WCRI Research on Medical Cost Containment and Medical Fee Schedules

WI Advisory Council Meeting

April 26, 2021

WCRI
Workers Compensation Research Institute

Outline For Today

- Introduction to WCRI
- Overview of Medical Cost Containment
- Medical Fee Schedules & State Examples

About WCRI

- Independent, not-for-profit research organization
- Diverse membership support
- Studies are peer-reviewed
- Resource for public officials & stakeholders
  - Content-rich website: www.wcrinet.org
  - Over 600 WC studies published

WC: Workers' compensation

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WCRI Approach

- Mission

  "Be a catalyst for improving WC systems by providing the public with high-quality, credible information on important public policy issues."

- Studies focus on benefit delivery system
- Do not make recommendations or take positions on issues

WCRI Provides Broad Scope Of Studies That Include Wisconsin

National Inventories	Payments	Price Regulation	Pharmaceuticals	Workers' Outcomes
• Medical Cost Containment Inventory • Workers' Compensation Laws • Treatment Guidelines Inventory	• CompScope™ Benchmarks • CompScope™ Medical Benchmarks • Payments To Ambulatory Surgery Centers • Comparing Payments to ASCs and Hospital Outpatient Departments	• Medical Price Index • Designing Workers' Compensation Fee Schedules • Hospital Payment Index • Workers' Compensation And Group Health Comparisons • Hospital/ASC Fee Schedule Inventory	• Monitoring Physician Dispensing Reforms In Pennsylvania • Interstate Variation In Dispensing Of Opioids • Longer-Term Dispensing Of Opioids • Physician Dispensing In Workers' Compensation • Impact of Texas-Like Formulary • Correlates Of Opioid Dispensing	• Comparing Outcomes Of Injured Workers

ASC: Ambulatory surgery center

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Medical Cost Containment

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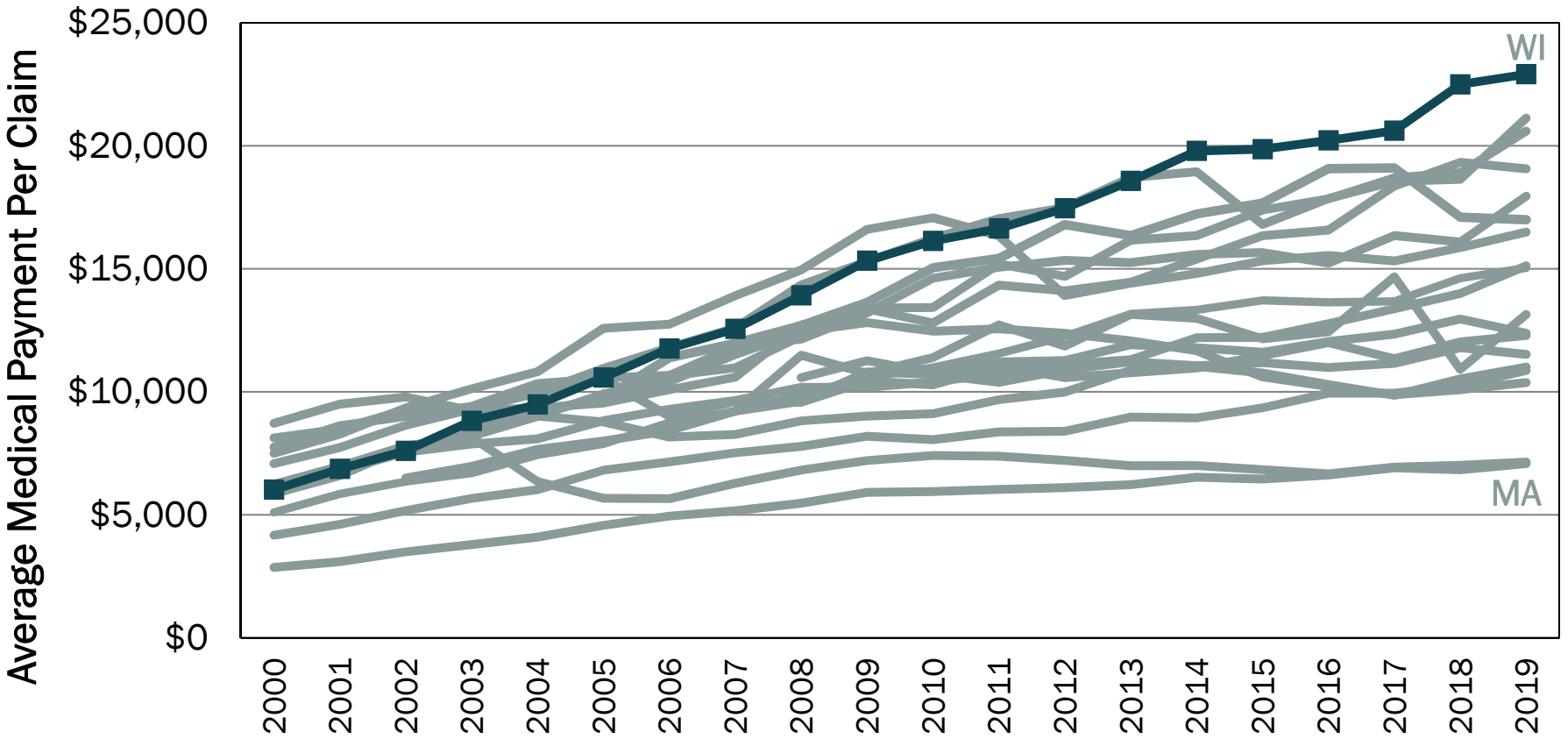
Medical Payments Per Claim Have Increased 2–3 Times In Most Study States Since 2000



Claims With > 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury/Industry Mix

Source: *CompScope™ Benchmarks for Wisconsin, 21st Edition* (2021)

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WCRI National Inventories Published In 2019–2021

- Medical Cost Containment Inventory
- Prescription Drug Regulations Inventory
- Workers' Compensation Laws
- State Policies on Treatment Guidelines and Utilization Management

