



Impact of WC Medical Fee Schedules

Presented by
Natasha Moore, FCAS, MAAA
Practice Leader and Senior Actuary

NH Commission to Recommend Reforms to
Reduce Workers' Compensation Medical Costs
October 23, 2014

Agenda

- Access to Care for States with Fee Schedules
- Post Reform Analysis for Maine
- Recent Activity on Medical Fee Schedules in Other NCCI States
- NCCI's Cost Estimate of the Medical Fee Schedule Proposed in HB 1468



Physician Participation and Timeliness of Care Results in Texas

- Relatively stable number of WC physicians
 - WC participating physicians represent 45% of total active physicians in 2010
 - Nearly 90% of active Orthopedic and Emergency Medicine physicians are treating WC patients
- High WC physician retention rates
 - Among the “top 20%” of physicians treating in 2001, 79% are still treating WC in 2010
 - Retention rates for orthopedic surgery, radiology, emergency medicine, and anesthesiology specialties are greater than 90%
- WC patients receive medical care quickly
 - 82% patients received initial care within 7 days
 - WC patients received non-emergency treatments faster in 2010 than in 1998

Source: Texas Department of Insurance, “Access to Medical Care in the Texas Workers’ Compensation System, 1998-2010”, April 2012.



Key Findings in California

- The majority of injured workers had access to needed care without barriers
 - 60% of injured workers saw a medical provider the same day of their injury
 - 83% of injured workers traveled less than 15 miles to their main medical provider
- Injured workers reported a high level of satisfaction with care and high quality of care
 - 86% very satisfied/satisfied with their health care
 - 85% found care for WC injury was as good as the care they received for other conditions
- The network of providers treating injured workers remained robust from 2007 through 2011

Source: California of Industrial Relations, “2013 Study of Access to Medical Treatment for Injured Workers”, June 2013.



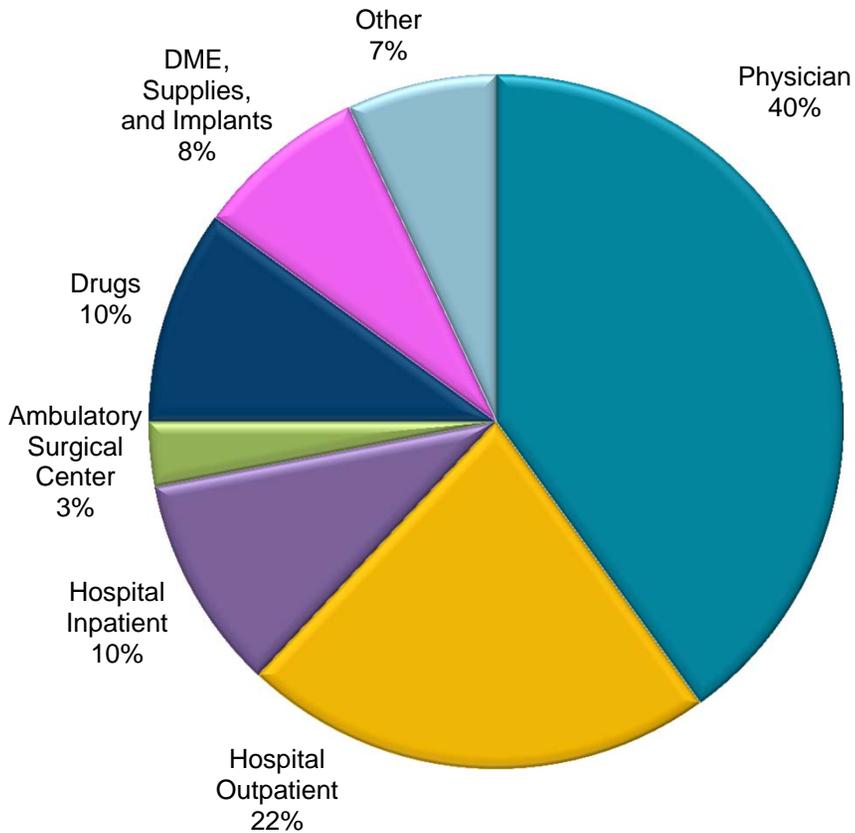
Maine Medical Fee Schedule Changes

- Effective 1/1/2012, Medicare-based fee schedules for:
 - Hospital inpatient
 - Hospital outpatient
 - Ambulatory Surgical Center
- Prior to 1/1/2012, reimbursements were 95% of usual and customary charges

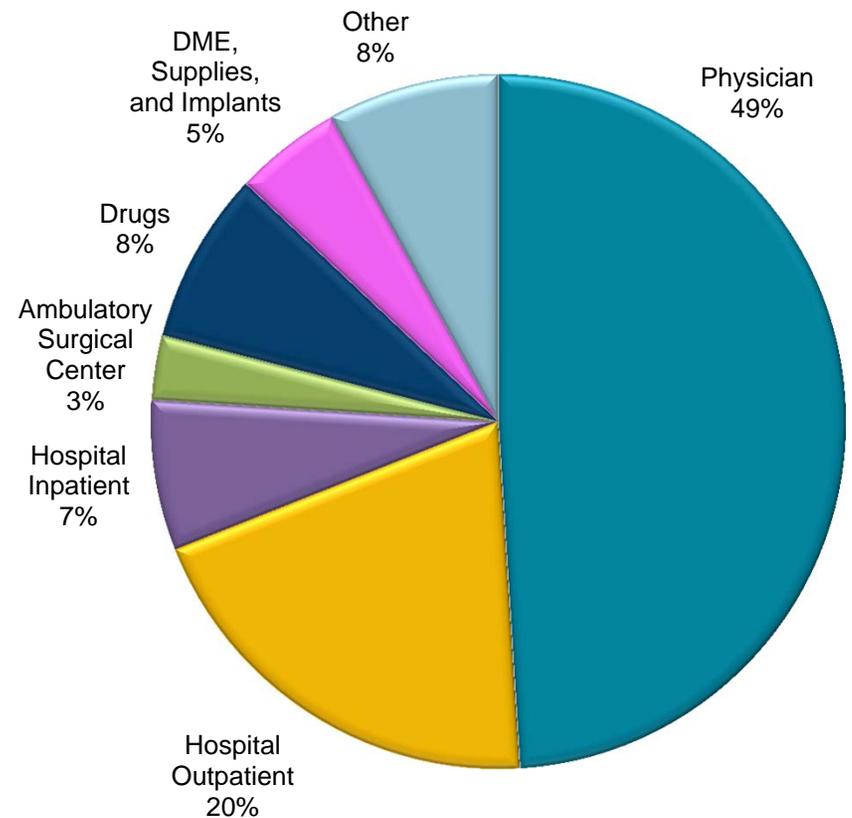
Hospital Share of Total Medical Payments Shrinks After the Fee Schedule Change

