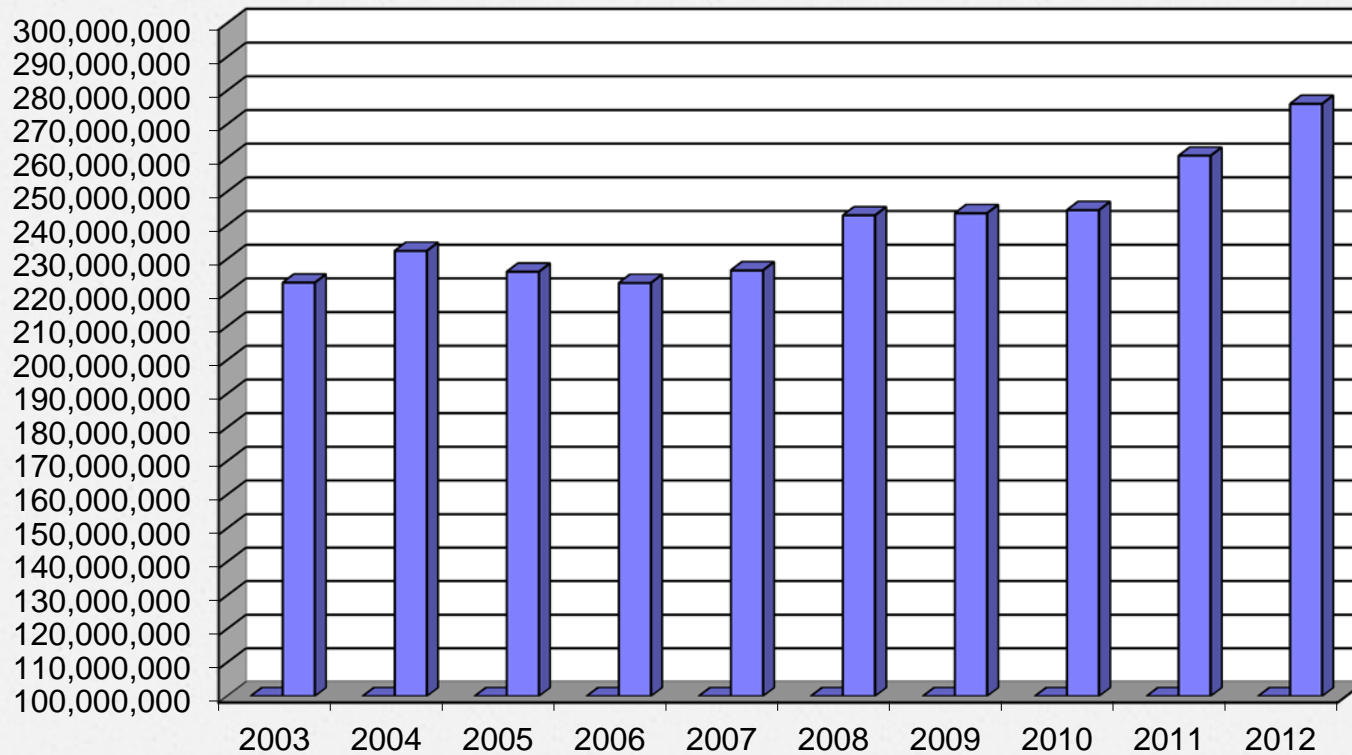


Alaska Workers' Compensation Fee Schedule Impact on Medical Costs

NCCI 2012 State Advisory Forum