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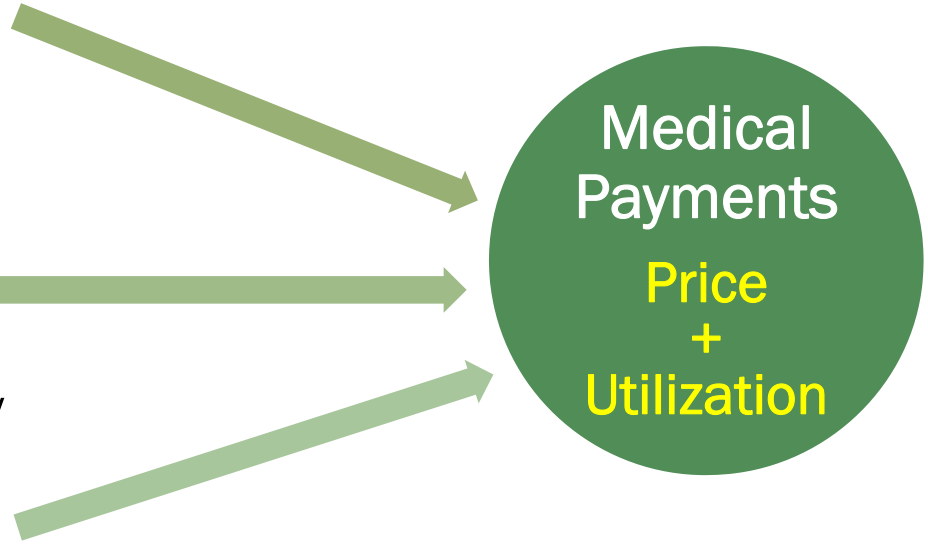
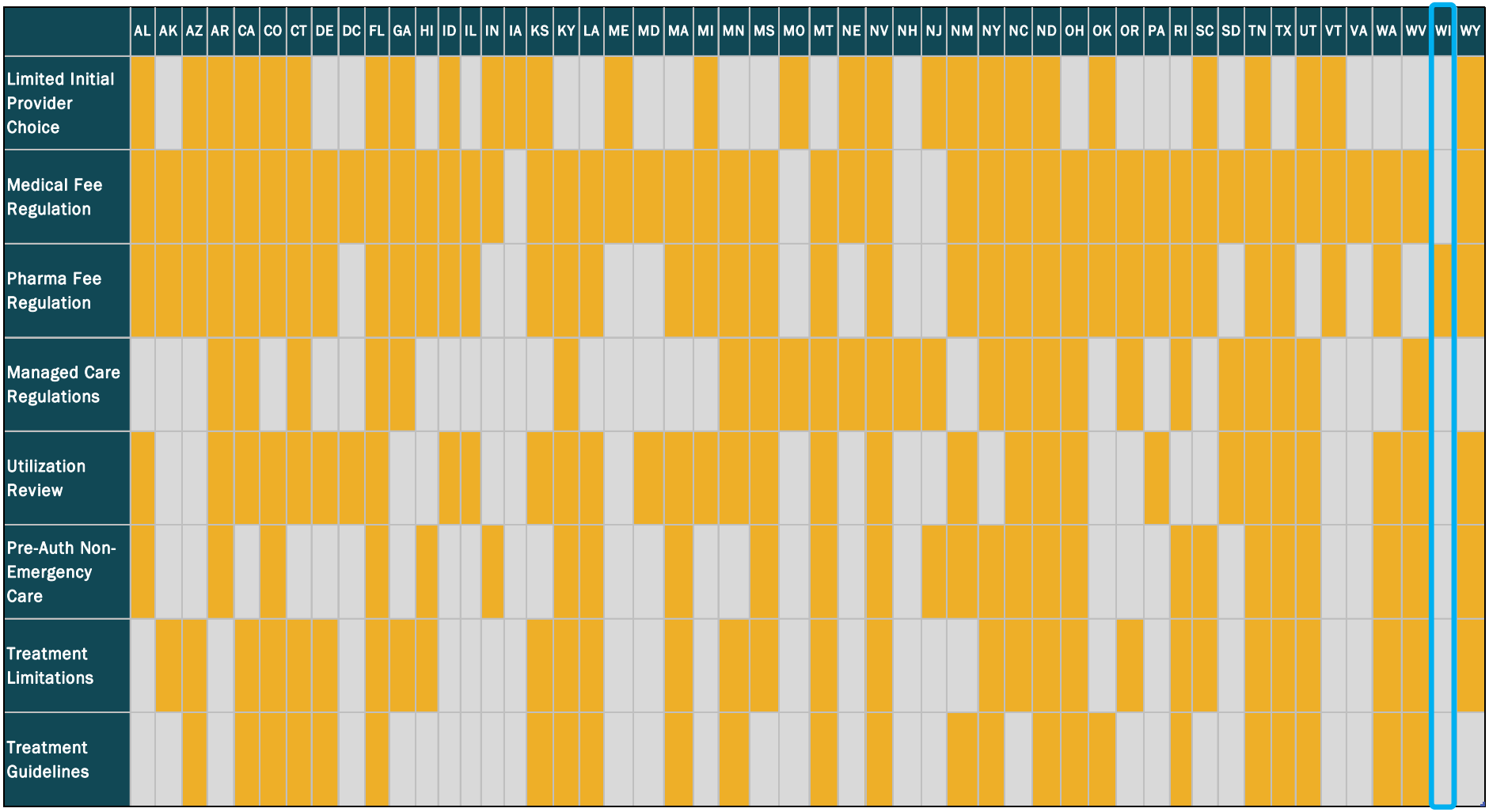
Common Cost Containment Strategies

- Medical fee schedules (hospital, nonhospital, and ASC)
- Pharmaceutical fee and utilization regulations
- Limiting provider choice
- Managed care regulations
- Bill review
- Utilization review
- Preauthorization for nonemergency care
- Treatment guidelines
- Treatment limitations
- Telehealth regulations



Most States Had 4–6 MCC Tools As Of 2021



MCC: Medical cost containment. Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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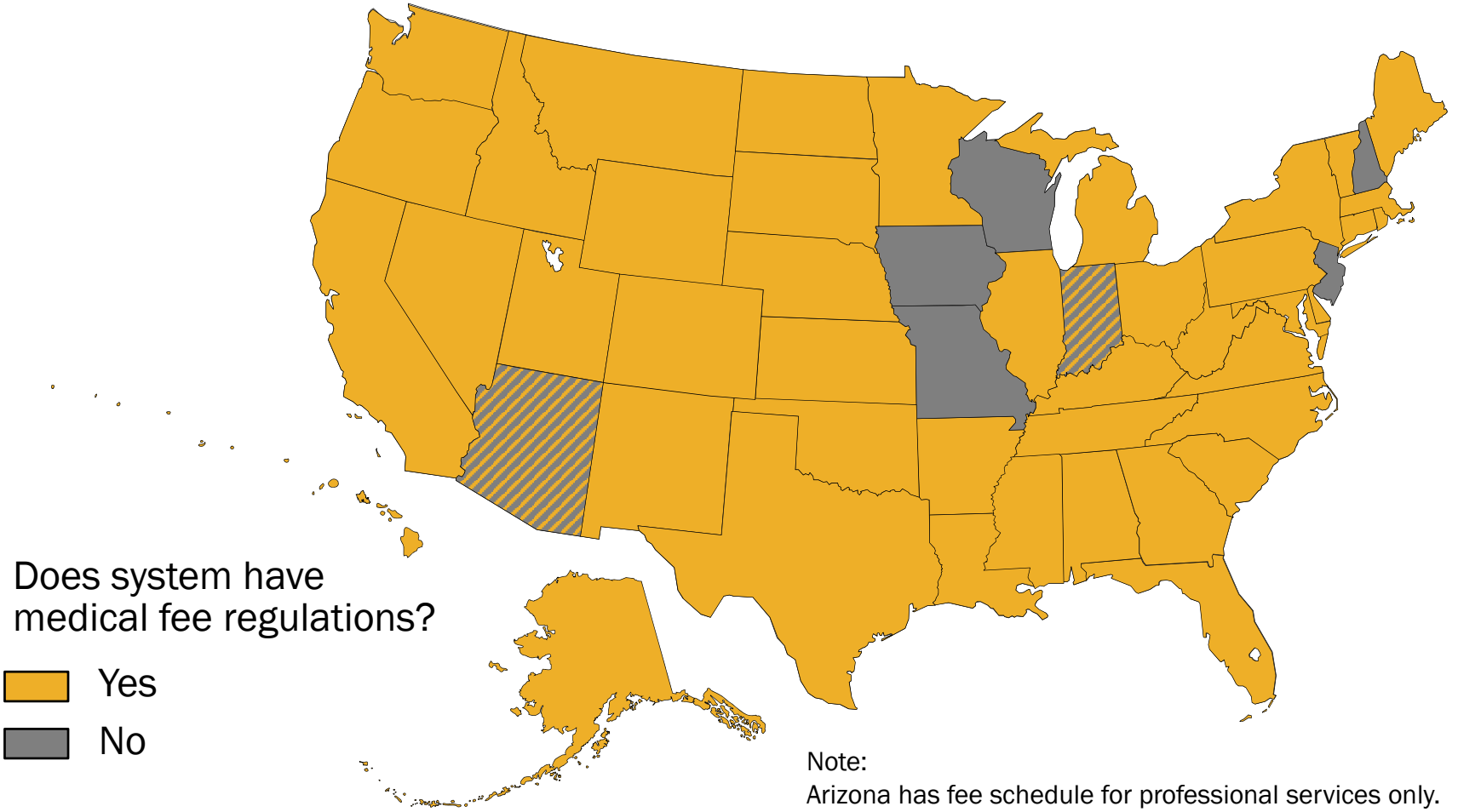
46 States Have Medical Fee Schedules For Professional, Hospital, Or ASC Services



