



## ANALYSIS OF OREGON MEDICAL FEE SCHEDULE UPDATE PROPOSED EFFECTIVE APRIL 1, 2017

NCCI estimates that the proposed changes to the Oregon Workers Compensation Medical Fee Schedule, proposed to become effective April 1, 2017, would result in an overall impact of +0.1% (\$0.7M<sup>1</sup>) on Oregon workers compensation system costs if adopted.

### Summary of Proposed Changes

The proposed changes to the Oregon Medical Fee and Payment Rules consist of the following major provisions:

- Update the physician, ambulatory surgical center, and durable medical equipment, prosthetics, orthotics and supplies fee schedules containing the maximum allowable reimbursement (MAR) amounts for such medical services. The current fee schedules have been in effect since January 1, 2017.
- Increase the maximum allowable payment for interpreter services from \$60 per hour to \$70 per hour if the interpreter has been certified by the Health Care Interpreter Program of the Oregon Health Authority's Office of Equity and Inclusion.
- Amend OAR 436-010 to explain requirements and limitations for chiropractic physicians, naturopathic physicians, and physician assistants to provide compensable medical services and to authorize temporary disability benefits.

### Actuarial Analysis

NCCI's methodology to evaluate the revision to a medical fee schedule includes three major steps:

1. Calculate the percentage change in reimbursements
  - a. Compare the current and proposed maximum reimbursements by procedure code and determine the percentage change by procedure code.
  - b. Calculate the weighted average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights.
2. Estimate the price level change as a result of the proposed fee schedule

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<sup>1</sup> Overall system costs are based on NAIC Annual Statement data. The estimated dollar impact is the percentage impact(s) displayed multiplied by 2015 written premium of \$679M from NAIC Annual Statement data for Oregon. This figure does not include self-insurance, the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs. The dollar impact on overall system costs inclusive of self-insurance is estimated to be \$0.9M, where data on self-insurance is approximated using the National Academy of Social Insurance's October 2016 publication "Workers' Compensation: Benefits, Coverages, and Costs, 2014."



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- a. NCCI research by Frank Schmid and Nathan Lord (2013), "The Impact of Physician Fee Schedule Changes in Workers Compensation: Evidence From 31 States", suggests that a portion of a change in maximum reimbursements is realized on payments impacted by the change.
  - b. In response to a fee schedule decrease, NCCI research indicates that payments decline by approximately 50% of the fee schedule change.
    - i. The assumption for the percent realized for fee schedule decreases is 50%.
  - c. In response to a fee schedule increase, NCCI research indicates that payments increase by approximately 80% of the fee schedule change and the magnitude of the response depends on the relative difference between actual payments and fee schedule maximums (i.e. the price departure).
    - i. The formula used to determine the percent realized for fee schedule increases is  $80\% \times (1.10 + 1.20 \times (\text{price departure}))$ .
3. Determine the share of costs that are subject to the fee schedule
- a. The share is based on a combination of fields, such as procedure code, provider type, and place of service, as reported on the NCCI Medical Data Call, to categorize payments that are subject to the fee schedule.

In this analysis, NCCI relies primarily on two data sources:

- Detailed medical data underlying the calculations in this analysis are based on NCCI's Medical Data Call for Oregon for Service Year 2015.
- The share of benefit costs attributed to medical benefits is based on NCCI's Financial Call data for Oregon from the latest 2 policy years projected to the effective date of the benefit changes.

In some components of the analysis NCCI may rely on other data sources, which are referenced where applicable.

### Physician Fee Schedule Analysis

In Oregon, payments for physician services represent 54.2% of total medical payments. To calculate the percentage change in maximums for physician services, we calculate the estimated percentage change in maximums for each procedure code which are published by the Oregon Workers' Compensation Division. The overall change in maximums for physician services is a weighted average of the percentage change in MAR (proposed MAR/ current MAR) by procedure code weighted by the observed payments by procedure code as reported on NCCI's Medical Data Call, for Oregon for Service Year 2015. The estimated overall weighted-average percentage change in MARs is +0.1%.

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2/9/2017



**ANALYSIS OF OREGON MEDICAL FEE SCHEDULE UPDATE  
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The estimated percentage change in reimbursements by category is shown in the table below:

<b>Physician Practice Category</b>	<b>Cost Distribution</b>	<b>Impact</b>
Anesthesia	2.6%	+3.0%
Surgery	15.2%	+0.1%
Radiology	7.2%	+0.1%
Pathology	0.2%	-0.5%
Medicine	29.4%	+0.1%
Evaluation & Management	25.4%	0.0%
Other HCPCS*	1.3%	0.0%
Physician Payments with no specific MAR	18.7%	0.0%
<b>Total Physician Costs</b>	<b>100.0%</b>	<b>+0.1%</b>

\*Healthcare Common Procedure Coding System

Since the overall average maximum reimbursement for physician services increased, NCCI expects that 88% of the increase would be realized on physician price levels (based on an assumed price departure of 0%<sup>2</sup>). The estimated impact on physician payments, after the adjustment, is +0.1% (= +0.1% x 0.88).

The above estimated impact on physician payments is then multiplied by the Oregon percentage of medical costs attributed to physician payments (54.2%) to arrive at the estimated impact of +0.1% on medical costs. The resulting impact on medical costs is then multiplied by the percentage of Oregon benefit costs attributed to medical benefits (56.0%) to arrive at the estimated impact on Oregon's overall workers compensation system costs of +0.1% (\$0.7M).