October 16, 2013

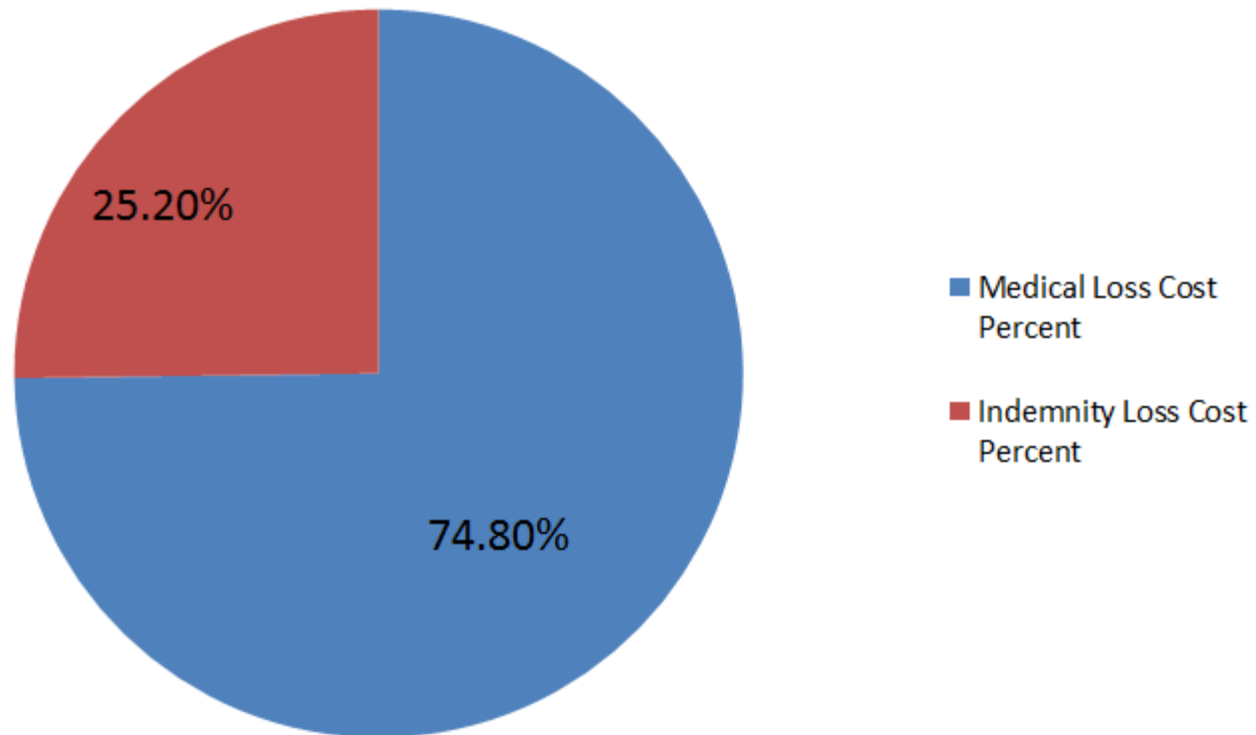
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Total Compensation Payments