Note:
Arizona has fee schedule for professional services only.
Indiana has fee schedule for hospital services only, excluding ASCs.

Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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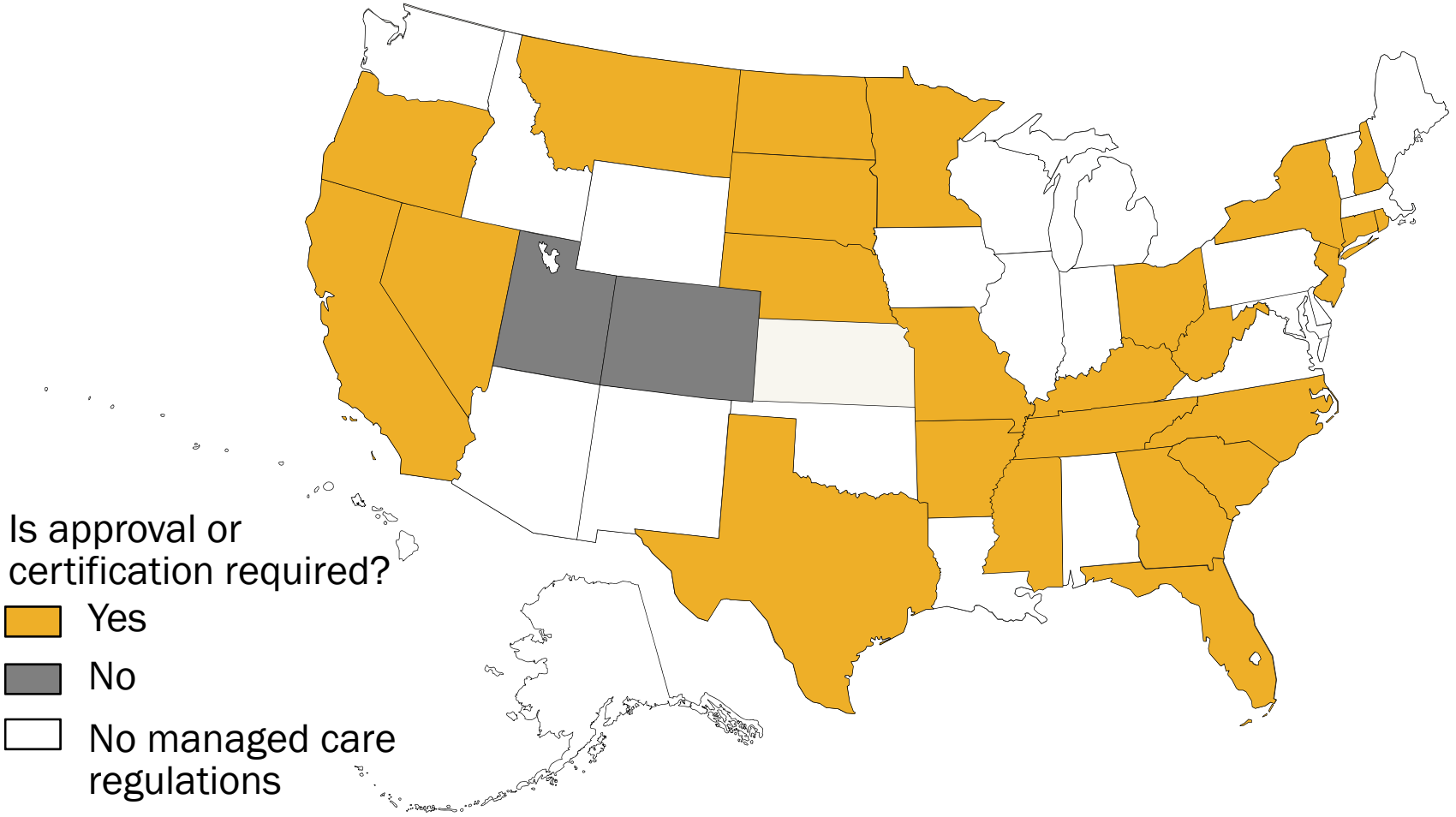
25 States Require Certification Or Approval Of Managed Care Arrangements



Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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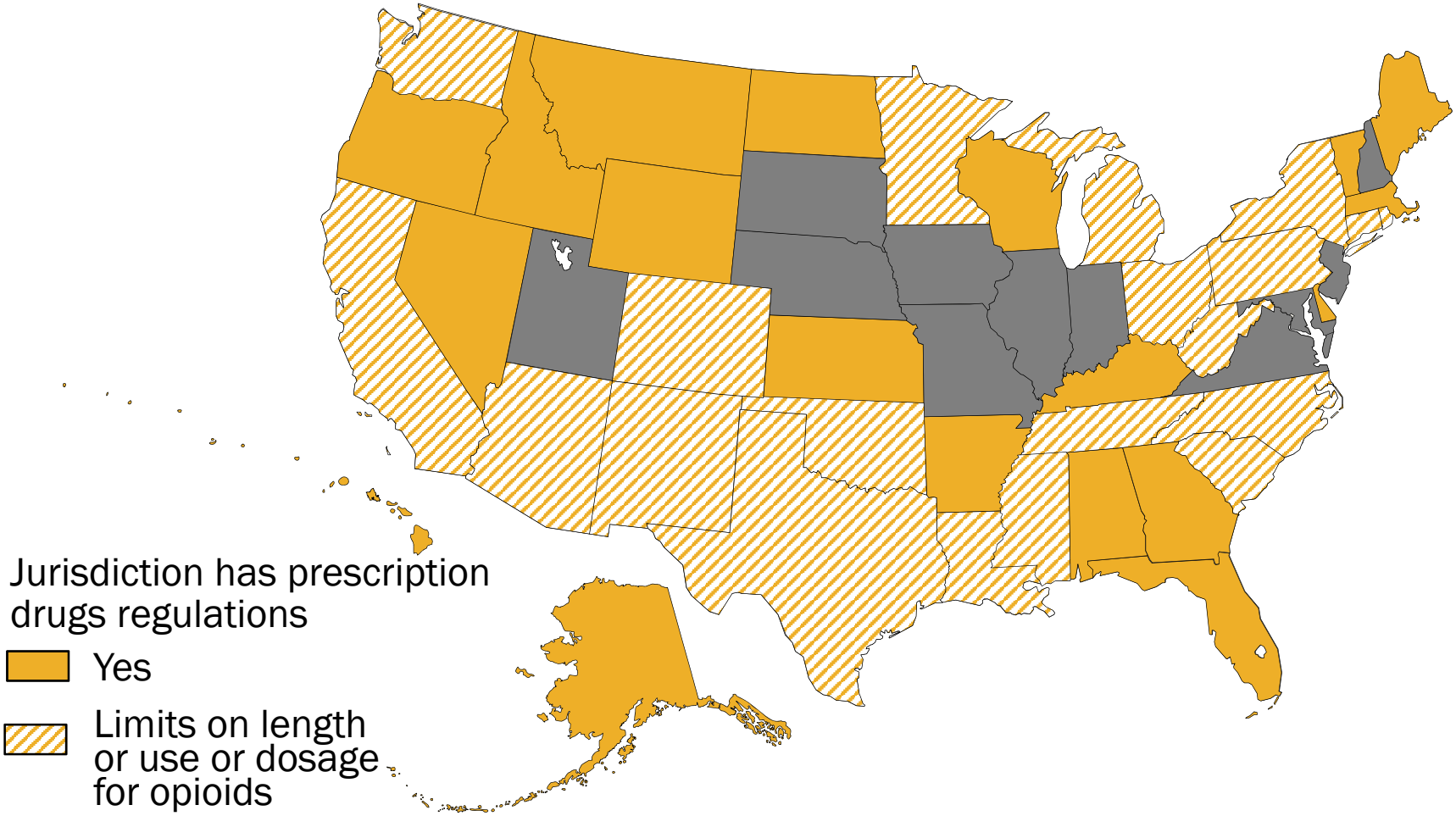
39 States Have Regulations For Prescription Drugs; 20 States Have Utilization Limits On Opioid Rx