**Ambulatory Surgical Center (ASC) Analysis**

In Oregon, payments for ASC services represent 3.1% of total medical payments. To calculate the estimated percentage change in maximum reimbursements for ASC services, we calculate the percentage change in MAR for each procedure code listed on the fee schedule. The overall change in maximum reimbursements for ASC services is a weighted average of the percentage change in MAR (proposed MAR/ current MAR) by procedure code weighted by the observed payments by procedure code as reported on NCCI's Medical Data Call, for Oregon for Service Year 2015. The estimated overall weighted-average percentage change in reimbursements for ASC services is negligible<sup>3</sup>.

<sup>2</sup> A departure of 0% implies that the ratio of actual payments to the fee schedule maximums is 1.00.

<sup>3</sup> Negligible is defined in this document to be an impact on system costs of less than 0.1%.

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## ANALYSIS OF OREGON MEDICAL FEE SCHEDULE UPDATE PROPOSED EFFECTIVE APRIL 1, 2017

Since the reimbursements for ASC services is expected to change by a negligible amount, the estimated impact on medical payments and overall system costs is expected to be negligible.

### **Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Analysis**

In Oregon, payments subject to the DMEPOS fee schedule represent 2.1% of total medical payments. To calculate the estimated percentage change in maximum reimbursements for DMEPOS, we calculate the percentage change in MAR for each procedure code listed on the fee schedule. The overall change in maximum reimbursements for DMEPOS is a weighted average of the percentage change in MAR (proposed MAR/ current MAR) by procedure code weighted by the observed payments by procedure code as reported on NCCI's Medical Data Call, for Oregon for Service Year 2015. The estimated overall weighted-average percentage change in reimbursements for DMEPOS is -0.8%.

Since the overall average maximum reimbursement for DMEPOS decreased, NCCI expects that 50% of the decrease would be realized on DMEPOS price levels. The estimated impact on DMEPOS payments, after the adjustment, is -0.4% ( $= -0.8\% \times 0.50$ ).

The above estimated impact on DMEPOS costs is then multiplied by the percentage of medical costs attributed to DMEPOS payments in Oregon (2.1%) to arrive at a negligible impact on medical costs and overall workers compensation costs.

### **Interpreters Analysis**

In Oregon, payments subject to the Interpreters fee schedule represent 0.9% of total medical payments. The maximum allowable payment for interpreters certified by the Oregon Health Authority would increase from \$60 to \$70, a change of +16.7%. While NCCI is not able to determine the percentage of Interpreters payments that would be impacted by this change, the impact on the Interpreters payments overall is expected to be less than +16.7%.

The above estimated upper bound impact on interpreter costs is multiplied by the percentage of medical costs attributed to interpreter payments in Oregon (0.9%) to arrive at a minimal<sup>4</sup> impact on medical costs and overall workers compensation costs. If adopted, any impact of the proposed change in reimbursement for Interpreter services would be realized in future claims experience and reflected in subsequent NCCI loss cost filings in Oregon.

### **OAR 436-010 Change Analysis**

Under OAR 436-009-0005, an attending physician is categorized as either a Type A provider or a Type B provider. Type A providers, as defined under ORS 656.005(12)(b)(A), include board licensed medical doctors, podiatrists, doctors of osteopathy, and oral maxilla-facial surgeon;

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<sup>4</sup> Minimal is defined in this document to be an impact on system costs of less than 0.2%.



## ANALYSIS OF OREGON MEDICAL FEE SCHEDULE UPDATE PROPOSED EFFECTIVE APRIL 1, 2017

whereas, Type B providers, as defined under ORS 656.005(12)(b)(B), include chiropractors, physician assistants, and naturopathic physicians.

The proposed changes to OAR Section 436-010-0210(2) would clarify the rules for Type B providers. Under the proposed rules, Type B providers would be subject to the following rules:

- Prior to providing any compensable medical service or authorizing temporary disability benefits under ORS 656.245, a type B provider must certify to the director that the provider has reviewed a packet of materials provided by the director.
- Type B providers may assume the role of attending physician for a cumulative total of 60 days from the first visit on the initial claim or for a cumulative total of 18 visits, whichever occurs first.
- Type B providers may authorize payment of temporary disability compensation for a period not to exceed 30 days from the date of the first visit on the initial claim to any type B provider.
- Except for chiropractic physicians serving as the attending physician at the time of claim closure, type B providers may not make findings regarding the worker's impairment for the purpose of evaluating the worker's disability.

Based on feedback from Oregon stakeholders, this proposed addition to the OAR/Medical Service Rules is in line with current practice for Type B providers in the state. Therefore, no impact would be expected due to the addition of this proposed rule.

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Summary of Impacts

The estimated impacts from the changes to the Oregon Medical Fee Schedules are summarized in the following table:

	(A) <b>Estimated Impact on Type of Service</b>	(B) <b>Share of Medical Costs</b>	(C) <b>Estimated Impact on Medical Costs</b>  (A) x (B)	(D) <b>Estimated Impact on Overall Costs</b>  (C) x (2)
<b>Physician</b>	+0.1%	54.2%	+0.1%	+0.1%
<b>ASC</b>	0.0%	3.1%	0.0%	0.0%
<b>DME</b>	-0.4%	2.1%	0.0%	0.0%
<b>(1) Total Estimated Impact on Oregon Medical Costs</b>			<b>+0.1%</b>	
<b>(2) Medical Costs as a Percentage of Overall Workers Compensation Benefit Costs in Oregon</b>				<b>56.0%</b>
<b>(3) Total Estimated Impact on Overall Workers Compensation System Costs in Oregon = (1) x (2)</b>				<b>+0.1%</b>

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