Source: 2012 Workers' Compensation Annual Report

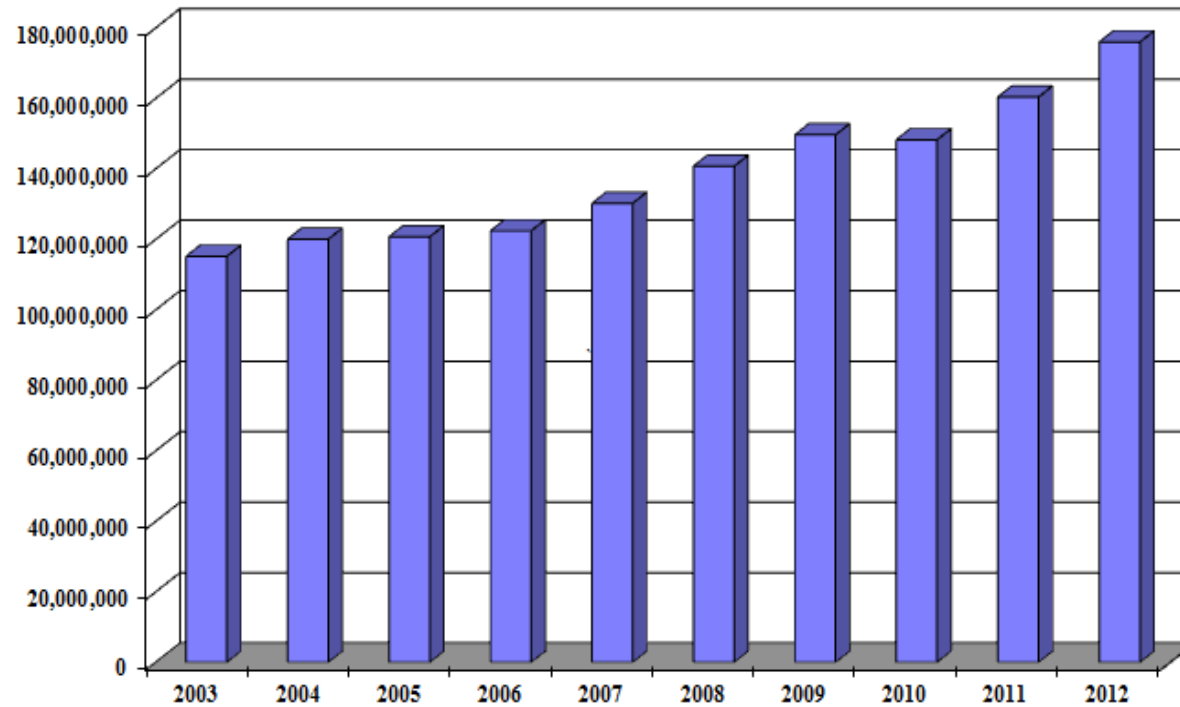
Loss Cost Distribution



Source: Division of Workers' Compensation 2012 Annual Report

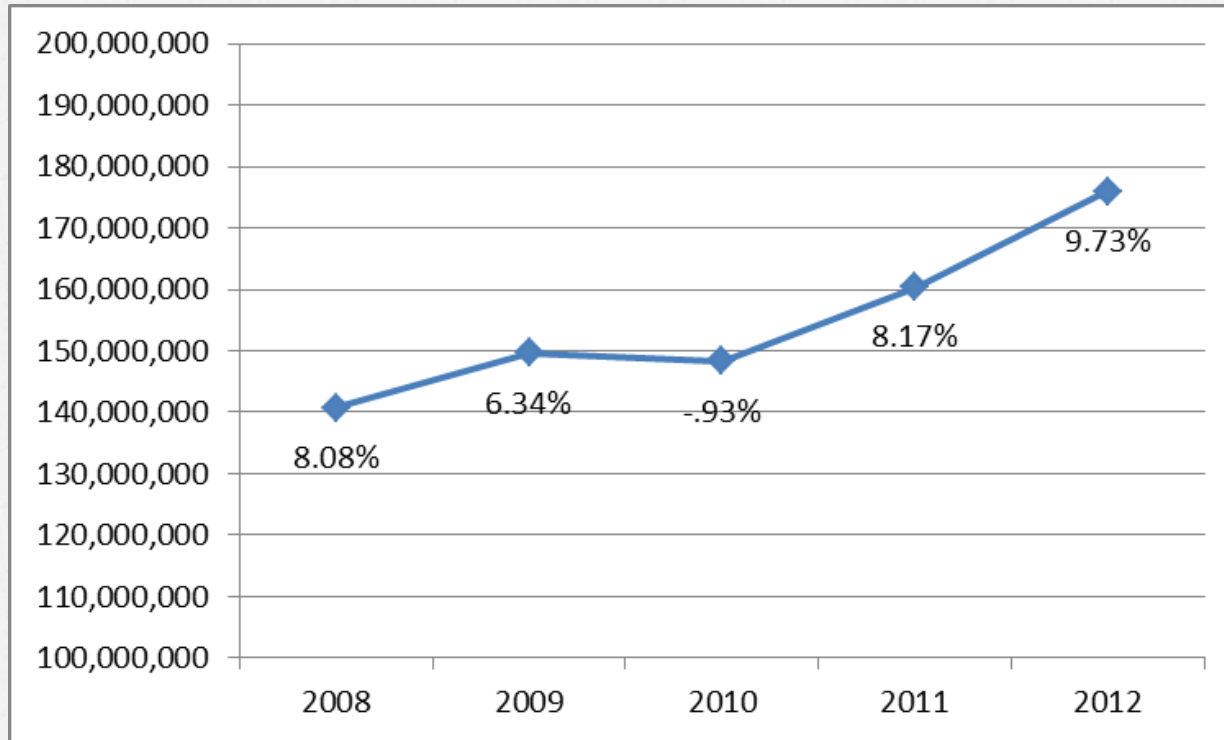
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Medical Payments