Rx: Prescription drug. Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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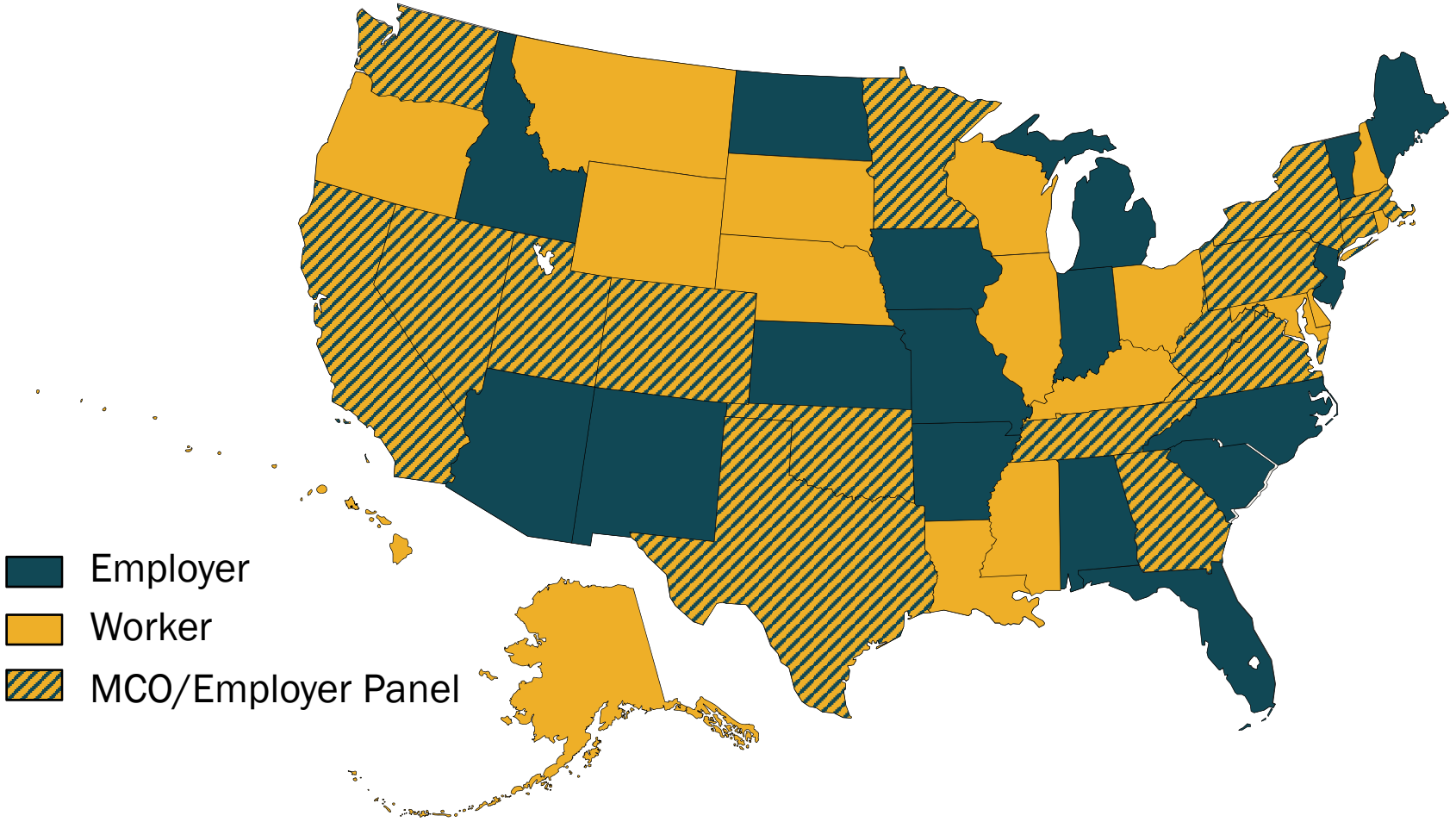
Who Chooses The Initial Medical Provider

Worker (19 States), Worker From MCO (16 States), Employer (16 States)



MCO: Managed care organization.

Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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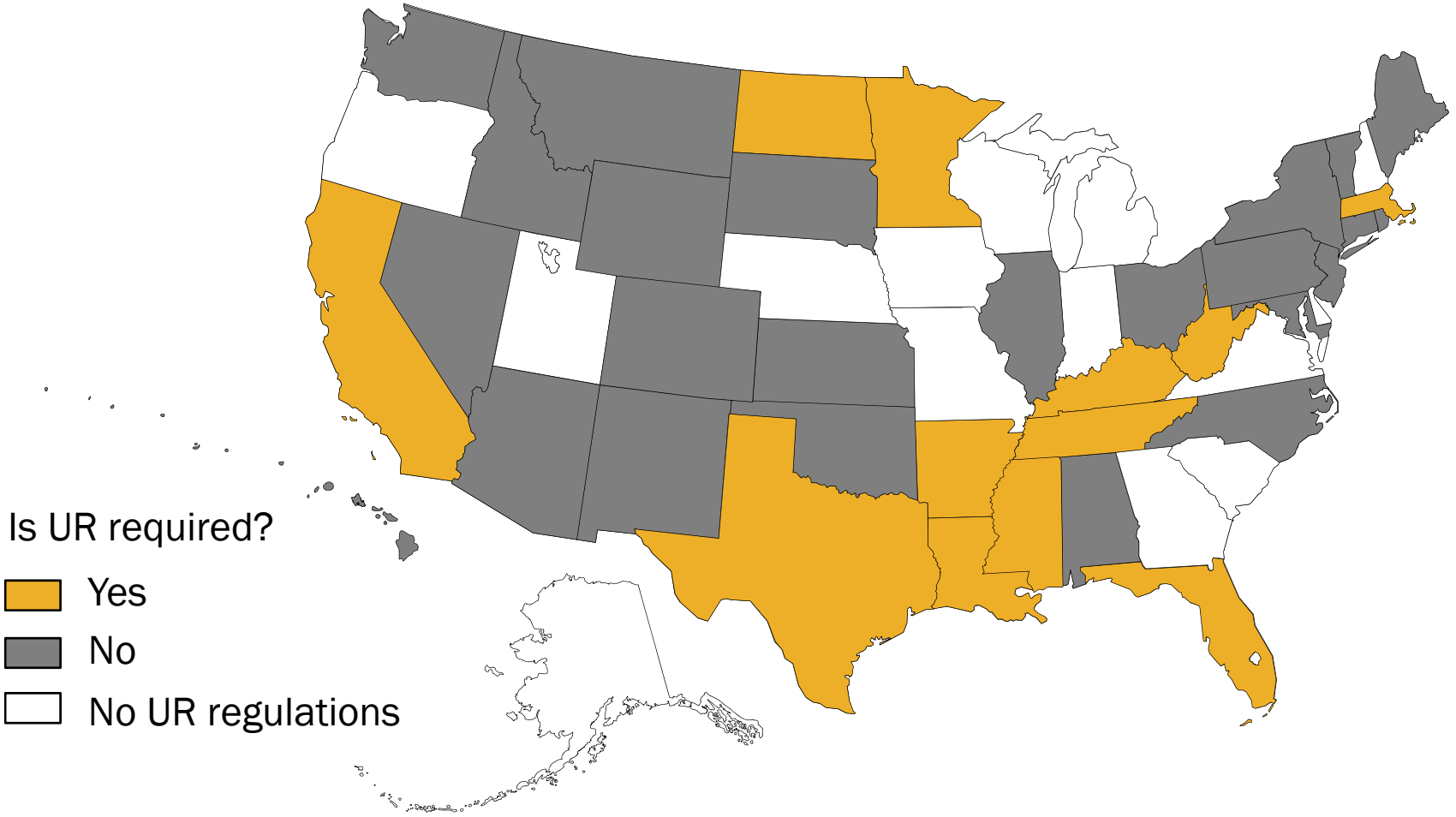
35 States Use Utilization Review



UR: Utilization review. Note UR may be required in states with approved managed care laws.
Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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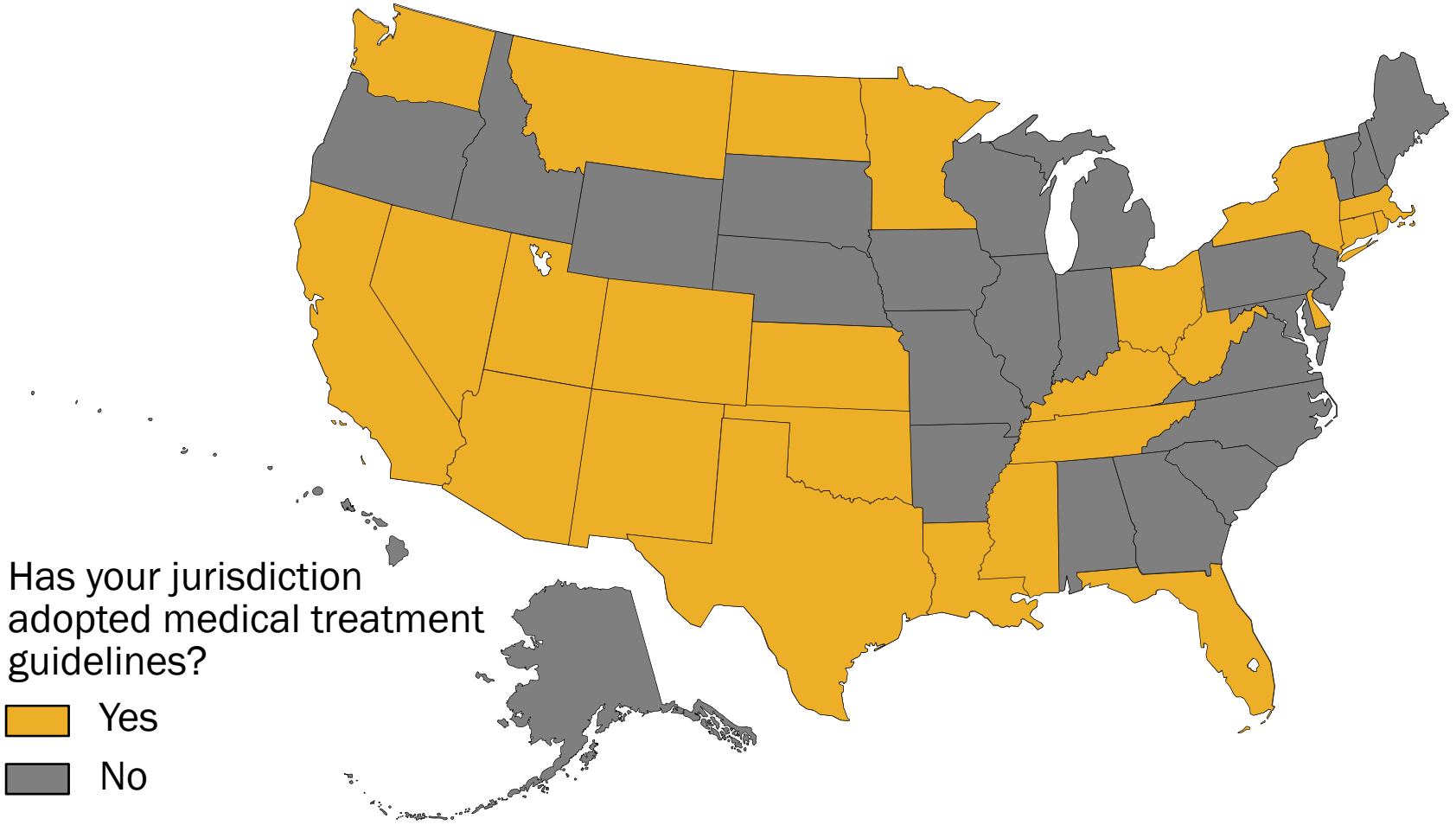
24 States Have Adopted Treatment Guidelines



Source: *Workers' Compensation Medical Cost Containment: A National Inventory, 2021* (2021)

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Use Of Treatment Guidelines Varies Among The States

Use Of MTG		MTG Mandatory For Both UR And Dispute Resolution	MTG Mandatory For Either UR Or Dispute Resolution, Not Both	MTG Referenced For UR Or Dispute Resolution	MTG Only For Educational Purposes
States With MTG		CO, MN, NY, TX	AZ, CA, DE, KY, LA, MT, OH, TN, WA, WI, WY	CT, MA, NM, OK, WV	KS, RI
MTG Tied To Reimbursements	Yes	CO, MN, NY, TX	CA, MT, OH	CT, OK, WV	
	No		AZ, DE, KY, LA, TN, WA, WI, WY	MA, NM	KS, RI

MTG: Medical treatment guidelines.

