

Lessons From WCRI Studies On Medical Prices & Fee Schedules



Topics Analyzed

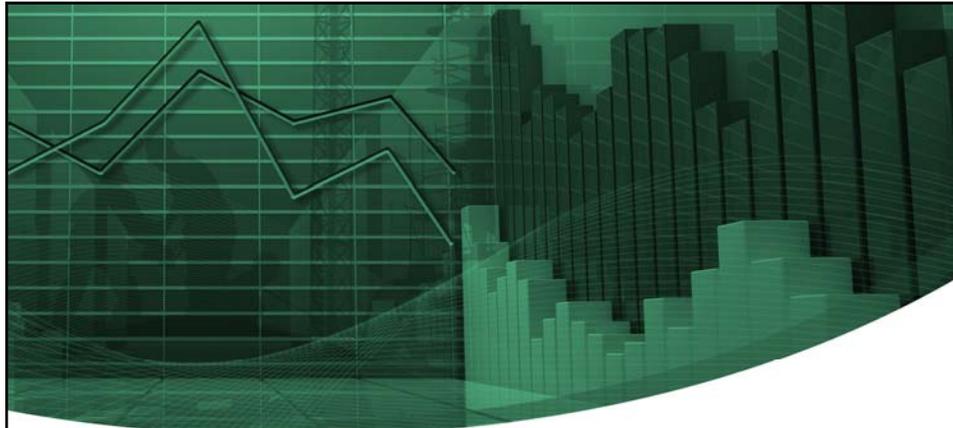
- Substantial interstate variation in medical prices paid
- Which states regulate medical prices (fee schedules)?
 - What approaches are commonly used?
- What is the effect of fee schedules on prices paid?
 - What is the effect on medical costs
 - Unintended consequences?
- Is there an ideal benchmark for a new fee schedule?
 - “Right” price level
 - Efficient to administer and update
 - Consistent with adequate access to care for workers

About WCRI

- Not-for-profit public policy research organization on WC and health care issues
- Founded in 1983 in Cambridge MA
- Resource to public officials and stakeholders
- Not make recommendations nor take positions
- All work must pass independent peer review to be published
- Studies are available to all on our website
- Very diverse membership—employers, insurers, most state governments, providers, unions, etc.

Domains To Discuss Today

- Professional services
- Hospital outpatient services
- Ambulatory surgery centers
- [defer discussion of hospital inpatient prices]



Impact Of Fee Schedule On Prices
Findings From WCRI Medical Price Index, 6th Edition



Important Policy Questions About Prices

- What are the prices paid in my state?
- How do the prices paid in my state compare to other states?
- How do the prices paid in WC compare to other payors?
- Should prices be regulated?
 - If so, how?
 - How low (high) is too low (high)?

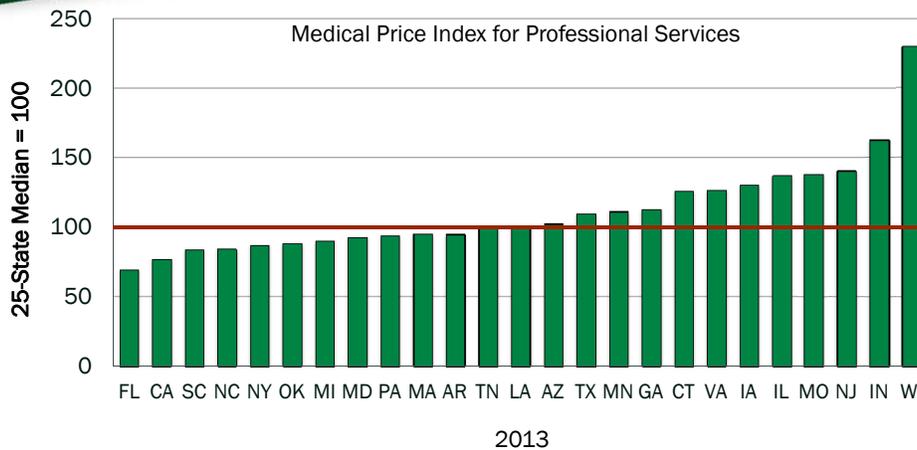
WCRI Medical Price Index Study Helps Address Some Of Them

- What are the prices paid in my state?
- How do the prices paid in my state compare to other states?
- How do the prices paid in WC compare to other payors?
- Should prices be regulated?
 - If so, how?
 - How low (high) is too low (high)?

Major Findings From WCRI Medical Price Index Study, 6th Edition

- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes

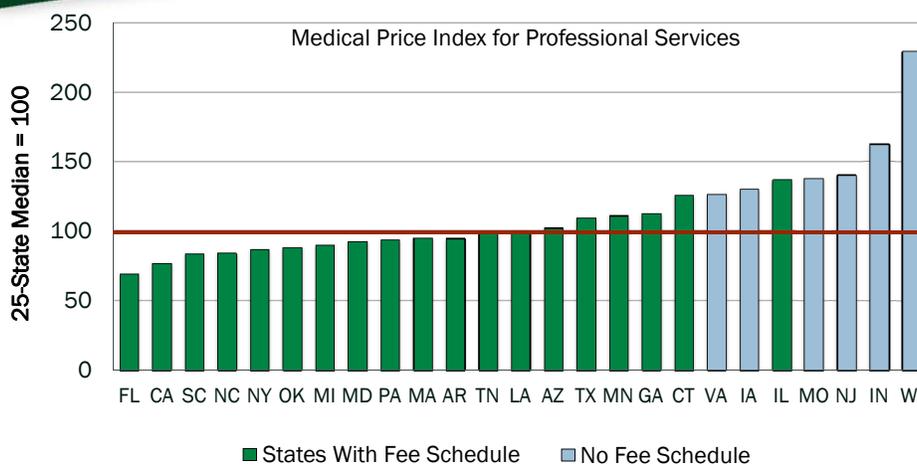
Tremendous Variations In Prices Paid For Professional Services



Prices Paid For Nonhospital Services Rendered In 1st Half Of 2013
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)
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Higher Prices Were Paid In States Without Fee Schedules



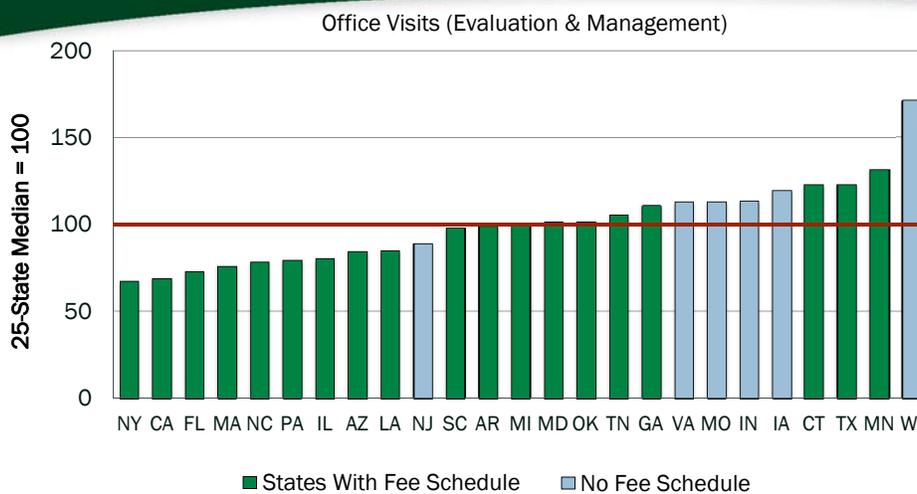
Prices Paid For Nonhospital Services Rendered In 1st Half Of 2013
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)
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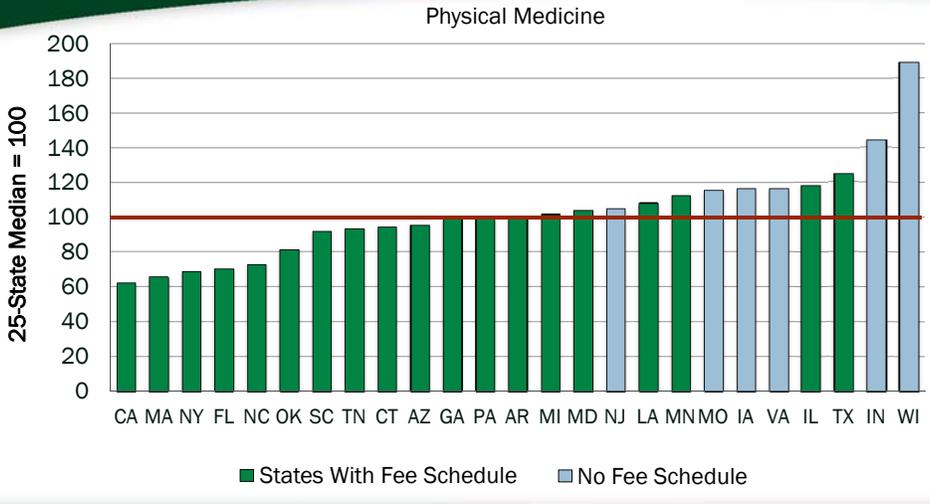
Major Findings From WCRI Medical Price Index Study, 6th Edition

- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - More variations in prices paid for specialty services (e.g., surgery, pain management injections) than for primary care (e.g., office visits, physical medicine)
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes

Interstate Comparison Of Prices Paid For Common Office Visits



Interstate Comparison Of Prices Paid For Physical Medicine



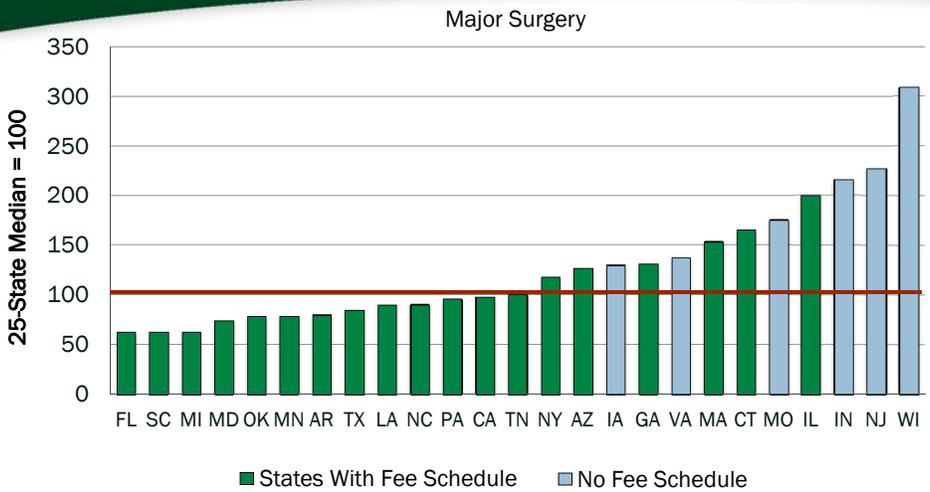
Prices Paid For Nonhospital Services Rendered In 2013 (January Through June) Based On All Claims
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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Interstate Comparison Of Prices Paid For Major Surgery



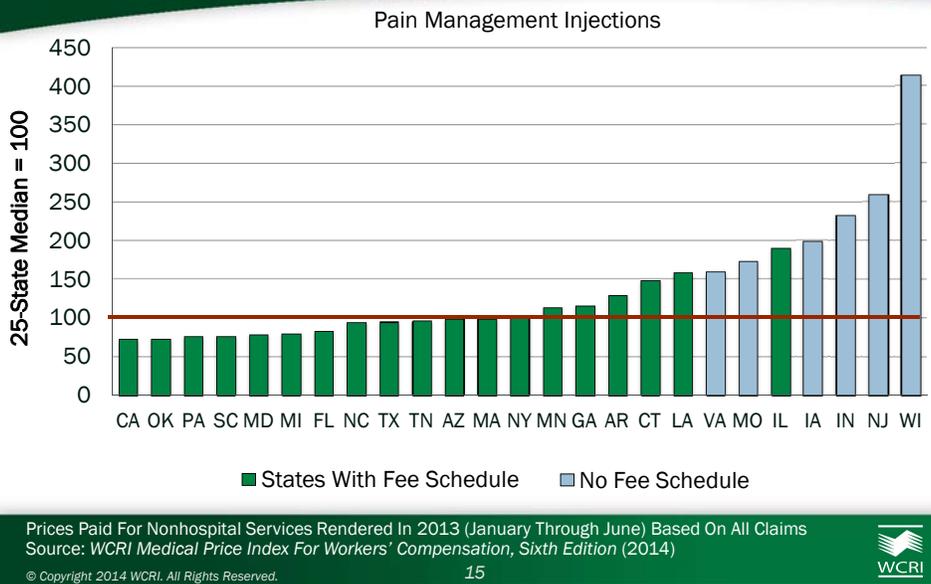
Prices Paid For Nonhospital Services Rendered In 2013 (January Through June) Based On All Claims
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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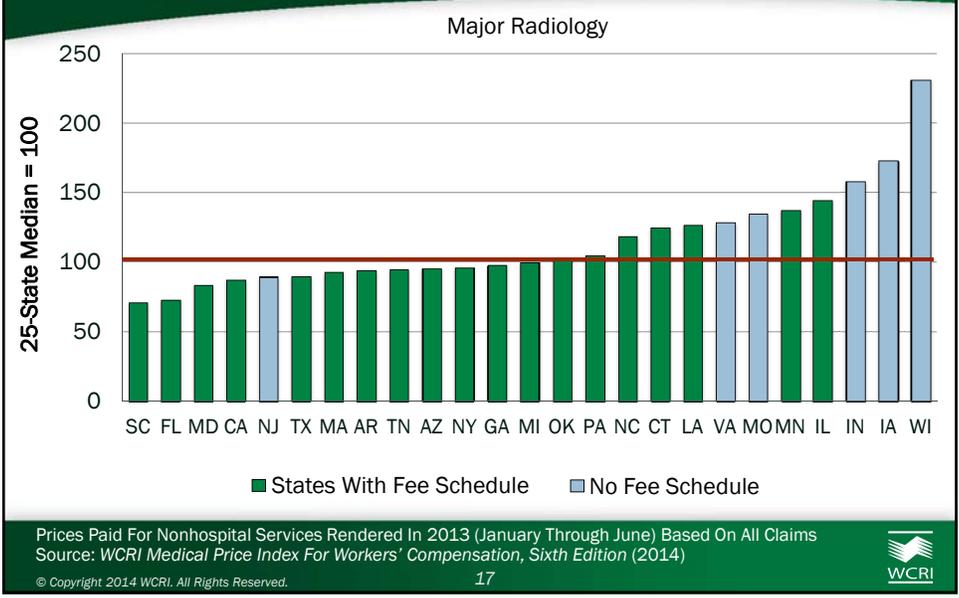
Interstate Comparison Of Prices Paid For Pain Management Injection Services



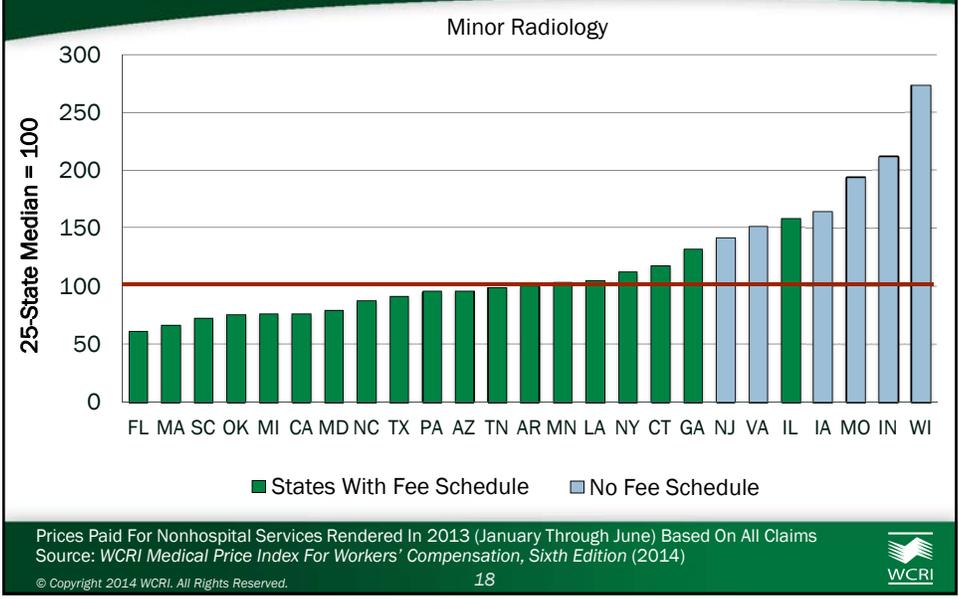
Major Findings From WCRI Medical Price Index Study, 6th Edition

- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - Interstate comparisons on prices paid for other service groups –major and minor radiology, emergency services
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes

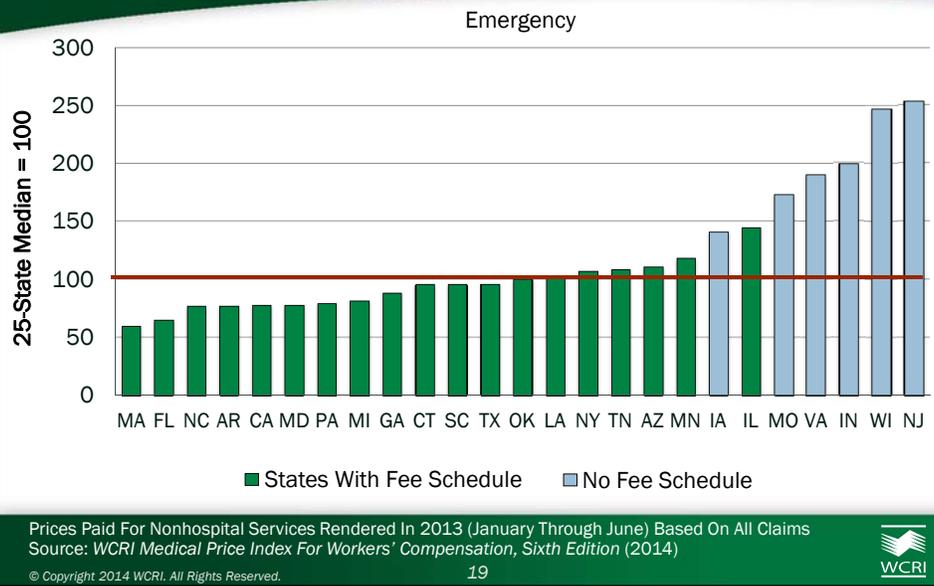
Interstate Comparison Of Prices Paid For Major Radiology



Interstate Comparison Of Prices Paid For Minor Radiology



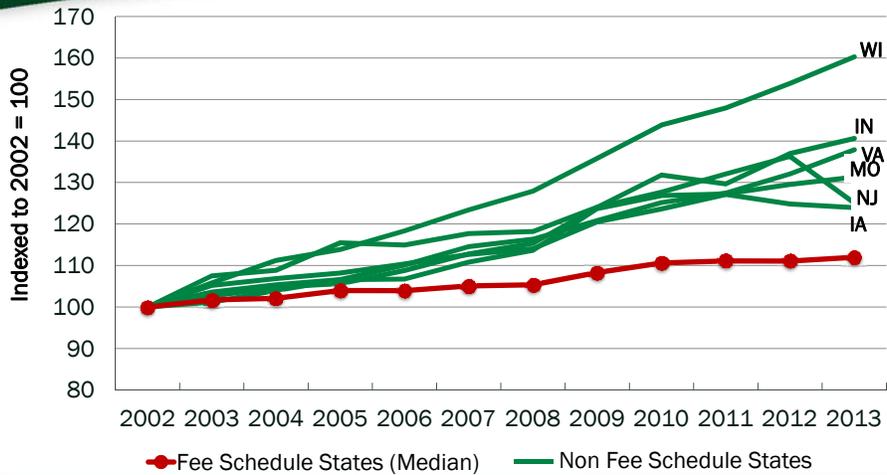
Interstate Comparison Of Prices Paid For Emergency Services



Major Findings From WCRI Medical Price Index Study, 6th Edition

- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes

Prices Paid Increased More Rapidly In States Without Fee Schedules



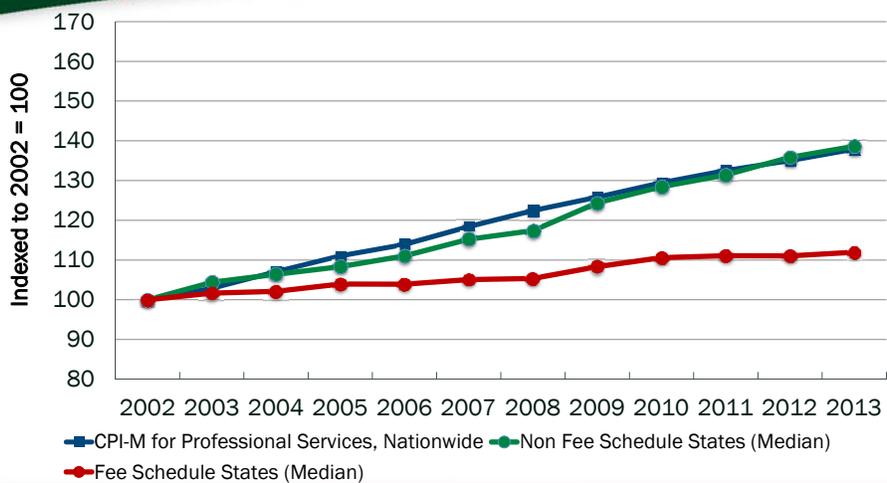
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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Prices Paid In Non-Fee Schedule States Grew Faster, In Line With CPI-M



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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Major Findings From WCRI Medical Price Index Study, 6th Edition

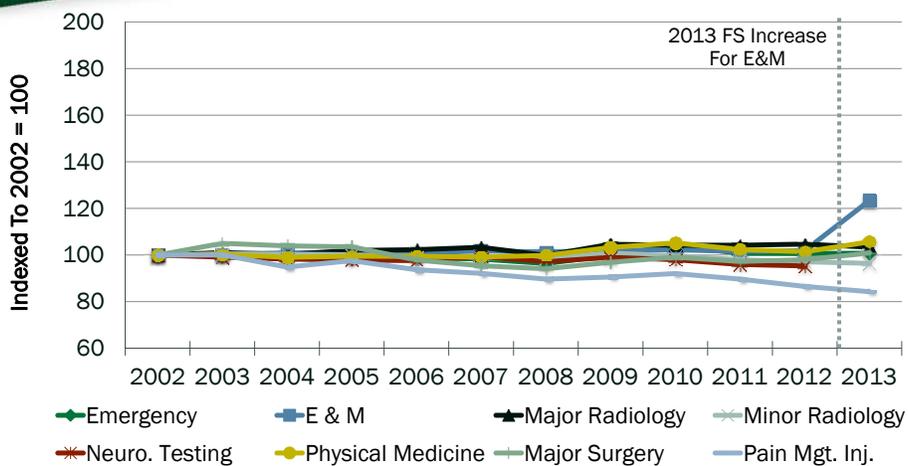
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 - States without FS had higher professional prices
 - States without FS had faster price growth
- States with FS, prices changed following FS changes
 - In states where FS didn't change for a while, prices paid didn't change

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North Carolina: Prices Paid Remained Stable When Fee Schedule Unchanged 2002-2012



