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CPT reimbursement basics

A practical guide to Medicare professional-service rates. No fixed rates are reproduced here: use the live CMS tool for the service date and locality.

1. A code identifies a service, not a guaranteed payment

CPT, maintained by the American Medical Association, describes medical services and procedures. Medicare uses CPT and HCPCS codes in professional billing. A code alone does not establish coverage, medical necessity, or the final amount paid.

2. How the Physician Fee Schedule works

For services priced under the Medicare Physician Fee Schedule (PFS), payment generally combines three relative value unit (RVU) components: work, practice expense, and malpractice. Each is adjusted by its geographic practice cost index (GPCI), then the total is multiplied by the applicable conversion factor.

Rate = [(work RVU x work GPCI) + (practice expense RVU x expense GPCI) + (malpractice RVU x malpractice GPCI)] x conversion factor

3. Look up the rate in the official CMS tool

• Open the CMS Physician Fee Schedule lookup and follow the license and search prompts.

• Choose the year for the date of service. Select pricing information, the CPT/HCPCS code, and the relevant Medicare contractor (MAC) or locality.

• Check the modifier and payment-status indicators. Use the correct facility or non-facility column for the professional service.

• Treat the displayed amount as a fee-schedule reference, not a payment promise. Coverage rules, coding edits, modifiers, patient cost sharing, and other adjustments can affect payment.

4. Physician payment is different from facility payment

The PFS facility column is generally the professional-service rate for care in a facility. It is not the hospital's separate facility payment. Hospital outpatient services generally use OPPS/APCs, while acute inpatient stays generally use IPPS/MS-DRGs. Exceptions and other payment systems apply.

5. Check commercial and Medicare Advantage contracts

Do not assume a commercial or Medicare Advantage plan pays the traditional Medicare amount. Verify the applicable contract, fee schedule, provider portal, and plan policies.

Sources: CMS sample PFS searches · CMS PFS FAQ · AMA CPT

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