Source: *State Policies on Treatment Guidelines and Utilization Management: A National Inventory* (2019)

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Medical Fee Schedules

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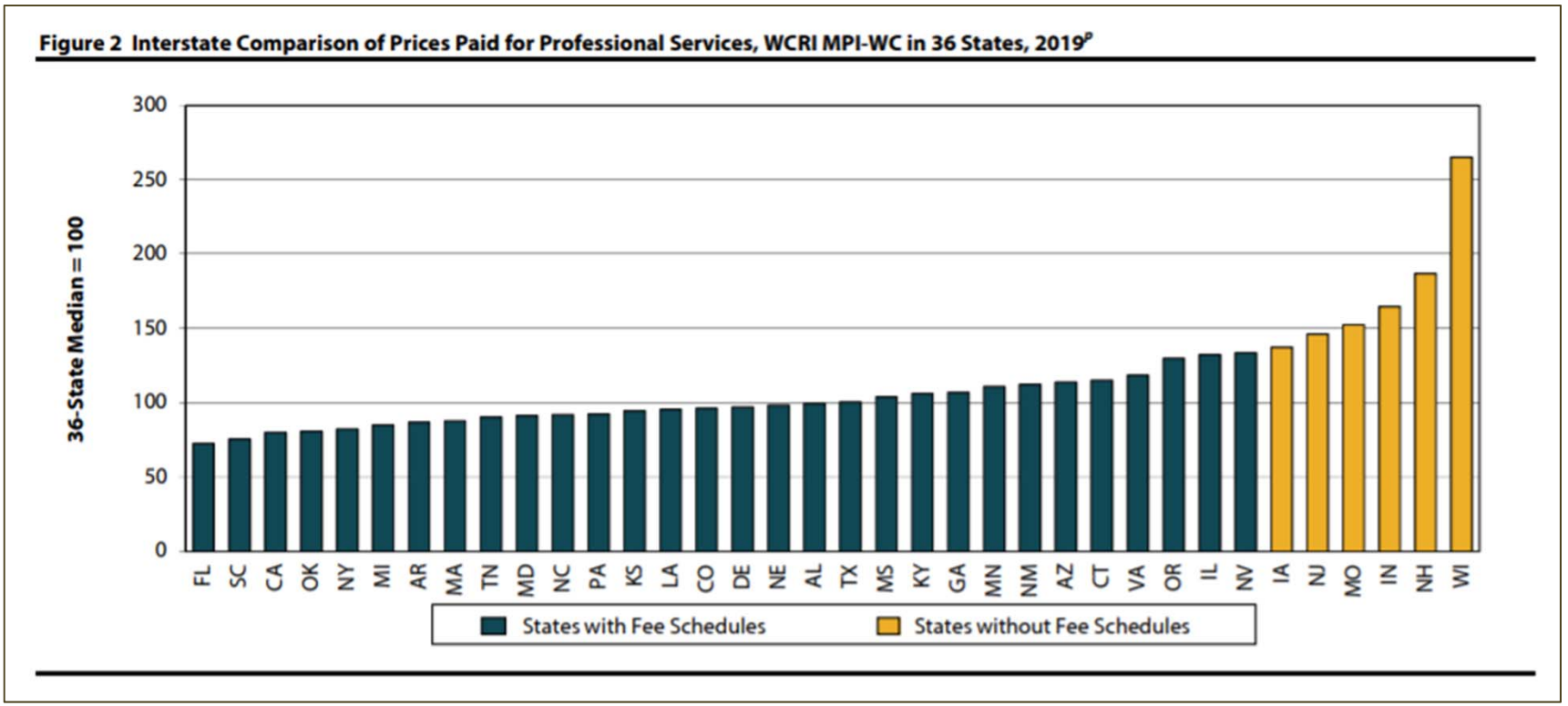
WI Ranks Highest Among Study States In Prices Paid For Professional Services



Source: *WCRI Medical Price Index for Workers' Compensation, 12th Edition* (2020)

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What Is A Fee Schedule?

WC003	Primary Treating Physician's Permanent and Stationary Report (Form PR-3): First page.	$39.89	$40.45	1.40%
	Primary Treating Physician's Permanent and Stationary Report (Form PR-3): Each additional page. Maximum of six pages absent mutual agreement.	$24.54	$24.88	1.39%
WC004	Primary Treating Physician's Permanent and Stationary Report (Form PR-4): First page.	$39.89	$40.45	1.40%
	Primary Treating Physician's Permanent and Stationary Report (Form PR-4). Each additional page. Maximum of seven pages absent mutual agreement.	$24.54	$24.88	1.39%
WC005	Psychiatric Report requested by the WCAB or the Administrative Director, other than medical-legal report. Use modifier -32. First page.	$39.89	$40.45	1.40%
	Psychiatric Report requested by the WCAB or the Administrative Director, other than medical-legal report. Use modifier -32. Each additional page. Maximum of six pages absent mutual agreement.	$24.54	$24.88	1.39%
WC007	Consultation Reports Requested by the Workers' Compensation Appeals Board or the Administrative Director (Use modifier -32) Consultation Reports requested by the QME or AME in the context of a medical-legal evaluation (Use modifier -30) First page.	$39.89	$40.45	1.40%
	Consultation Reports Requested by the Workers' Compensation Appeals Board or the Administrative Director (Use modifier -32) Consultation Reports requested by the QME or AME in the context of a medical-legal evaluation (Use modifier -30) Each additional page. Maximum of six pages absent mutual agreement.	$24.54	$24.88	1.39%
WC008	Chart Notes: Up to the first 15 pages.	$10.58	$10.73	1.42%
	Chart Notes: Each additional page after the first 15 pages.	$0.25	$0.25	0.00%
WC009	Duplicate Reports: Up to the first 15 pages.	$10.58	$10.73	1.42%
	Duplicate Reports: Each additional page after the first 15 pages.	$0.25	$0.25	0.00%
WC010	Duplication of X-Ray	$5.29	$5.36	1.32%
WC011	Duplication of Scan	$10.58	$10.73	1.42%
WC012	Missed Appointments. This code is designated for communication only. It does not imply that compensation is owed.	$0.00	$0.00	N/A

A fee schedule is a list of maximum allowable reimbursement amounts for medical procedures and treatments.

Note: Typically states limit reimbursement to providers to the lower of billed charges or the fee schedule rate. Many states allow deviation from the fee schedule when other contractual agreements between payors and medical providers exist, including network agreements.

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Why Do States Implement Fee Schedules?

- Control medical cost growth over time
- Increase consistency of procedure definitions & revenue neutrality
- Reduce medical disputes

Considerations For States Implementing A Fee Schedule

What kind of fee schedule to implement?

- What is the basis?
- How high or low to set the maximum payment rate?
- How will it be updated?
- How to measure impact?

Three Categories Of Fee Schedule Bases

Medicare RBRVS-Based Fee Schedules	*Other Relative Value-Based Fee Schedules	**Other Fee Schedules
31 States and DC	KY, NY, WY, NV, SD, HI	AL, IL, VA, NM, LA ,MA, RI, VT

*e.g., *Relative Value for Physicians* (RVP) published by OPTUM360®
**Other fee schedules are based on some version of current or historical usual and customary charges.

RBRVS: Resource-based relative value scale. Source: *Designing Workers' Compensation Medical Fee Schedules, 2019* (2019)

Updating Fee Schedules

- Some states update by adopting "the most recent version" of Medicare RBRVS or *Relative Value for Physicians*, etc.

- Some states have routine processes for updating tied to inflation rates
  - Illinois: Consumer Price Index for All Urban Consumers - all items (CPI-U)
  - Maryland and Texas: Medicare Economic Index
  - Pennsylvania: Statewide average weekly wages
  - Virginia (biannual update): Consumer Price Index for All Urban Consumers for medical care for the South region

Note: In addition, state agencies will also often propose fee schedule changes which may be approved and incorporated into the fee schedule after a public hearing.