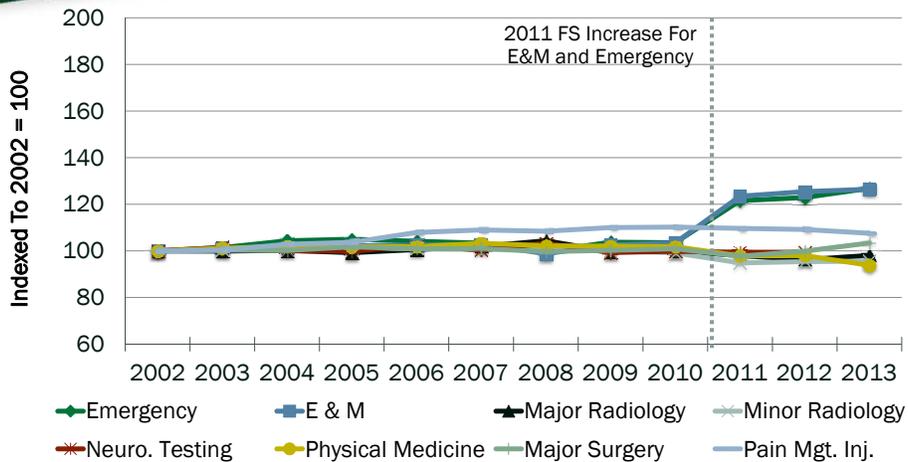
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
 Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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New York: Prices Paid Changed Little Before 2011 Fee Schedule Increase



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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Major Findings From WCRI Medical Price Index Study, 6th Edition

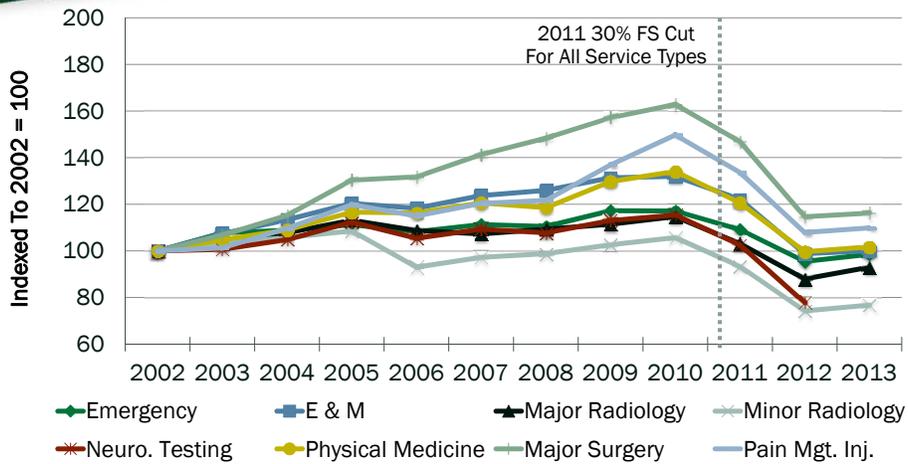
- Do fee schedules (FS) affect prices?
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 - States with FS, prices changed following FS changes
 - In states where FS didn't change for a while, prices paid didn't change
 - When FS changed, changes in actual prices paid followed the FS changes

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Illinois: Prices Paid Decreased Following 2011 30% Fee Schedule Reduction



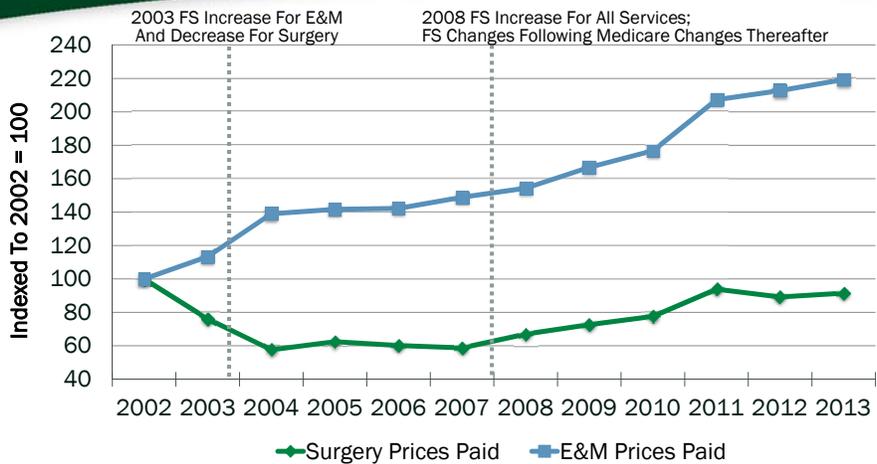
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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Texas: Changes In Prices Paid Reflected Impact Of Fee Schedule Reforms



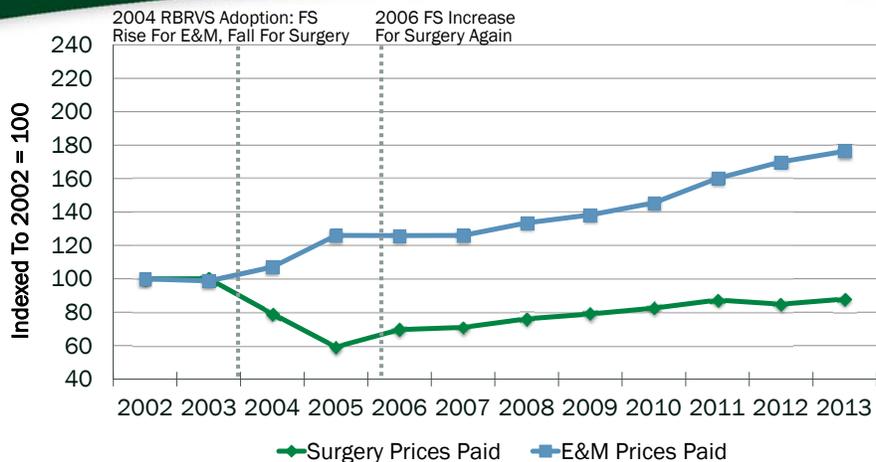
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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Maryland: Changes In Prices Paid Reflected Impact Of RBRVS Adoption



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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Major Findings From WCRI Medical Price Index Study, 6th Edition

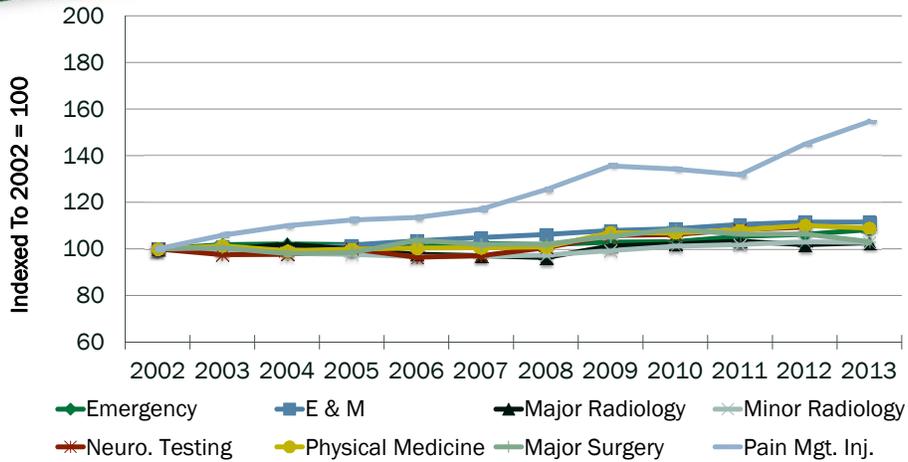
- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes
 - In states where FS didn't change for a while, prices paid didn't change
 - When FS changed, changes in actual prices paid followed the FS changes
 - In states with certain types of services not covered by FS, prices paid for those services grew more rapidly than services under FS

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Louisiana: Pain Management Injections Not Covered By FS, Prices Paid Grew Rapidly



