

**Joint Meeting
Medical Advisory Committee and Medical Payment Committee**

December 14, 2016
Tennessee Room, 220 French Landing Drive
Nashville, TN. 37243

Informational meeting, no quorum or voting.

Meeting began 11:00AM.

Attendees:

Keith Graves, DC
John Brophy, MD
Robert Snyder, MD, Medical Director
Suzy Douglas, RN, Nurse Consultant
James Talmage, MD
Suzanne Gaines, BWC
David Tutor, MD
Treva Overstreet, Corvel
Misty Williams, RN, Travelers
Lisa Bellner, MD
Everett Sinor, Atty Brentwood Services
Rob Behnke, Cracker Barrel
Jeff Hazlewood, MD
Mary Layne Van Cleave, THA
Cerisa Cumming, DO
Jeff Ford, McKee Foods
Gregory Kyser, MD

Telephone:

Mary Yarbrough, MD
Sushil Mankani, MD, Liberty Mutual

Guests:

Leann Lewis, Coventry	David White, EnableComp
Yarnell Beatty, TMA	Tammy Crafton, TOA
Jim Schmidt, Government Solutions	Terry Parker, Vanderbilt
M. Robin	Faith Parrish, Vanderbilt
Lou Alsobrooks, AHCS	Melanie Bull
Brian Murphy, PT	Daivd Depietro, Purdue Pharma
Larry Brinton, MCMC	Chris Scoma, Results PT
Jesse Larrison, EnableComp	John Harris, TPTA

WCRI Presentation on Fee Schedules

Speaker:

Dr. John Ruser, President and CEO
WCRI, Cambridge Massachusetts

Tim Hassett-Salley, Regional Director, WCRI

Slides included:

Compared state WC fee schedule to Medicare. Fee schedules vary widely from state to state. States have multiple conversion factors. Surgeries tend to receive a much higher fee from the fee schedule than Medicare. There is not so much of a difference between fee schedule and Medicare when it comes to office visits.

Tennessee fee schedule is the single fee schedule for the entire state and has established maximums for current year Medicare RVUs. Tennessee stays current with RVU. It brings down fees from current Medicare fee by using a fixed base conversion factor 33.974.

Levels of fee schedule relative to Medicare in Tennessee.

1. Tennessee fee schedule is 46% above Medicare, middle of the studied states.
In general, states tend to pay above Medicare with fee schedules.
2. Tennessee fee schedule is below the median of the six neighboring studied states.
3. 36 of 44 states use some variation on Medicare and RBRVS, a national standard that is not dependent on local stakeholders.
4. Conversion factors vary by state with some having only one and others (TN included) have more than one (the service specific percentages), typically with surgery higher.
5. RVU calculations take into account:
 - a. Physician work.
 - b. Office and staff expenses.
 - c. Professional liability costs.

In addition to those are added a Geographic Practice Cost Index (GPCI).

The next comparison was referencing the fee schedule to actual prices paid.

1. Reimbursement to providers is less than the provider's usual fee (due to the fee schedule) and due to network participation.
2. There is wide variation in network penetration rates between states, TN is 82% overall.
3. There is a wider variation in surgery more so than office visits.
4. States with no fee schedule had faster price growth rates.
5. Looking at prices paid and comparing to fee schedule:

- a. Overall Physician Services--paid are 5% less than the median and less than four neighboring states, but line with the fee schedule.
- b. Emergency Services--Tennessee pays 90% above Medicare and above the median in the fee schedule states (58%).
- c. Minor and Major Radiology—paid below anticipated fee schedule.
- d. Pain Management Injections—paid at the fee schedule.
- e. Major Surgery—paid in line with the fee schedule but based upon 200% and not 275% (Ortho and Neuro). In response to a question from Dr. Brophy, an estimate by Dr. Ruser put payments for the higher groups above or at the fee schedule, but slightly lower than neighboring states.
- f. Neuro testing and PT/OT—paid at or below anticipated from the fee schedule.
- g. E/M—paid below anticipated from the fee schedule.

