Diagnosis Related Group (also known as/see also MS DRG)
HCPCS	=	Healthcare Common Procedure Coding System (acronym often pronounced as "hick picks")
HIPAA	=	Health Insurance Portability and Accountability Act
ICD	=	International Classification of Diseases
ICD-10	=	International Classification of Diseases, Tenth Edition
ICD-10-CM	=	International Classification of Diseases, Tenth Edition, Clinical Modification
MPFSDB	=	(National) Medicare Physician Fee Schedule Database (aka RVU file)
MS DRG	=	Medicare Severity Diagnosis Related Group (also known as/see also DRG)
NCCI	=	National Correct Coding Initiative (aka "CCI")
RBRVS	=	Resource-Based Relative Value Scale
RPM	=	Reimbursement Policy Manual (e.g., in context of "RPM052" policy number, etc.)
RVU	=	Relative Value Unit
UB	=	Uniform Bill

Definition of Terms

Term	Definition
Practice Expense	The costs associated with the direct and indirect practice resources associated with operating an office and furnishing medical services. Includes rent/mortgage, utilities, office supplies, clinical equipment and supplies, staffing expenses, etc. Practice expense is one component of the RVU assigned to a procedure code on the Medicare Physician Fee Schedule.

Term	Definition
Relative Value Units	Resource-based relative value units (RVUs) comprise the core of the Medicare Physician Fee Schedule (MPFS). CMS publishes quarterly updates to the MPFS on the CMS website. Each CPT or HCPCS code on the MPFS has an assigned RVU unit Total Value. Either the Non-Facility Total value or Facility Total value is used for pricing, depending upon the place of service. For more information about RVUs, see (CMS[5, 6, 7]), (RAND[8]), and (Burgette[9]).

Modifier Definitions:

Modifier	Modifier Description & Definition
Modifier SU	Procedure performed in physician's office (to denote use of facility and equipment)

Coding Guidelines & Sources - (Key quotes, not all-inclusive)

"A/B MACs (B) pay for physicians' services furnished on or after January 1, 1992, on the basis of a fee schedule…. The CMS continually updates, refines, and alters the methods used in computing the fee schedule amount. For example, input from the American Academy of Ophthalmology has led to alterations in the supplies and equipment used in the computation of the fee schedule for selected procedures. Likewise, new research has changed the payments made for physical and occupational therapy. The CMS provides the updated fee schedules to A/B MACs (B) on an annual basis…. The fully implemented resource-based MPFS amount for a given service can be computed by using the formula below:

MPFS Amount = [(RVUw x GPCIw) + (RVUpe x GPCIpe) + (RVUm x GPCIm)] x CF

Where:

RVUw equals a relative value for physician work,
RVUpe equals a relative value for practice expense, and
RVUm refers to a relative value for malpractice.

In order to consider geographic differences in each payment locality, three geographic practice cost indices (GPCIs) are included in the core formula:

- A GPCI for physician work (GPCIw),
- A GPCI for practice expense (GPCIpe), and
- A GPCI for malpractice (GPCIm).

The above variables capture the efforts and productivity of the physician, his/her individualized costs for staff and for productivity-enhancing technology and materials. The applicable national conversion factor (CF) is then used in the computation of every MPFS amount." (CMS[1])

"**Q:** Does anyone know when it is appropriate to use the modifier SU and maybe could provide an example of the correct usage. Thank you

A: The modifier SU is defined as procedure performed in physician's office (to denote use of facility and equipment). It was established by Centers for Medicare and Medicaid Services (CMS) in 2003 for informational purposes.

Use of an office facility and equipment are included in the practice expense of the Relative Value Unit (RVU) for a service or procedure. Reimbursement for the procedure considers the costs for the practice expense associated with the office procedure.

When a procedure is performed in an office setting, the total charges for performing the service should be billed using the appropriate procedure code without the SU modifier. Procedure codes billed with the SU modifier are not eligible for reimbursement.

Use of the SU Modifier

Place of Service: The Health Care Common Procedure Coding System (HCPCS) manual contains a list of Modifiers, one of which is "SU" to designate "Performed in Physician's Office". (sic) Claims are adjudicated and reimbursed based on the Place of Service. The CMS-1500 Claim Form contains a specific field (24-B) for Place of Service.

Place of Service for "Office" or Physician's Office is "11". Although item 24-D contains a space allotment for modifier use, no special consideration is given to the SU modifier; it is redundant to the numeric listed under the place of service column.

Surgical Procedures: It is inappropriate to bill the surgical procedure CPT code on a separate line item, listing modifier "SU" and listing multiple units intended to cover the costs of surgical supplies. The Relative Value Units for the CPT procedure codes used to bill for the services rendered include the costs of running an office (practice expense).The medical supplies are included in the global allowance for each surgical procedure." (TCI[3])

Cross References

"Medical, Surgical, and Routine Supplies." Moda Health Reimbursement Policy Manual, RPM021.