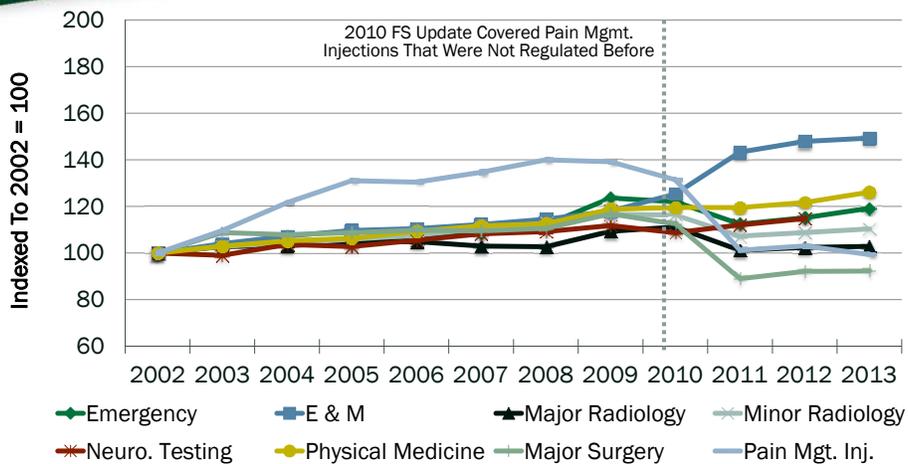
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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Minnesota: Pain Mgmt. Injections Not Covered By FS Before 2010, Prices Paid Grew Rapidly



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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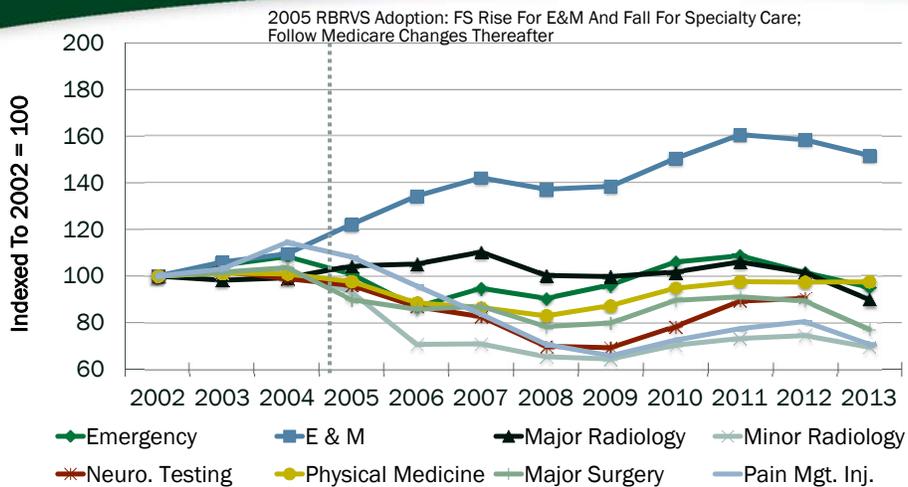
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Major Findings From WCRI Medical Price Index Study, 6th Edition

- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes
- States adopted FS: trends in prices paid reflected impact of FS changes

Tennessee: Price Changes Reflected Impact OF RBRVS FS Adoption, No FS Before 2005



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
 Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

Major Findings From WCRI Medical Price Index Study, 6th Edition

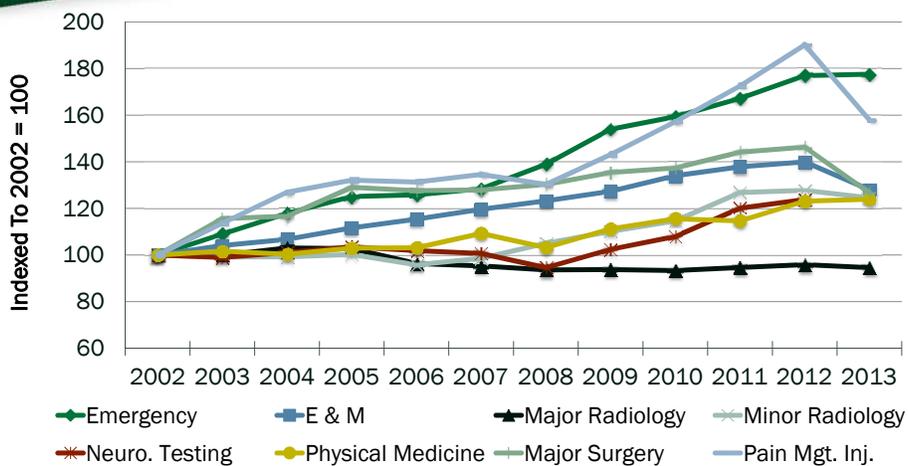
- Do fee schedules (FS) affect prices?
 - States without FS had higher professional prices
 - States without FS had faster price growth
 - States with FS, prices changed following FS changes
 - States adopted FS: trends in prices paid reflected impact of FS changes
- States without FS but with strong networks: trends in prices paid can be affected by changes in network prevalence & discounts in negotiated prices

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New Jersey: 2013 Price Decrease Mainly From Higher Network Participation & Bigger Discounts



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
Source: WCRI Medical Price Index For WC, Sixth Edition (2014)

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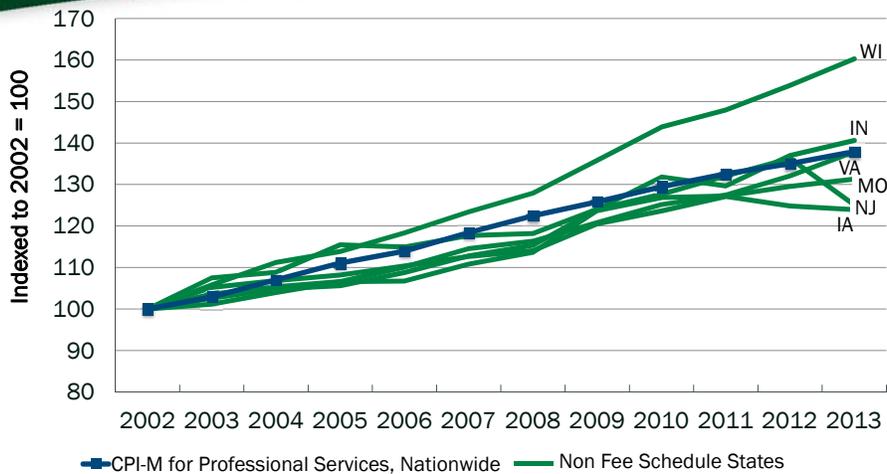
Data And Methods In WC Medical Price Index

- Calendar year 2002-2013 (half-year); 25 large states
- Evaluates prices paid for professional services
- Indices for overall and for 8 major service groups
- Uses a marketbasket of most commonly billed WC medical services
- Isolates price and price trends by holding utilization constant across states and over time

Why Do We Need A WC Medical Price Index When BLS CPI-M Available?

- To provide a better measure than CPI-M for WC
 - Very different mix of services in WC
 - WC prices heavily affected by regulation choices

CPI-M Tracks WC Price Growth In Non-Fee Schedule States Fairly Well



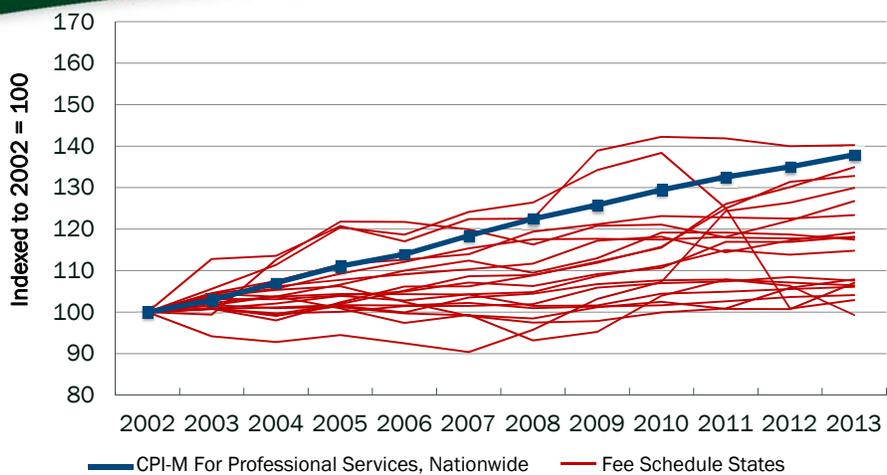
Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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But Price Trends In Most States With WC Fee Schedules Deviated From CPI-M