More Complex Updating Systems

Some states have a more complex legislative or rulemaking process:

- Florida: Three-member panel is required to annually update, and legislative ratification is also needed; last updated 2016
- Massachusetts: Executive Office of Health and Human Services has authority over the medical fee schedule
  - Fee schedule hasn't been updated since 2009
- Michigan: Hearing with the Office of Regulatory Reinvention for approval and then rules filed with the Joint Committee on Administrative Rules for approval

State Examples

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Illinois Fee Schedule Introduced In 2006

- Main objective: decrease medical costs per HB 2137 reforms
- Basis: 90 percent of 80th percentile of provider charges between 2002–2004
  - Medical Fee Advisory Board created to advise WC Commission
  - Consultants: True Course Medical Data & Claims Services, LLC
- Updating: annual increases per CPI-U
- Measuring Impact: WC Commission report to governor using various agencies' data and research to predict and demonstrate impact (NCCI, WCRI)

HB: House bill. NCCI: National Council on Compensation Insurance

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Subsequent Changes To Illinois Fee Schedule

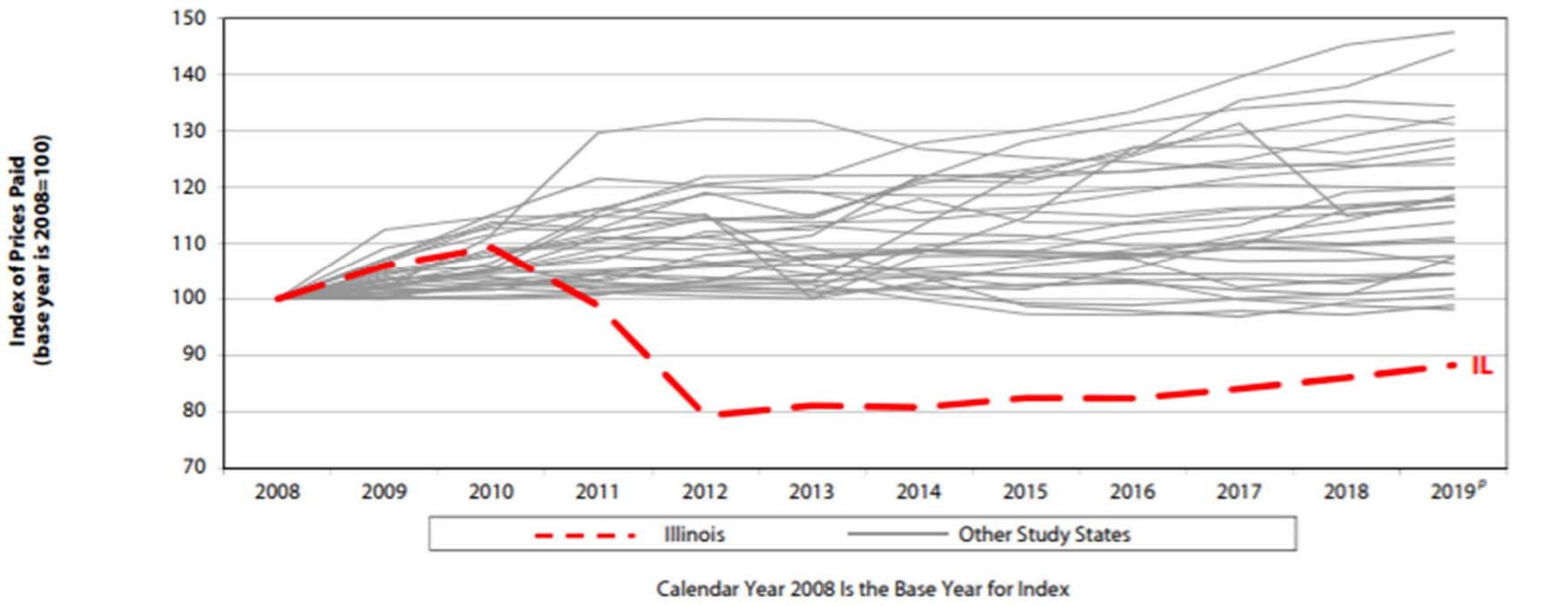
- 2011 – 30 percent reduction in rates for all services per HB 1698
  - Unintended consequence: disproportionately affected evaluation and management services which slipped below Medicare rates
- 2014 Illinois WCC increased certain office visits rates to Medicare level

WCC: Workers' Compensation Commission

Note: In 2012, the number of fee schedule regions reduced to 4 for professional services and 14 for hospital services (regions are based on county), effective January 1, 2012; prior to that rates calculated for 29 geozips

Overall Prices Decreased 27 Percent 2010–2012 During Time Period Of 2011 Reforms

Figure B.10 Illinois Trends in Prices Paid for Professional Services, WCRI MPI-WC, 2008 to 2019



MPI-WC: Medical price index for workers' compensation

Source: *WCRI Medical Price Index for Workers' Compensation, 12th Edition* (2020)

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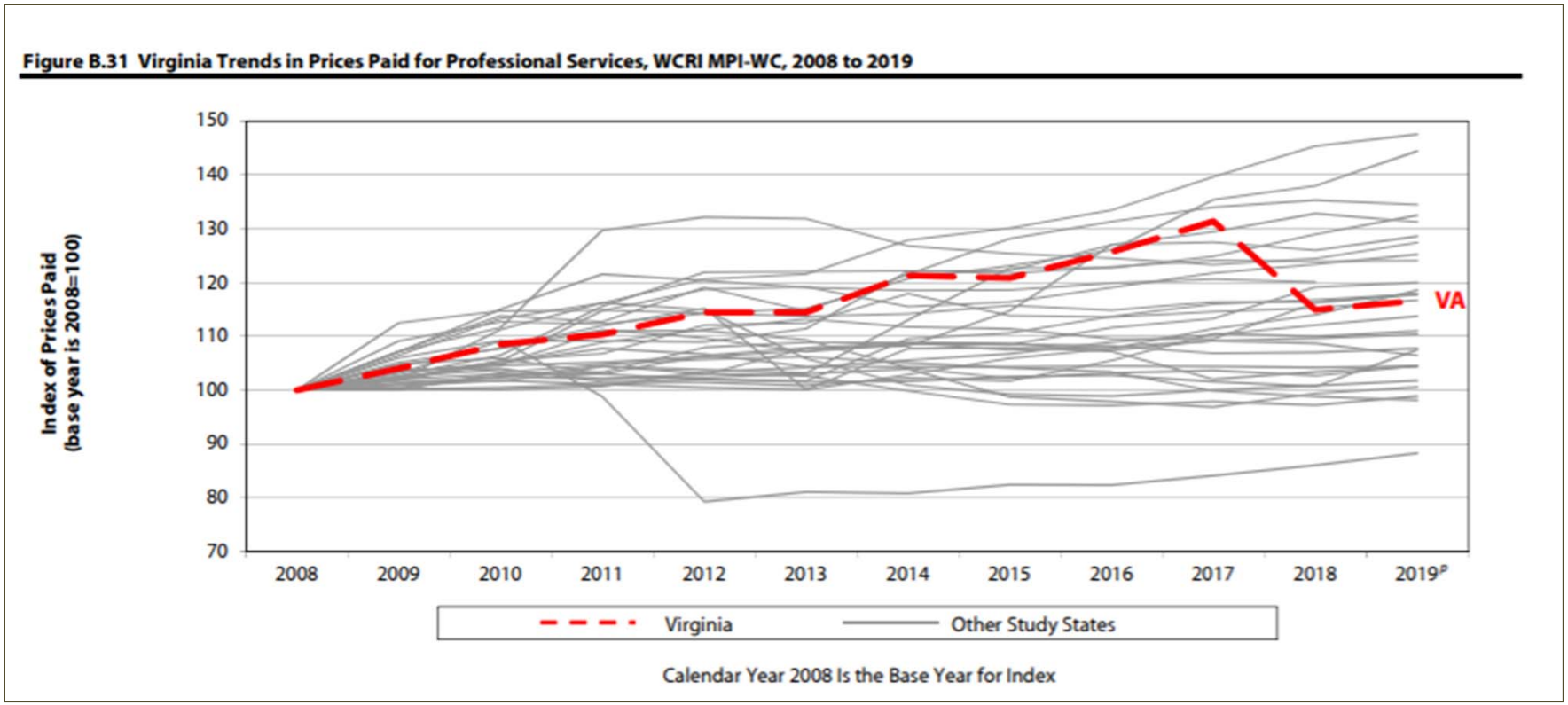
Virginia Fee Schedule Introduced In 2018