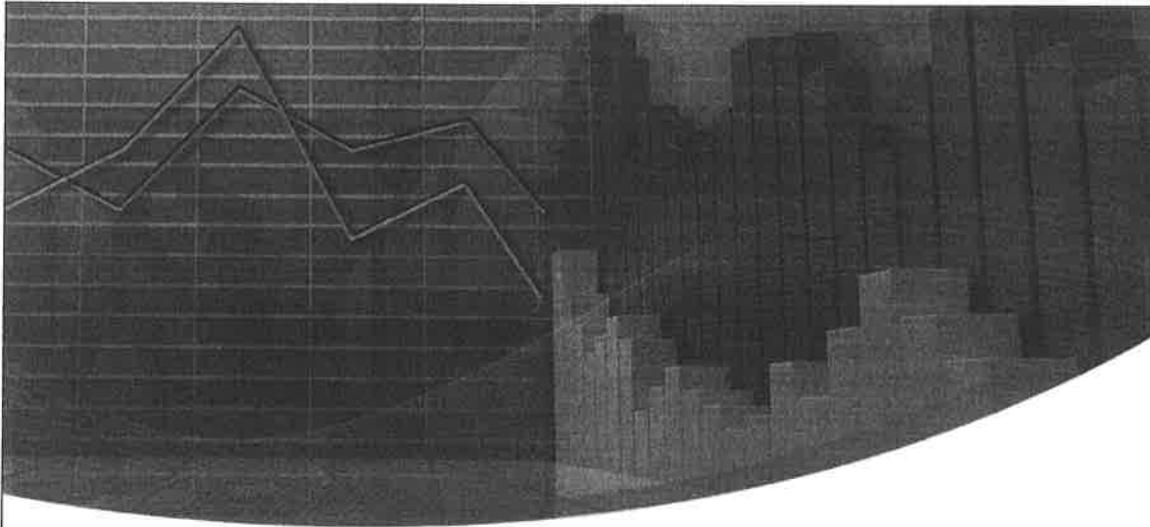
Below fee schedule prices paid may reflect network participation, contracts, and the fee schedule effect.

Dr. Snyder explained the fixed conversion factor being instituted by the previous administrator in response to threaten cuts anticipated by the annual “SGR” budget adjustments used by Medicare.

From their present data, WCRI could not assess any impact that Medicare’s movement to equalize procedural and cognitive services might be having on WC.

Dr. Ruser explained their study on patient satisfaction as a way to correlate (value, cost/quality assessment) with what is paid and with the outcomes in WC.

The meeting finished at 12:30 PM with further informal conversation following.



**WCRI Research On Medical
Prices In Tennessee**
TN Medical Payment Committee
December 14, 2016



Questions Addressed By My Presentation

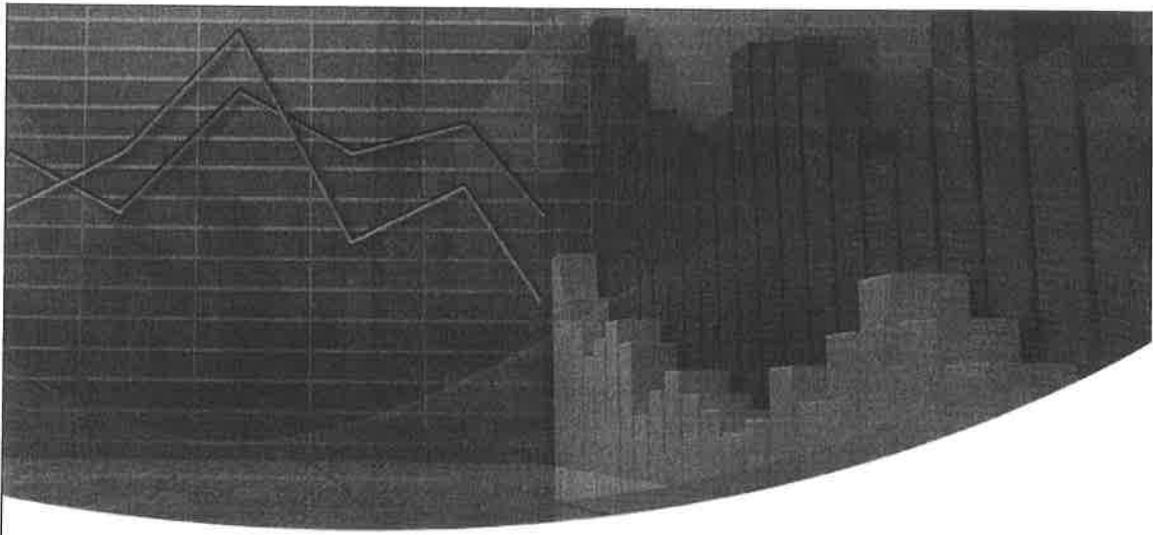
- How does Tennessee's professional fee schedule compare to other states?
 - Design features
 - Levels of fee schedule relative to Medicare
- How do Tennessee's prices paid for professional services compare to those in other states?
 - Actual prices paid

About WCRI

- Independent, not-for-profit research organization
- Diverse membership and funding support
 - Insurers, service providers, employers, labor, state agencies, independent rating bureaus
- Studies are peer-reviewed
- Resource for public officials & stakeholders
 - Content-rich website: www.wcrinet.org
 - Over 550 WC studies published

WCRI Approach

- Mission
 - “Be a catalyst for improving WC systems by providing the public with high-quality, credible information on important public policy issues.”
- Focus on benefit delivery system
- Don't make policy recommendations nor take positions on issues



Designing WC Professional Fee Schedules: 2016



Fee Schedule Benchmark Study

- Discusses major design choices of professional fee schedules in workers' compensation
- Presents how states have resolved these fee schedule design choices
- Shows a comparison of professional fee schedules across states and service groups
 - Focusing on Tennessee for this presentation

Source: *Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)*



Fee Schedule Design Choices

- Base fee schedule on relative values of different medical services or something else?
 - Relative values measure resources
 - Rely on the Medicare relative values or another source?
- Multiple or single conversion factor?
 - Monetize relative values for all service groups with the same factor or with different factors for different service groups?
 - If multiple: How large should the disparity be among the different groups of medical services?