Prices Paid For Nonhospital Services In Calendar Year 2002 To 2013 (January Through June)
 Source: WCRI Medical Price Index For Workers' Compensation, Sixth Edition (2014)

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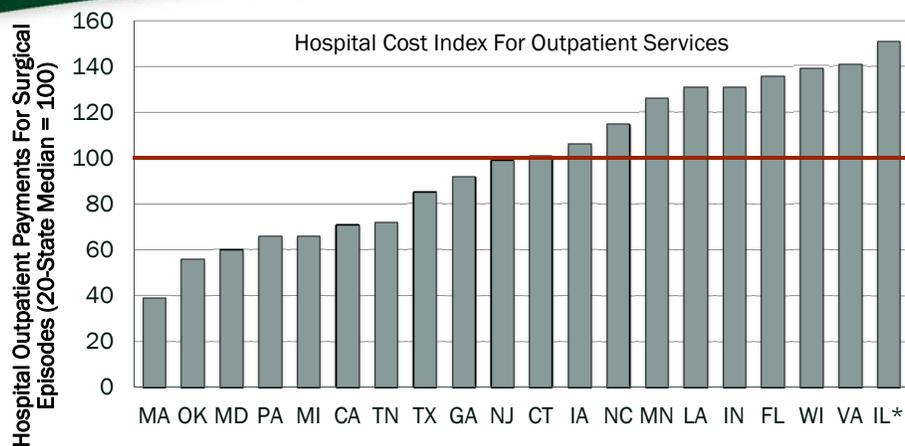
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Domains To Discuss Today

- Professional services
- Hospital outpatient services
- Ambulatory surgery centers

Why So Much Variation In Hospital Outpatient Payments For Similar Surgeries?

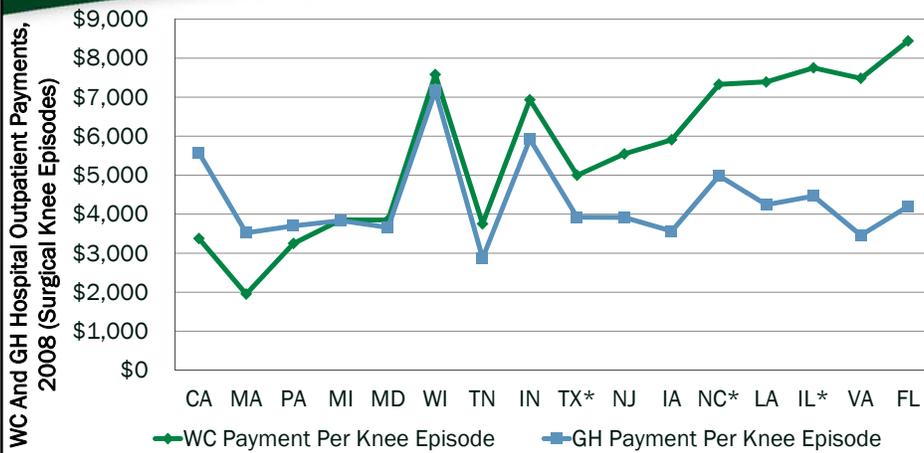


* IL Results Were Before The 2011 Fee Schedule Reduction

Hospital Outpatient Surgical Episodes, 2010

Source: Hospital Outpatient Cost Index For Workers' Compensation, 2nd Edition (2013)

WC & GH Hospital Prices Are Correlated— Market Conditions Differ Across States



* These states had substantial fee schedule reforms from 2008 to 2012.

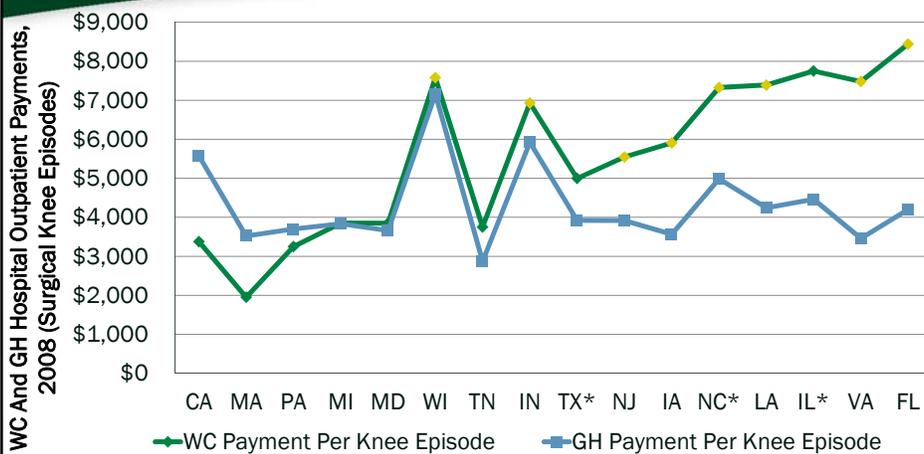
Source: *Comparing Workers' Compensation And Group Health Hospital Outpatient Payments* (2013)

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WC & GH Hospital Prices Are Correlated, But WC Much Higher In Some States



* These states had substantial fee schedule reforms from 2008 to 2012.

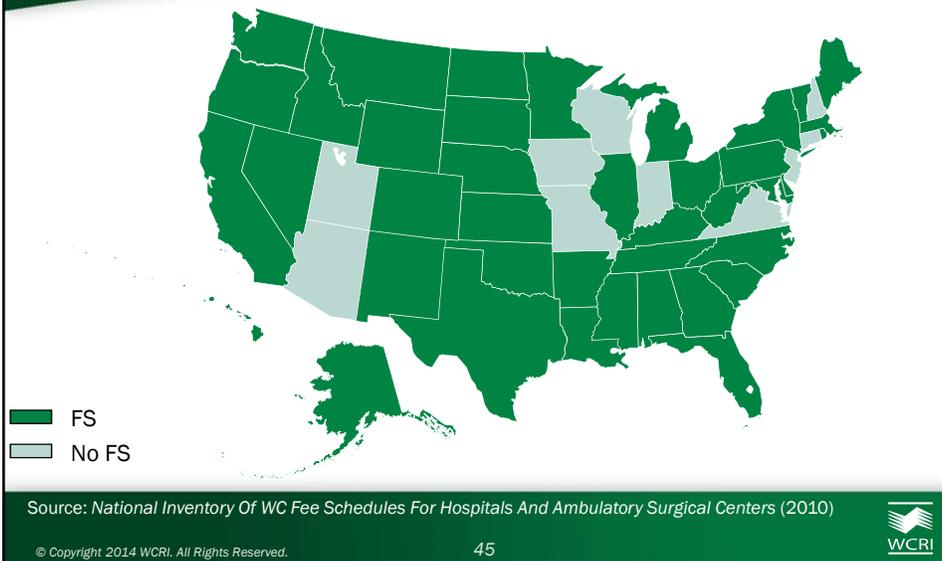
Source: *Comparing Workers' Compensation And Group Health Hospital Outpatient Payments* (2013)

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Most States Enacted Hospital Fee Schedules



Most States Have Hospital Outpatient Fee Schedules

Type Of Hospital Outpatient Fee Regulations	Number Of States
Fixed-Amount Fee Schedule	24
Percent-Of-Charge-Based Fee Regulation	12
Cost-To-Charge Ratio	4
No Fee Schedule	10

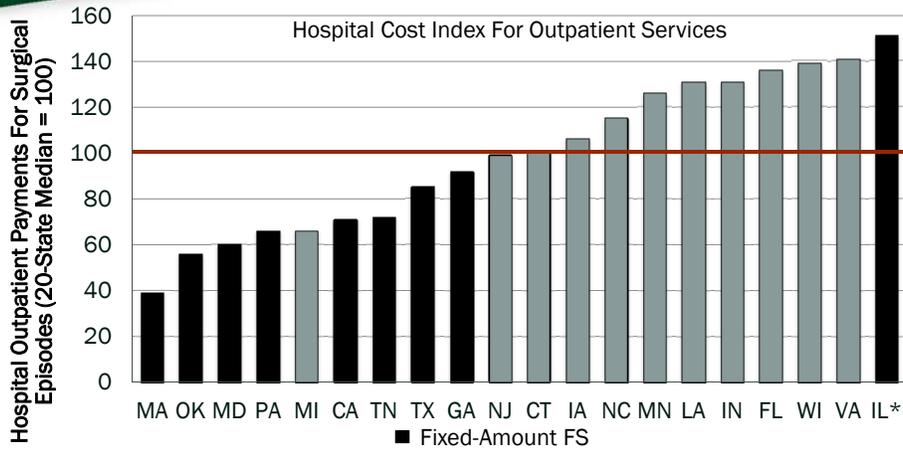
Source: National Inventory Of WC Fee Schedules For Hospitals And Ambulatory Surgical Centers (2010)