Maine

Service Year 2011



Service Year 2012



Service Year 2011 includes services provided between 1/1/2011 and 12/31/2011 for transactions processed through 3/31/2013

Service Year 2012 includes services provided between 1/1/2012 and 12/31/2012 for transactions processed through 3/31/2013

DME: Durable Medical Equipment

Source: NCCI Medical Data Call

In Maine, Hospital Inpatient Costs Decreased After the Fee Schedule Change

Unadjusted for Inflation

	Pre-Reform	Post-Reform	Change
Average Payment per Claim with an Inpatient Stay	\$14,374	\$13,846	-3.7%
Average Payment per Stay	\$12,305	\$11,172	-9.2%

Adjusted for Inflation*

	Pre-Reform	Post-Reform	Change
Average Payment per Claim with an Inpatient Stay	\$15,119	\$13,846	-8.4%
Average Payment per Stay	\$12,942	\$11,172	-13.7%

*Pre-reform payments are adjusted to midpoint of post-reform period using an annual inflation factor of 1.052; source of inflation factor is US Bureau of Labor Statistics, CPI: Urban Consumer—Inpatient hospital services, annual change 2011 to 2012

Source: NCCI Medical Data Call



In Maine, Hospital Outpatient Costs Decreased After the Fee Schedule Change

Unadjusted for Inflation

	Pre-Reform	Post-Reform	Change
Average Payment per Claim with an Outpatient Visit	\$1,219	\$1,125	-7.7%
Average Payment per Visit	\$371	\$323	-12.8%

Adjusted for Inflation*

	Pre-Reform	Post-Reform	Change
Average Payment per Claim with an Outpatient Visit	\$1,272	\$1,125	-11.6%
Average Payment per Visit	\$387	\$323	-16.5%

*Pre-reform payments are adjusted to midpoint of post-reform period using an annual inflation factor of 1.050; source of inflation factor is US Bureau of Labor Statistics, CPI: Urban Consumer—outpatient hospital services, annual change 2011 to 2012

Source: NCCI Medical Data Call

Key Takeaways From Maine

- Share of payments attributed to hospital services decreased in 2012 compared to 2011
- Average payments for hospital services decreased in Maine after the 1/1/2012 medical fee schedule change



Recent Activity on Medical Fee Schedules

- Alaska House Bill 316, effective 7/1/2015
 - Establish Medicare-based fee schedules for physicians and facilities
- Connecticut Substitute Bill 61, effective 1/1/2015
 - Establish Medicare-based fee schedules for facilities
- Hawaii Senate Bill 2365, effective 7/1/2014
 - Change in reimbursements for repackaged, relabeled, and compound medications; overall estimated impact -1.5%
- Illinois House Bill 1698
 - 30% reduction in Medical Fee Schedule, effective 9/1/2011, overall estimated impact -7.4%



Recent Activity on Medical Fee Schedules

- Indiana HEA 1320, effective 7/1/2014
 - Implementation of a Medicare-based hospital fee schedule, overall estimated impact -5.2%
- Kentucky Med Fee Change, effective 6/6/2014
 - Change in physician fee schedule; overall estimated impact +3.4%
- Maine Medical Fee Rule, effective 1/1/2012
 - Implementation of a Medicare-based fee schedule, overall estimated impact -3.8%
- Oklahoma Closed Formulary Rule, effective Feb 2014
 - Official Disability Guidelines Workers' Compensation Drug Formulary; overall estimated decrease anticipated

NCCI's Estimate of New Hampshire's HB 1468 Proposed Fee Schedules at 150% of Medicare

Type of Service	(A) Impact on Type of Service	(B) Medical Cost Distribution	(C) Impact on Medical Costs (A) x (B)	(D) Impact on Overall Costs (C) x 74.7%
Physician	-22.4%	43.7%	-9.8%	-7.3%
Hospital Outpatient	-21.1%	24.4%	-5.1%	-3.8%
Hospital Inpatient	-15.3%	8.8%	-1.3%	-1.0%
Ambulatory Surgical Center	-25.7%	5.3%	-1.4%	-1.0%
<i>Overall</i>			-17.6%	-13.1%



Concluding Remarks

- Studies indicate favorable results with respect to access to care in states with medical fee schedules
 - Strong physician participation rates
 - Timely access to care
 - High satisfaction of care for injured workers
- Properly designed fee schedules are effective at controlling payments for medical services
 - Limits reimbursements
 - Reduces inflation rate for medical payments

Questions?

