

California Workers' Compensation Institute

BULLETIN

1111 Broadway, Suite 2350, Oakland, CA 94607 (510) 251-9470 www.cwci.org

August 9, 2013

No. 13-13

Total allowable fees for physician services in the California workers' compensation system could increase by an estimated \$250 million during the 4-year transition to a new Resource-Based Relative Value Scale (RBRVS) physician fee schedule that begins next year according to a CWCI review of data prepared by RAND.

The RAND analysis of potential changes in California workers' compensation medical payments under the proposed RBRVS-based physician fee schedule, prepared at the request of the DWC, estimates that by 2017, total allowable workers' compensation physician fees will be \$104.37 million more than under the current schedule -- an increase of 11.9%. But the proposed RBRVS fee schedule will be phased in over 4 years, beginning in 2014, and the additional \$104.37 million in allowable fees estimated by RAND represents the increase for 2017 alone.

CWCI Claims and Medical Director Brenda Ramirez analyzed the proposed fee schedule changes using the total allowable fee data from the latest version of RAND's working paper to calculate the additional allowable fees (increases) for each of the 4 transition years (2014-2017). The results are noted below. Based on the calculations in the RAND analysis, CWCI estimates that under the current proposal, total allowable physician fees over the 4-year transition to the proposed RBRVS-based fee schedule would be \$250.23 million more than what would be paid under the current schedule.

Transition Year	RBRVS – 2013 OMFS	\$ Increase (RBRVS – 2013 OMFS)	% Increase over OMFS (Increase ÷ 2013 OMFS x 100)
2014	\$901.50 M - \$876.88 M	\$24.62 M	2.8%
2015	\$923.18 M - \$876.88 M	\$46.30 M	5.3%
2016	\$951.82 M - \$876.88 M	\$74.94 M	8.5%
2017	\$981.25 M - \$876.88 M	\$104.37 M	11.9%
2014-2017		\$250.23 M	

Assuming no change in the mix of workers' compensation physician services, the RAND model projects that under the proposed fee schedule, total allowable fees for 2018 and subsequent years would be the same as in 2017: \$104.37 million more than under the current schedule, **plus** any increase due to the annual adjustment factor, which under state law [LC §5307.1(g)(iii)], is based on the change in the Medicare Economic Index and Medicare's relative value scale adjustment factor. Medicare's update factors, however, are different -- and have been lower than -- those used in the DWC's proposed schedule. If Medicare's update factors continue to be lower than those proposed by the DWC, over time there would be a compounding effect and the total allowable fees for workers' compensation physician services would become an increasingly higher multiple of the total allowable fees for those same services under Medicare.

California law [LC §5307.1(b)] allows the DWC to adopt conversion factors and other factors affecting physician payments that are different from those used by Medicare, but it may only do so if the estimated aggregate fees do not exceed 120 percent of the estimated aggregate fees payable by Medicare for the same class of services. Unless this section of the law is applied in the physician fee schedule regulations adopted by the DWC, the compounding effect will drive up allowable physician fees beyond the 120 percent cap and undermine reform savings intended to pay for increased disability benefits for injured employees.

Last Friday the DWC issued a 15-day notice of modification to proposed physician fee schedule regulations. Written comments on the proposed modifications are due by 5 p.m. on Monday, Aug. 19. The Institute has posted the text of the proposed amendments to the physician fee schedule and related documents in the Regulations section of the CWCI website, www.cwci.org/regulatory.html, and its comments on the latest version of the draft regulations will be posted there as well after they are submitted to the Division next week.

BY/

Copyright 2013, California Workers' Compensation Institute

CWCI members may go to www.cwci.org to access Bulletins in the Member area, and Research/Bulletin subscribers may log in and access Bulletins under Resources (subscriber files). Public information is also on the website, and nonmembers may order annual subscriptions from the online store.