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Most States With Fixed-Amount FS Had Lower Hospital Outpatient Payments



* IL Results Were Before The 2011 Fee Schedule Reduction

Hospital Outpatient Surgical Episodes, 2010

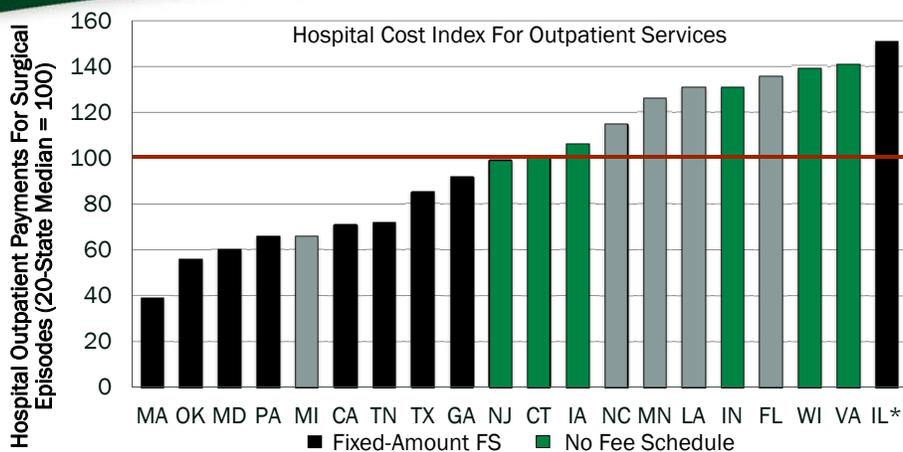
Source: *Hospital Outpatient Cost Index For Workers' Compensation, 2nd Edition (2013)*

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States With No Fee Schedules Had Higher Hospital Outpatient Payments



* IL Results Were Before The 2011 Fee Schedule Reduction

Hospital Outpatient Surgical Episodes, 2010

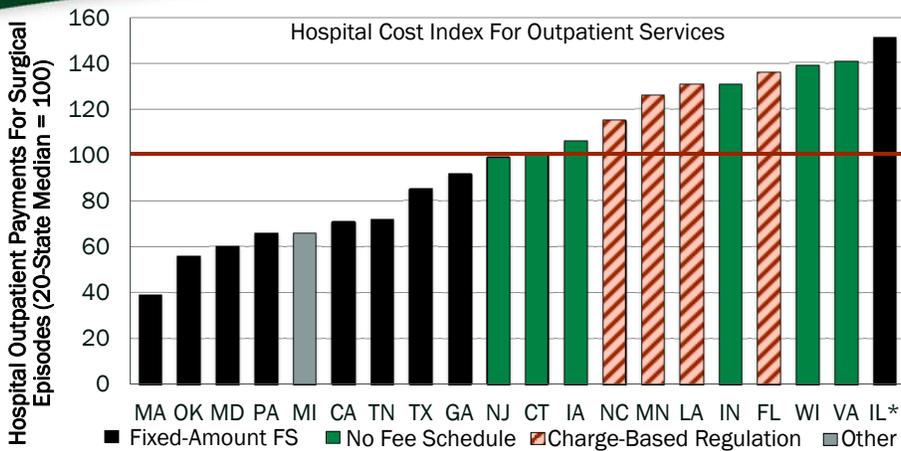
Source: *Hospital Outpatient Cost Index For Workers' Compensation, 2nd Edition (2013)*

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States With Charge-Based FS Had Higher Hospital Outpatient Payments



* IL Results Were Before The 2011 Fee Schedule Reduction

Hospital Outpatient Surgical Episodes, 2010

Source: *Hospital Outpatient Cost Index For Workers' Compensation, 2nd Edition (2013)*

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Domains To Discuss Today

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States Use Several Approaches For ASC Facility Fee Regulations

Type Of ASC Facility Fee Schedule	# Of Study States	Study States
Fixed-Amount	12	CA, FL, GA, IL, MD, MI, NY, OK, PA, SC, TN, TX
Charge-Based	3	LA, MN, NC
No Fee Schedule	8	AZ, CT, IA, IN, MO, NJ, VA, WI

As Of July 1, 2011

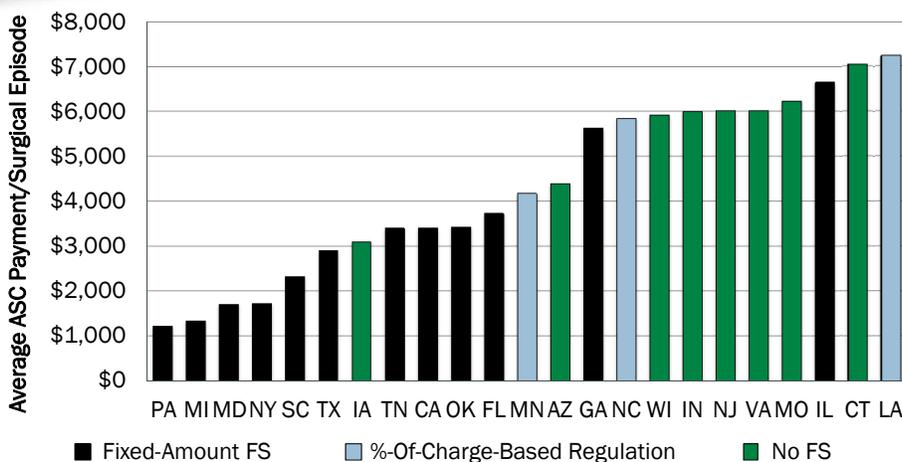
Source: *Payments To Ambulatory Surgery Centers (2014)*

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ASC Payments For Knee Surgery Higher In States With No FS Or % Charge FS



Average ASC Facility Payment In 2011 For Knee Arthroscopy (CPT 29881)

Source: *Payments To Ambulatory Surgery Centers (2014)*

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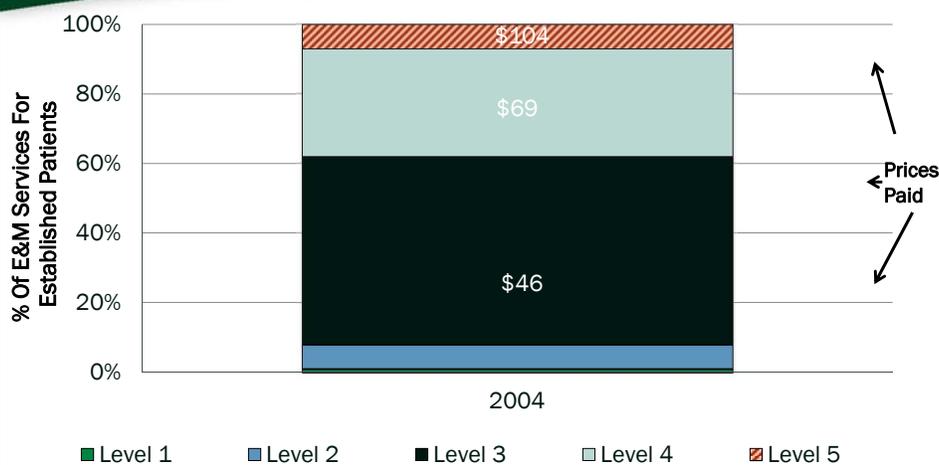
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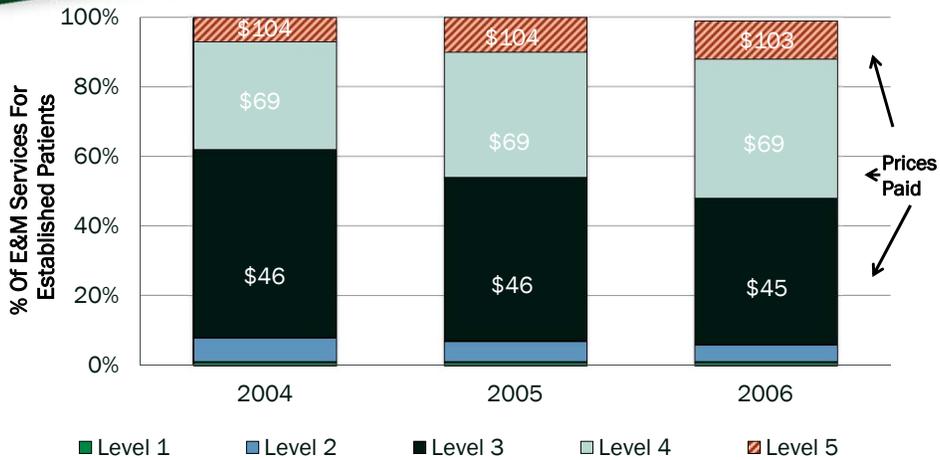
Topics Analyzed