Source: Alaska Workers' Compensation Division 2012 Annual Report

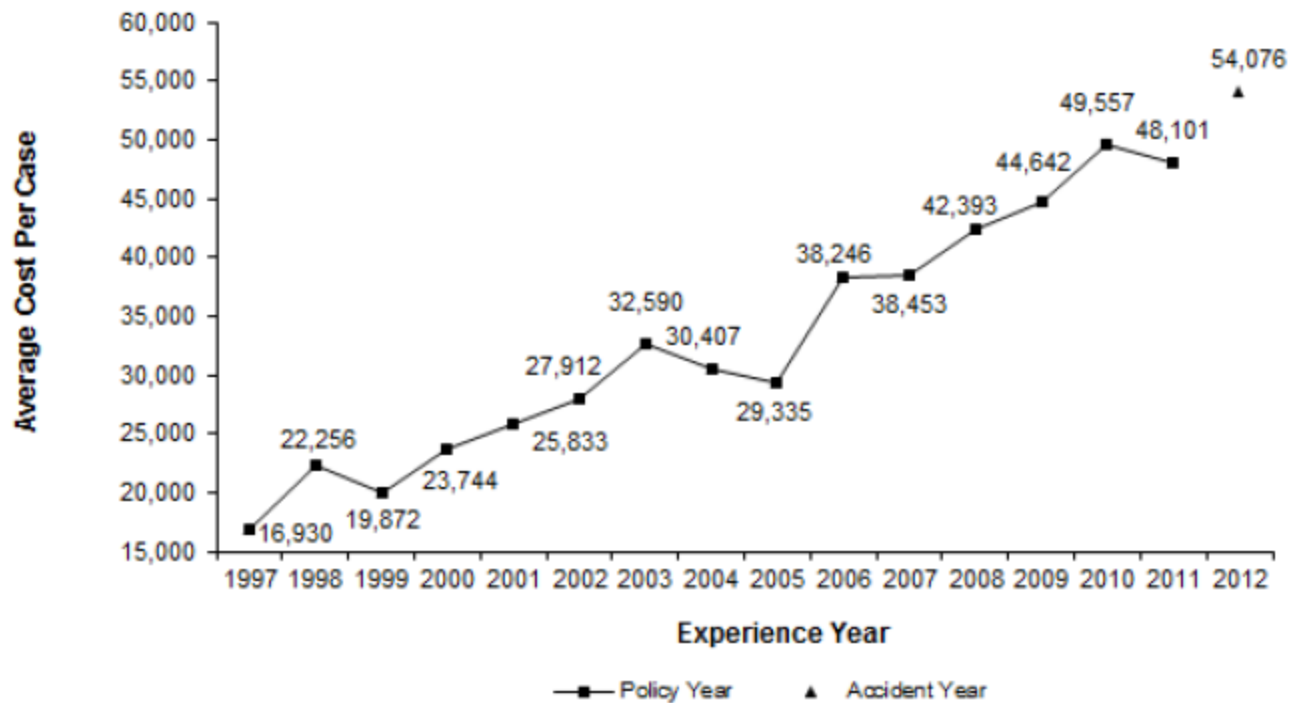
Medical Cost Changes



Source: Alaska Workers' Compensation Division 2012 Annual Report

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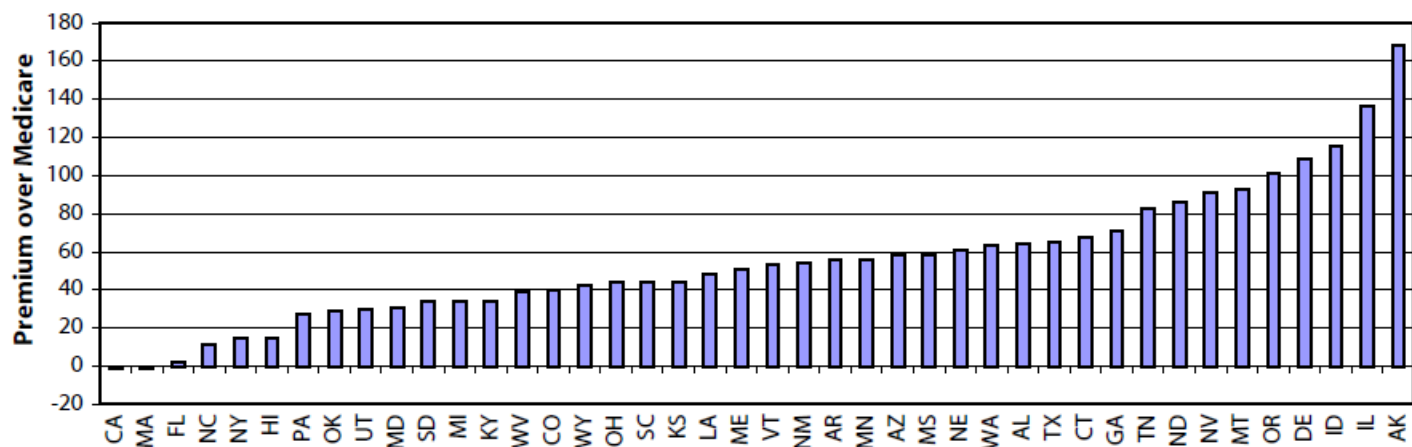
Alaska Medical Cost Per Case (Based on an Average of Paid and Paid + Case)