- Main objective: increase pricing certainty and reduce medical fee disputes
  - Prior to fee schedule, > 2,000 medical disputes; medical fees were based on prevailing rates in 15 different regions, often litigated
- Basis: 74 percent of WC payments in 2014 & 2015—7 provider types and 6 different regions
  - Oliver Wyman + WC Commission Advisory Panel + stakeholder feedback
- Updating: biannual increase per CPI-U
- Measuring Impact: Medical Fee Service Department reviews medical fee disputes

Prices For Professional Services Decreased 13 Percent 2017 To 2018; Stabilized 2019



Source: *WCRI Medical Price Index for Workers' Compensation, 12th Edition* (2020)

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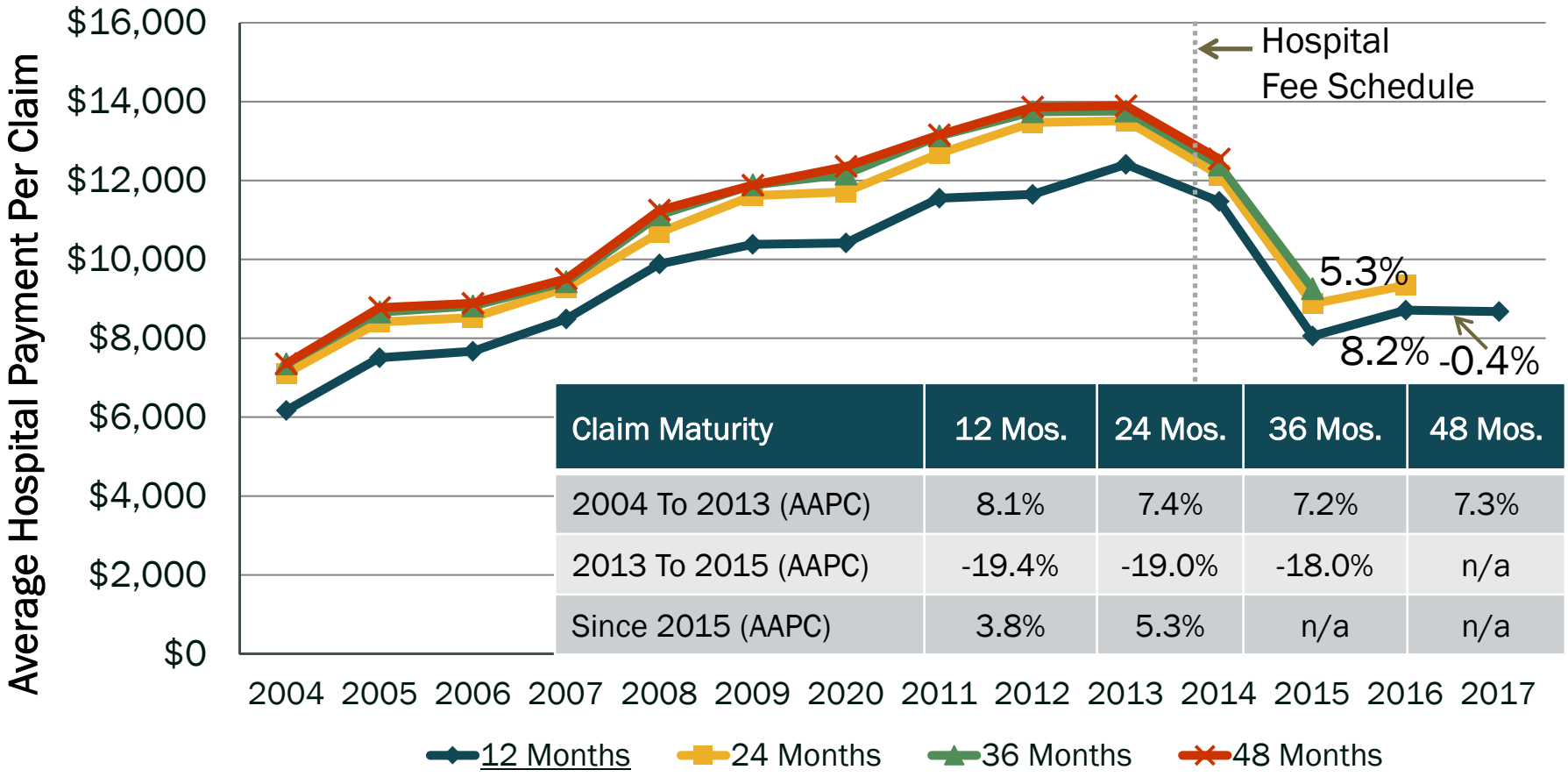
Indiana Fee Schedule

- Main objective: contain hospital costs
- Basis: Medicare + basis for inpatient and outpatient implemented in 2014
  - Indiana General Assembly, outreach to stakeholders
- Updating: annually increase per CPI-U
- Measuring Impact: ICRB and Indiana's Legislative Services Agency make predictions and WCRI research demonstrate impact

ICRB: Indiana Compensation Rating Bureau

At the request of Senator Bassler, WCRI Senior Analyst Carol Telles testified before the Interim Study Committee on Financial Institutions and Insurance in Indiana in September of 2019 regarding reimbursement under workers' compensation for ambulatory surgery centers (ASCs).

IN Hospital Payment/Claim: Large Decrease 2013 To 2015 Reflects Fee Schedule; Increase In 2016



Claim Maturity	12 Mos.	24 Mos.	36 Mos.	48 Mos.
2004 To 2013 (AAPC)	8.1%	7.4%	7.2%	7.3%
2013 To 2015 (AAPC)	-19.4%	-19.0%	-18.0%	n/a
Since 2015 (AAPC)	3.8%	5.3%	n/a	n/a

Claims With > 7 Days Of Lost Time, Not Adjusted For Injury/Industry Mix
AAPC: Annual average percentage change. Mos: Months. n/a: Not applicable
Source: *CompScope™ Medical Benchmarks for Indiana*, 20th Edition (2019)

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Other Considerations

- How do WC payments relate to other payors in the system, such as auto insurers, Medicare, and commercial insurers? What is the possibility for claims shifting to or from WC?

- Are there particular areas in the state with a shortage of medical professionals and potential access-to-care issues for workers with injuries?

- What is the input of the local medical community regarding WC payment policies?

Thank You!

- For comments/questions about the findings:

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