- Substantial interstate variation in medical prices paid
- Which states regulate medical prices (fee schedules)?
 - What approaches are commonly used?
- What is the effect of fee schedules on prices paid?
 - What is the effect on medical costs
 - Unintended consequences?
- Is there an ideal benchmark for a new fee schedule?
 - “Right” price level
 - Efficient to administer and update
 - Consistent with adequate access to care for workers

CA: Most Office Visits Were “Intermediate” (CPT 99213)



CA Prices Frozen For 3 Years—More Office Visits Coded As More Expensive



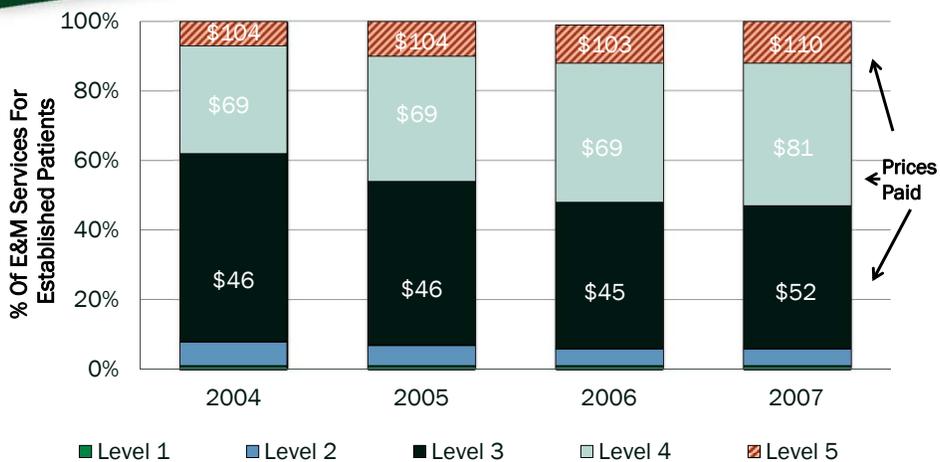
Claims With > 7 Days Of Lost Time

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After CA Raised The Fee Schedule, Upcoding Stopped



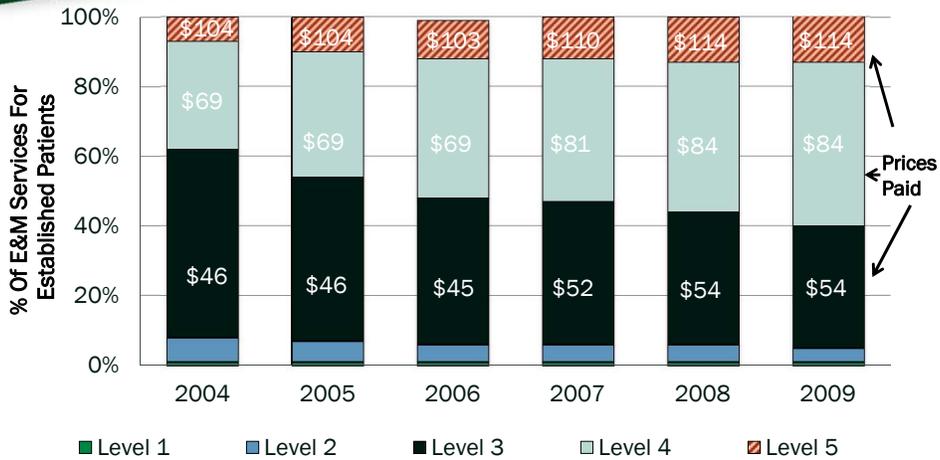
Claims With > 7 Days Of Lost Time

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When The Fee Schedule Was Re-frozen, Upcoding Resumed



Claims With > 7 Days Of Lost Time

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2003 FL Reforms Reduced Fee Schedule Rates For Many Hospital Outpatient Services

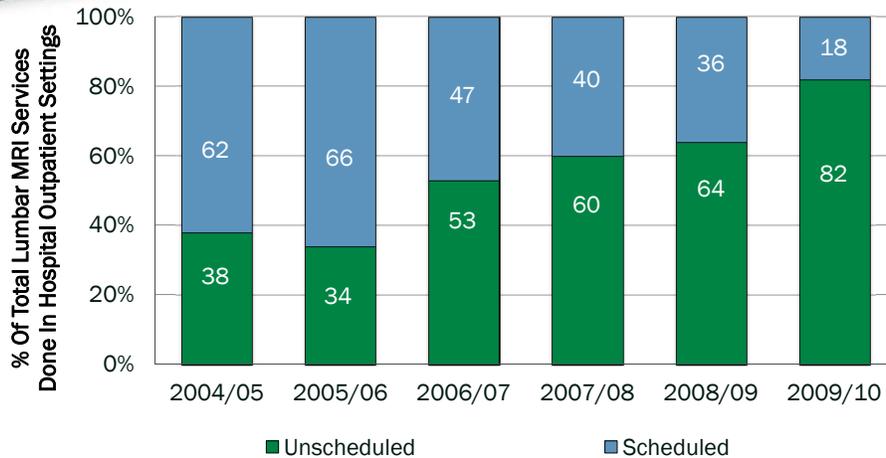
Hospital Outpatient	Pre-Reform	Post-Reform
Scheduled Radiology	75% of charges	110% Medicare
Unscheduled Radiology	75% of charges	75% of charges

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Post-Fee Schedule Change: Lumbar MRI Paid More Often As Higher-Priced Unscheduled MRI



Claims With > 7 Days Of Lost Time, Not Adjusted For Case Mix

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Topics Analyzed

- Substantial interstate variation in medical prices paid
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Possible Benchmarks

- Provider charges
- Medicare rates
- What group health insurers pay

Group Health Prices Paid As Benchmark For WC Fee Schedules

- Advantages of group health as a benchmark
 - Group health is largest source of health insurance coverage
 - Group health prices reflect what providers are willing to accept in order to be eligible to see a large share of patients
 - Group health prices reflect negotiations with network providers
- Disadvantage
 - Group health prices are proprietary information of health plans

Montana Uses Group Health Prices Paid As The Benchmark

- Fee schedule rate: group health price paid + 10%
- Group health price paid = average of top 5 health insurers and third-party administrators in state
- Top 5 must report group health prices to state agency
- State agency use of group health info
 - Limited to statutory purpose above
 - Individual company must be kept confidential

Summary Of Lessons From WCRI Studies

- Substantial interstate variation in prices paid. Why?
- Prices are usually lower in states with certain types of fee schedules
 - Fee schedules that use “fixed dollar amounts” affect prices paid and price growth
 - Fee schedules tied to provider charges have little effect on average prices or the growth in average prices
- Policymakers design fee schedules hoping to balance cost containment with access to care
 - No ideal benchmark to use—GH rates have some advantages