Source: NCCI 2014 Rate Filing

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Figure 1 Workers' Compensation Premium over Medicare, July 2011



Source: WCRI – Designing Workers' Compensation Medical Fee Schedules – June 2012

Table 2.1
Physician Reimbursement Levels by State and Payer

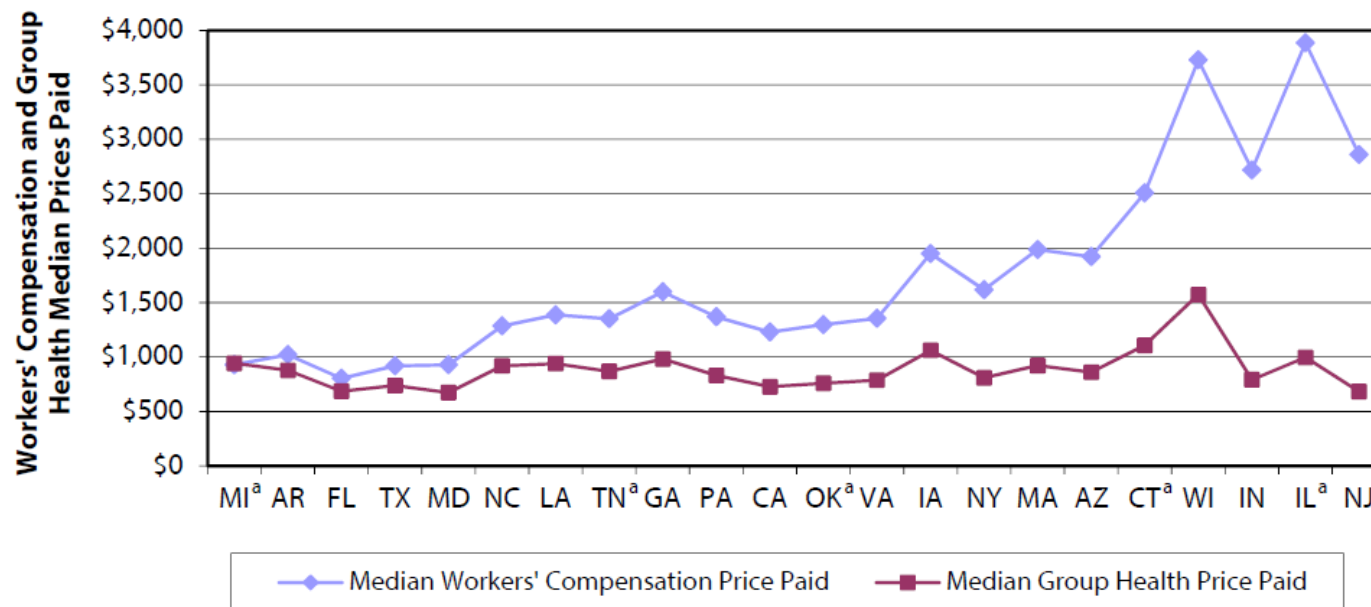
	AK	ID	ND	OR ⁽¹⁾	WA ⁽¹⁾	WY
Medicare ⁽¹⁾	127%	96%	98%	100%	105%	101%
Tricare ⁽¹⁾	182%	97%	97%	101%	104%	101%
VA	215%	96%	98%	100%	105%	101%
Medicaid	174%	99%	134%	87%	68%	113%
Workers' Compensation	190%	108%	98%	107%	86%	N/A
Comm Allowed - Mean	169%	96%	96%	112%	92%	105%
Comm Allowed - Median	181%	94%	97%	113%	88%	107%
Comm Allowed - 80th Percentile	176%	98%	89%	110%	92%	111%
Billed - Mean	142%	90%	96%	113%	107%	95%
Billed - Median	147%	89%	98%	114%	105%	93%
Billed - 80th Percentile	135%	93%	93%	112%	104%	98%
All Payers ⁽²⁾	160%	97%	105%	102%	91%	103%