References & Resources

1. CMS. *Medicare Claims Processing Manual* (Pub. 100-4). Chapter 12 – Physician Practitioner Billing, § 20, 20.1, 20.1.A.

2. AMA. "Medicare physician payment schedules." March 15, 2019. https://www.ama-assn.org/practice-management/medicare/medicare-physician-payment-schedules .

3. TCI. "Modifier SU – Ask An Expert." TCI SuperCoder. June 6, 2012: March 18, 2019. https://www.supercoder.com/my-ask-an-expert/topic/su-modifier .

4. hcpcsdata.com. "Modifier SU." Last accessed March 18, 2019. https://www.hcpcsdata.com/Modifiers/S/SU .

5. CMS. "Medicare Physicians Fee Schedule (MPFS)." *Medicare Claims Processing Manual* (Pub. 100-4). Chapter 12 – Physician Practitioner Billing, § 20.

6. CMS. "Method for Computing Fee Schedule Amount." *Medicare Claims Processing Manual* (Pub. 100-4). Chapter 12 – Physician Practitioner Billing, § 20.1.

7. CMS. "Relative Value Units (RVUs)." *Medicare Claims Processing Manual* (Pub. 100-4). Chapter 12 – Physician Practitioner Billing, § 20.2.

8. RAND Corporation. "Overview of the MPFS." Improving Practice Expense Data & Methods Town Hall – June 16, 2021 Read Ahead Materials, pp. 2-3. Last updated June 16, 2021; Last accessed

January 26, 2022. Improving Data and Methods Related to Indirect Practice Expense in the Medicare Physician Fee Schedule: Read-ahead materials for the virtual Town Hall (cms.gov) .

9. Burgette, Lane F., et al. "Practice Expense Data Collection and Methodology: Phase II Final Report." Santa Monica, CA: RAND Corporation, 2021. Last accessed October 4, 2022. https://www.rand.org/pubs/research_reports/RRA1181-1.html .

Background Information

The Social Security Act (the Act) requires the Centers for Medicare & Medicaid Services (CMS) to establish payments under the Medicare Physician Payment Schedule based on national uniform relative value units (RVUs) that account for the relative resources used in furnishing a service. The Act requires that RVUs be established for 3 categories of resources:

- Physician work
- Practice expense (PE)
- Malpractice (MP) expense

CMS is also required to establish by regulation each year's payment amounts for all physician services paid under the Medicare Physician Payment Schedule, incorporating geographic adjustments to reflect the variations in the costs of furnishing services in different geographic areas. (AMA[2])

IMPORTANT STATEMENT

The purpose of this Reimbursement Policy is to document our payment guidelines for those services covered by a member's medical benefit plan. Healthcare providers (facilities, physicians, and other professionals) are expected to exercise independent medical judgment in providing care to members. Our Reimbursement Policy is not intended to impact care decisions or medical practice.

Providers are responsible for submission of accurate claims using valid codes from HIPAA-approved code sets and for accurately, completely, and legibly documenting the services performed. Billed codes shall be fully supported in the medical record and/or office notes. Claims are to be coded appropriately according to industry standard coding guidelines (including but not limited to UB Editor, AMA, CPT, CPT Assistant, HCPCS, DRG guidelines, CMS' National Correct Coding Initiative [CCI] Policy Manual, CCI table edits and other CMS guidelines).

Benefit determinations will be based on the member's medical benefit plan. Should there be any conflicts between our Reimbursement Policy and the member's medical benefit plan, the member's medical benefit plan will prevail. Fee determinations will be based on the applicable provider fee schedule, whether out of network or participating provider's agreement, and our Reimbursement Policy.

Policies may not be implemented identically on every claim due to variations in routing requirements, dates of processing, or other constraints; we strive to minimize these variations.

***** The most current version of our reimbursement policies can be found on our provider website. If you are using a printed or saved electronic version of this policy, please verify the information by going to https://www.modahealth.com/medical/policies_reimburse.shtml *****

Policy History

Date	Summary of Update
7/12/2023	Annual review: Minor rephrasing. Definition of Terms: Both definitions updated. References & Resources: 5 entries added.
7/13/2022	Formatting/Update: Change to new header. Acronym Table: 6 entries added. Policy History section: Added. Entries prior to 2022 omitted (in archive storage).
4/10/2019	Policy initially approved by the Reimbursement Administrative Policy Review Committee & initial publication.
1/1/2000	Original Effective Date (with or without formal documentation). Policy based on CMS policy; modifier SU is assigned HCPCS Coverage Code I = Not payable by Medicare on the HCPCS Quarterly Update file.