



# Evaluation of Potentially Misvalued CPT Codes: Results from the 2023 Maryland APCD Data

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# Introduction



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# Physician Fee Schedule (PFS) Overview

- **How does the Physician Fee Schedule value services?**
  - **Relative Value** = Work (**Time** x Work Intensity) + Practice Expense + Medical Malpractice
- **Why is this important for MHCC?**
  - Services that are overvalued tend to have incentives to be overperformed, while services that are undervalued tend to be underperformed and difficult to access.
  - Since the PFS is budget neutral, more accurate valuation of services in Medicare can also improve the distributions of services across Maryland



# Potentially Misvalued Codes (PMVC) Under the PFS

- **Potentially Misvalued Codes (PMVC) Initiative:** CY 2026 Physician Fee Schedule Final Rule allows interested parties to submit codes for revaluation by February 10 each year, and indicated that CMS would prefer empiric data.
- **Empirical Alternatives:** Using real-world data like Electronic Health Records (EHR), National Surgical Quality Improvement Program (NSQIP), and Claims data to support decisions about appropriate adjustments to misvalued codes.
- **MHCC Data Assets:** MHCC oversees Maryland's All-Payer Claims Database (MD-APCD), which provides data that can inform the identification of Potentially Misvalued Codes.

*\* <https://www.federalregister.gov/documents/2025/07/16/2025-13271/medicare-and-medicaid-programs-cy-2026-payment-policies-under-the-physician-fee-schedule-and-other>*



# RUC\* Survey Data Limitations

- **Traditional Process:** Relies heavily on American Medical Association RVS Update Committee (RUC) recommendations based on physician surveys.

- **Criticisms of RUC Surveys:**

- Potential bias from self-reported data by interested parties.
- Low response rates and small sample sizes.

\* *American Medical Association (AMA) Special Society Relative Value Scale Update Committee (RUC)*



# Evidence from Empirical Studies

- 2016 Urban Institute Study:** Evaluated discrepancies between PFS-listed times and empirical data recorded in Electronic Health Records (EHR).

- Systematic Overvaluation:** Revealed that 60 specific HCPCS codes were systematically overvalued in the PFS.

- Pathology Highlight:** Found the median intraservice time for CPT 88305 was only 2 minutes, compared to the 25 minutes listed in the PFS.

- 2025 RAND Corporation Study:** Compared PFS times for 711 surgical codes against directly observed operative times from the National Surgical Quality Improvement Program (NSQIP).

- Widespread Discrepancies:** 326 surgical codes—nearly half of those studied—were identified as PFS times were excessively long, and 53 codes were identified as PFS times were likely short.

- Corroboration:** Found that NSQIP data generally aligned with anesthesia-based claims analyses, reinforcing the accuracy of observed times over surveys

# MHCC Methodology: The “Provider-Day” Check



- High level:** There are only so many hours in a workday. We take the “time” listed in the physician fee schedule for certain services, and add up the amount of time that a provider would have had to work if that time was accurate. This acts as a flag where there may be overvaluation if providers are spending more than 8 hours or even 24 hours performing the service.

- Data Source:** 2023 MD APCD (includes private insurers, Medicare, and Medicaid).

- Data Cleaning:** Data was refined to include only claims from rendering providers with valid service dates and allowed amounts.

**Code set:** 60 HCPCS codes from Urban Institute study + 326 HCPCS codes from RAND corporation study

- Objective:** Calculate total intraservice time attributed to a single provider per procedure per day to assess if the total number of work hours is reasonable, assuming the PFS time for a code in the claims data is accurate.

- Calculation:**

1. Total quantity of a procedure performed by a provider for all patients per day × median PFS intraservice time.
2. Identify codes with Provider workday of greater than 8 hours.

- Conservative Approach:** Excluded pre- and post-service time.

# Summary Findings of Potentially Misvalued Codes



- Total Number of PMVC identified: 13 potentially misvalued CPT codes across five code families.
  - Integumentary Surgery Codes: 3 codes related to skin and breast procedures.
  - Musculoskeletal Surgery Codes: 3 codes focused on joint and bone surgeries.
  - Cardiovascular Surgery Codes: 2 codes addressing vascular interventions.
  - Digestive Surgery Codes: 3 codes involving surgical procedures on the digestive system.
  - Pathology and Lab Codes: 2 codes related to biopsy specimen examination.

CPT Code	Code Family	CPT Description	PFS Intraservice Time	NSQIP Operative Time Median
15734	Surgery: Integumentary	Muscle-skin graft trunk	180	135
19318	Surgery: Integumentary	Breast reduction	180	149
19380	Surgery: Integumentary	Revj reconstructed breast	120	80
23472	Surgery: Musculoskeletal	Reconstruct shoulder joint	140	93
27130	Surgery: Musculoskeletal	Total hip arthroplasty	100	85
27447	Surgery: Musculoskeletal	Total knee arthroplasty	97	85
37227	Surgery: Cardiovascular	Fem/popl revasc stnt & ather	125	101
37229	Surgery: Cardiovascular	Tib/per revasc w/ather	120	68
43281	Surgery: Digestive	Lap paraesophag hern repair	180	116
43644	Surgery: Digestive	Lap gastric bypass/roux-en-y	180	119
47120	Surgery: Digestive	Partial removal of liver	225	174
88305	Pathology and Laboratory	Level IV Tissue exam by pathologist	25	N/A
88307	Pathology and Laboratory	Level V Tissue exam by pathologist	47	N/A



# Key Findings: The Pathology Outlier

- **CPT 88305 (Level IV Tissue Exam):** The most significant discrepancy identified.
- **The Findings:**
  - **1,763** Provider Days exceeded 8 hours of intraservice time for this code alone.
  - **587** instances where total intraservice PFS time for this code exceeded **24 hours** in a single day, if we were to assume that PFS times were accurate.
- **Average billed time for the 1,763 days > 8 hours of intraservice time:** ~37 hours per day when including all billed services and pre-service times.
- **Discrepancy:** PFS lists **25 minutes**, while a 2016 Urban study found a median time of only **2 minutes** (a 1,250% difference).



# Discussion: Why This Matters

- **Market Distortion:** Overvaluation leads to undervaluation of other services due to budget neutrality.
- **Perverse Incentives:** Lucrative valuations for quick procedures (like 88305) may lead to increased incentive to biopsy in a fee-for-service system.
- **Shift in Practice:** Gastroenterologists and dermatologists appear to be billing pathology codes, potentially to capture revenue.



# Recommendations to CMS

- **Align with Empirical Data:** CMS should move toward using NSQIP median operative times for surgical codes.
- **Holistic Review:** Reevaluate entire code families rather than individual codes to maintain system relativity.



# Next Steps

- **Await CMS Response:** Expected in July 2026
- **Future Study:** Analyze the APCD data to identify the average provider day for each physician specialty, ranking them from highest to lowest.



# Questions