All values are relative to the average for the five comparison states (excluding AK) for each payer category

Source: 2011 Milliman Report produced for the Alaska Healthcare Commission

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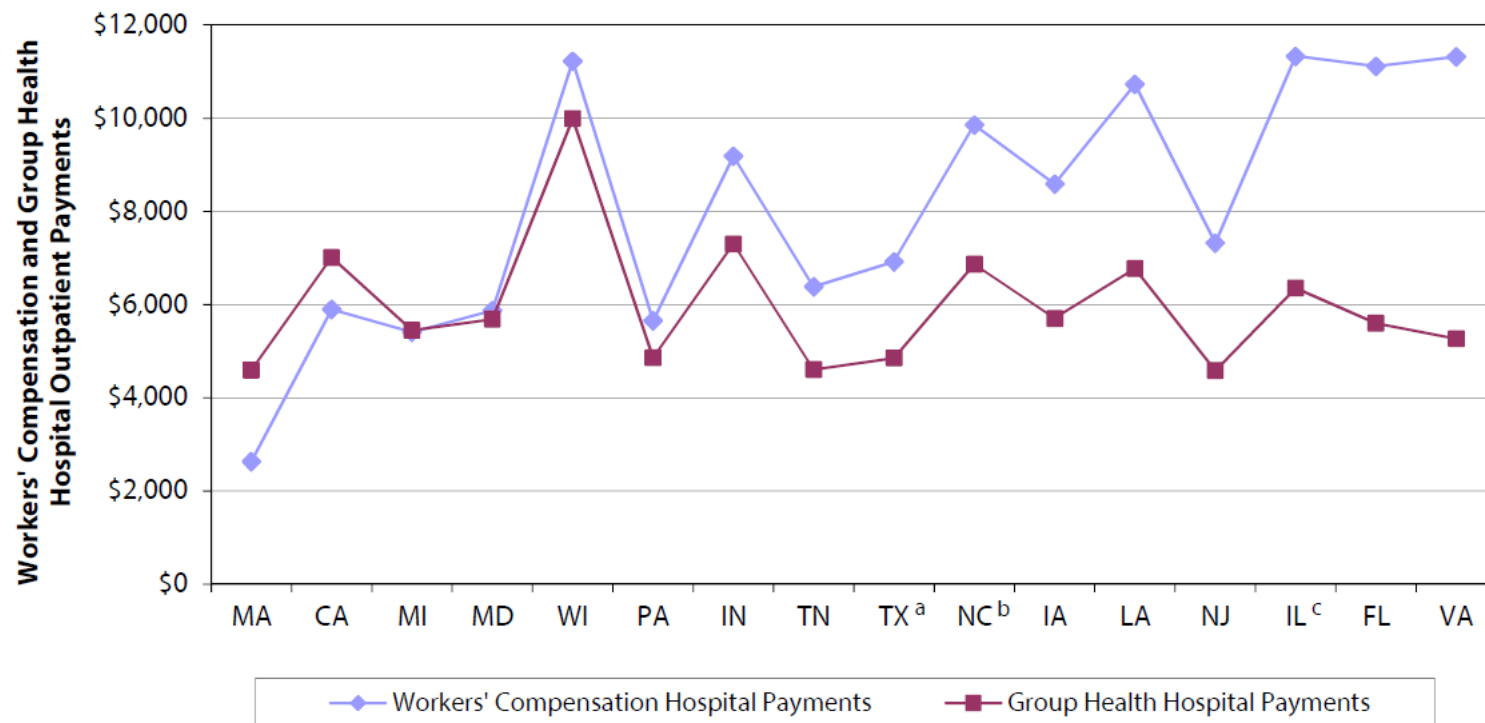
Figure 1.1 Workers' Compensation and Group Health Median Prices Paid for a Common Knee Arthroscopy, 2009



Source: WCRI: A New Benchmark for Workers' Compensation Fee Schedules:
Prices Paid by Commercial Insurers
June 2013

Prepared by the Department of Labor and Workforce Development

Figure 1a Comparing Workers' Compensation and Group Health Hospital Outpatient Payments for Shoulder Surgical Episodes, 2008



Source: WCRI: Comparing Workers' Compensation and Group Health
Hospital Outpatient Payments
June 2013

