

# Third-Party Reimbursement for Physician Assistants

PAs work with physicians to ensure the best possible care for patients in every practice setting. Their rigorous medical education, versatility, and commitment to personalized care help practices function more efficiently while providing increased revenues and enhanced continuity of care to patients. Medical and surgical services delivered by PAs are covered by Medicare, Medicaid, TRICARE (formerly CHAMPUS), and nearly all private payers.

More information about PAs and third party payment is available on the Web at [www.aapa.org/gandp/reimburs-issues.html](http://www.aapa.org/gandp/reimburs-issues.html). The Academy also produces a detailed book on the subject, *Physician Assistant Third-Party Coverage*, which is available through AAPA's On-line Store, [www.aapa.org/aapastore](http://www.aapa.org/aapastore).



## Medicare Coverage for Physician Assistants

The first Medicare coverage of physician services provided by physician assistants was authorized by the Rural Health Clinic Services Act in 1977. In the following two decades, Congress incrementally expanded Medicare Part B payment for services provided by PAs, authorizing coverage in hospitals, nursing facilities, rural Health Professional Shortage Areas, and for first assisting at surgery. In 1997, the Balanced Budget Act extended coverage to all practice settings at one uniform rate.

As of January 1, 1998, Medicare pays the PA's employer for medical and surgical services provided by PAs in all settings at 85 percent of the physician's fee schedule. This includes hospitals (inpatient, outpatient, operating room, and emergency departments), nursing facilities, offices, clinics, the patient's home, and first assisting at surgery. Assignment is mandatory and state law determines supervision and scope of practice except for "incident to" billing. Hospitals that employ PAs (and physicians) must bill for their clinical services under Medicare Part B. PA salaries may not be included in the hospital's cost reports unless the PA is providing administrative (non-clinical) duties.

Outpatient services provided in offices and clinics may still be billed under Medicare's "incident-to" provisions, if Medicare's more restrictive billing guidelines are met. This allows payment at 100 percent of the fee schedule if: (1) the physician is physically on-site when the PA provides care; (2) the physician personally treats and establishes the diagnosis for Medicare patients on their first visit for a particular medical problem (PAs may provide the subsequent care); and (3) established Medicare patients with new medical problems are personally treated and diagnosed by the physician (PAs may provide the subsequent care).

PAs billing under their own names and Medicare provider numbers (using the 85 percent benefit) may be W-2, leased employees, or independent contractors. The employer would still bill Medicare for the services provided by the PA. All PAs who treat Medicare patients must be enrolled in the Medicare program.

On May 23, 2005, the Medicare program began the enrollment process for National Provider Identifier (NPI) numbers. By the deadline of May 23, 2007, all health care professionals

who transmit or receive health care information electronically must have an NPI number. The NPI will be the identification number used by all public and private third-party payers. It will replace Medicare's PIN, UPIN, and the various provider numbers issued by all other payers.

An extension for those entities that have made a good faith effort, but failed to comply with the May 23, 2007, deadline, has been granted by the Centers for Medicare and Medicaid Services (CMS). The extension, until May 23, 2008, is aimed more at larger health care organizations and payers and should not be considered as a reprieve for individual PAs obtaining their NPI numbers.

CMS allows PAs to have up to a 99 percent ownership interest in a state-approved corporate entity (e.g., professional medical corporation) that bills the Medicare program, if that corporation qualifies as a provider of Medicare services.

### Medicaid Coverage

Currently, all 50 states cover medical services provided by PAs under their Medicaid fee for service or Medicaid managed care programs. The rate of reimbursement is either the same as or slightly lower than that paid to physicians.

### Private Insurance

Nearly all private payers cover medical and surgical services provided by PAs. Some payers will separately credential and issue provider numbers to PAs. Others require that services delivered by PAs be billed under the name and provider number (or tax ID number) of the PA's supervising physician. It is important to note that there is no direct relationship between PAs being credentialed or having provider numbers issued by private payers, and payment for medically necessary services provided by PAs. Payment for services provided by PAs is typically available with or without credentialing and separate provider numbers.

Private health insurance companies do not necessarily follow Medicare's coverage policy rules. As private

entities they are able to establish their own rules and procedures. The potential variation in policy among the various payers makes it imperative that each payer be contacted to determine its specific payment and coverage policies for PAs. Even within the same insurance company, PA coverage policies can change slightly, based on the particular plan that an individual or group has selected, the specific type of service being provided, and the part of the country in which the service is delivered.

When a private payer asks for the service to be billed under the name of the supervising physician, it does not necessarily mean that the payer is suggesting that the rules of Medicare's "incident to" billing be utilized. Often payers will defer to supervision requirements as required by state law, even when the PA's services are billed under the name and provider number of the supervising physician.

### TRICARE/CHAMPUS

TRICARE, formerly known as the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), covers all medically necessary services provided by a physician assistant. The PA must be supervised in accordance with state law. The supervising physician must be an authorized TRICARE provider. The employer bills for the services provided by the PA.

Reimbursement for services provided by PAs under TRICARE Standard, the fee-for-service program, except assisting at surgery, is 85 percent of the allowable fee for comparable services rendered by a physician in a similar location. Reimbursement for assisting at surgery is 65 percent of the physician's allowable fee for comparable services.

PAs are eligible providers of care under TRICARE's two managed care programs, TRICARE Prime and Extra. TRICARE Prime is similar to an HMO. TRICARE Extra is run like a preferred provider organization in which practitioners agree to accept a predetermined discounted fee for their services.

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