Prepared by the Department of Labor and Workforce Development

Impact of Workers' Compensation Fee Schedule Adopted October 5, 2011

CHANGE FROM 2004 Fee Schedule

EVALUATION & MANAGEMENT	16.81%
SURGERY	19.08%
RADIOLOGY	47.06%
PATHOLOGY	5.83%
DME	24.86%
ANESTHESIOLOGY	13.15%
OUTPATIENT	56.43%
INPATIENT	120.74%
INPATIENT ICU	99.99%

Source: Analysis using top 10 CPT codes identified in the NCCI January 2013 Medical Data Report
Comparing 2004 fee schedule MAR with CPI adjustments to the 2011 fee schedule MAR

Top 25 Surgery Procedure Codes Ranked by Paid Amounts for Alaska (47% of total payments)						
Rank	Procedure Code	Description	AK WC Fee Schedule	Medicare Fee	Washington WC Fee	AK Average Healthcare
1	29881	Arthroscopy Knee w/ Meniscus Repair	\$ 5,158.02	\$ 673.11	\$ 912.56	\$ 2,531.85
2	23412	Repair of Rotator Cuff	\$ 7,725.78	\$ 1,063.39	\$ 1,421.68	\$ 3,980.57
3	29826	Arthroscopy shoulder surgical w/decompres	\$ 5,436.83	\$ 224.46	\$ 288.87	\$ 853.41
4	63030	Laminotomy w/ decompression	\$ 10,391.15	\$ 1,186.95	\$ 1,605.97	\$ 4,450.70
5	29807	Arthroscopy shoulder surgical; labral tear	\$ 6,621.79	\$ 1,292.78	\$ 1,724.95	\$ 4,833.41
6	29888	Arthroscopic ligament repair	\$ 8,782.58	\$ 1,239.28	\$ 1,648.03	\$ 4,637.14
7	64483	Injection anesthetic agent/steroid epidural	\$ 2,364.74	\$ 274.82	\$ 392.91	\$ 1,070.73
8	29880	Arthroscopy knee surgical; with meniscectom	\$ 5,576.24	\$ 700.17	\$ 947.42	\$ 2,642.16
9	22551	Arthrodesis anterior interbody; cervical	\$ 13,973.36	\$ 2,113.35	\$ 2,827.87	\$ 7,981.69
10	23430	Tenodesis of tendon	\$ 5,837.26	\$ 931.43	\$ 1,252.34	\$ 3,463.72
11	62311	Injection of diagnostic/therapeutic substanc	\$ 1,295.28	\$ 248.65	\$ 371.33	\$ 920.00
12	23120	Claviculectomy; partial	\$ 2,704.02	\$ 722.91	\$ 983.95	\$ 2,679.98
13	22612	Arthrodesis posterior; lumbar	\$ 12,952.83	\$ 1,979.87	\$ 2,635.84	\$ 7,437.21
14	29827	Arthroscopy shoulder surgical w/cuff repair	\$ 7,318.82	\$ 1,346.27	\$ 1,789.14	\$ 5,050.22
15	29877	Arthroscopy w/debridement	\$ 4,879.21	\$ 774.76	\$ 1,045.37	\$ 2,881.03
16	29806	Arthroscopy shoulder surgical; capsulorrhap	\$ 6,970.30	\$ 1,326.86	\$ 1,768.67	\$ 4,964.70
17	49505	Repair initial inguinal hernia	\$ 3,461.14	\$ 655.21	\$ 863.30	\$ 2,430.13
18	64415	Injection anesthetic agent; brachial plexus	\$ 1,182.37	\$ 149.52	\$ 202.54	\$ 576.26
19	64721	Neuroplasty and/or transposition	\$ 5,187.82	\$ 525.08	\$ 724.40	\$ 1,946.17
20	29822	Arthroscopy shoulder surgical; debridement	\$ 4,739.80	\$ 714.19	\$ 965.13	\$ 2,660.81
21	20610	Arthrocentesis aspiration and/or injection	\$ 382.66	\$ 74.60	\$ 100.72	\$ 318.33
22	23420	Reconstruction of complete shoulder	\$ 9,871.83	\$ 1,208.38	\$ 1,616.48	\$ 4,516.47
23	63650	Percutaneous implantation of neurostimula	\$ 6,791.60	\$ 564.80	n/a	\$ 2,082.27
24	12001	Simple repair of superficial wounds	\$ 489.30	\$ 109.18	\$ 154.95	\$ 415.91
25	63042	Laminotomy with decompression	\$ 11,681.55	\$ 1,609.81	\$ 2,154.94	\$ 6,040.11

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WC Fee Schedule MARs Do More Than Limit Payments

- WC fee schedules have been shown to be effective at controlling costs
- However, MARs set too high (relative to GH) lessen that effectiveness
- High proportions of WC payments at (or near) the MAR suggest that fee schedules wind up becoming market prices for WC
- High MARs (relative to GH) may result in some providers charging WC claimants more than they would patients covered under GH

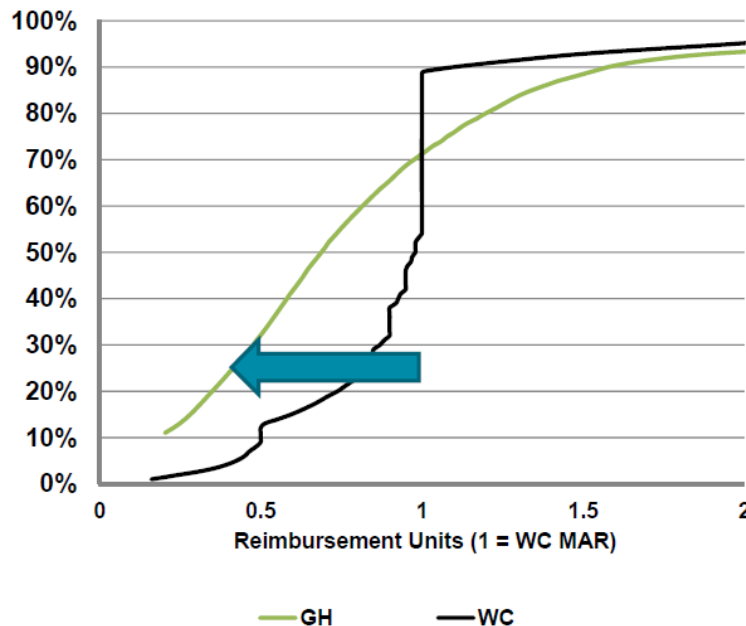
Source: NCCI: Price Impact of Workers Compensation Physician Fee Schedules:
Preliminary Results

Annual Issues Symposium - May 2013

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Surgery

Multi-State Distribution of Reimbursements for Surgery



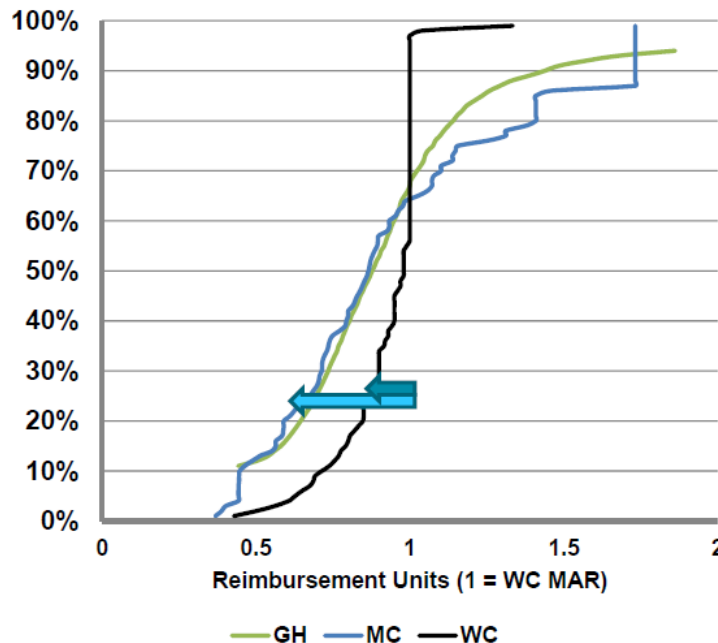
- One-third of WC payments for Surgery are at the MAR
- WC often pays more than GH for comparable surgical services
 - 70% of GH payments for Surgery are below the MAR
 - 25% of surgical services in GH are paid at 55% or more below the MAR

Source: NCCI: Price Impact of Workers Compensation Physician Fee Schedules:
Preliminary Results
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Evaluation and Management

Multi-State Distribution of
Reimbursements for
E&M Services



At the 25th percentile

- WC is 12% below the MAR
- GH is 32% below the MAR

Source: NCCI: Price Impact of Workers Compensation Physician Fee Schedules:
Preliminary Results
Annual Issues Symposium - May 2013

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