Fee Schedule Design Choices

- One fee schedule for the state or different fee schedules for different regions within a state?
- How high or low should fee schedule levels be set?

43 States And DC Had Professional WC Fee Schedules As Of March 2016

- Over 80% of jurisdictions with fee schedules used relative values in 2016 (36 of 44):

36 (80%) RVU Jurisdictions	Various RVU types
31 Or 70% (including TN)	Medicare RVU (RBRVS)
3 (NV, SD, And WY)	<i>Relative Value for Physicians by OPTUM360°</i>
2 (NY And KY)	State-specific RVU

- Other 8 states used some version of historic or current usual, customary and reasonable charges (AL, AZ, IL, LA, MA, NM, RI, VT)

RBRVS: Resource-based relative value scale

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Features Of Medicare RBRVS As Basis

- Medicare RBRVS design:
 - Quantifies resources health care providers deploy to deliver services
 - Relative value units (RVUs) rank services according to 3 components
 - Physician work value
 - Practice expenses value
 - Professional liability insurance value
 - Geographic Practice Cost Indexes (GPCIs) explicitly measure geographic differences in expenses for each component above

RBRVS: Resource-based relative value scale

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Pros And Cons Of Medicare RBRVS As Basis For Fee Schedule

- Pros
 - Regular reviews and updates of the system by CMS substantially lower cost of maintaining an up-to-date WC fee schedule
 - RVUs are set externally (to state), lending credibility
- Cons
 - Medicare RBRVS does not establish values for a number of procedures provided to injured workers, resulting in fee schedule gaps
 - e.g., work-hardening and conditioning services: CPT 97545 and 97546 and unlisted procedures

CMS: Centers for Medicare & Medicaid Services

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Multiple Or Single Conversion Factor?

- **Conversion factor (CF)** monetizes relative values to obtain a fee schedule amount for each procedure
 - Medicare has single CF, as of Jan 2016 = \$35.8043
- 9 jurisdictions used a single conversion factor: DC, KY, ME, MI, MT, ND, SC, WA, and WV
- 22 states (including TN) using Medicare RBRVS use multiple conversion factors
 - Different CFs for different service groups
 - Typically specialty care (e.g., surgery) was reimbursed at a higher CF than office visits or physical medicine

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Single Vs. Multiple Conversion Factors

- **Single CF**—higher and lower reimbursement rates for services reflect differences in required resources. Hence, equalizes the economic returns across all services
- **Multiple CF**—allows for competitiveness of the WC fee schedule if other major payors are relying on multiple conversion factors
 - Previous WCRI research shows—prices paid by GH reflect multiple conversion factor approach, but disparity in prices much less than in WC

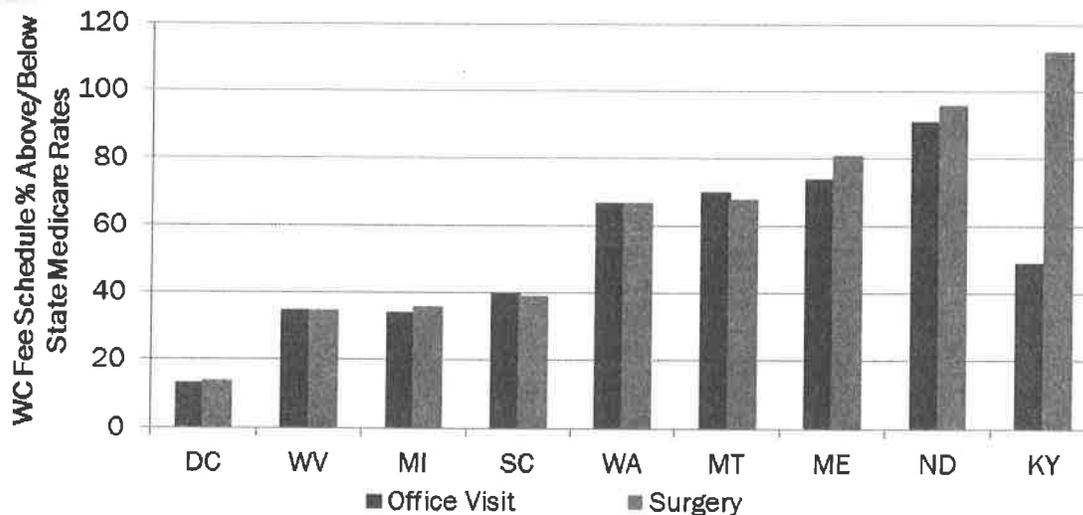
GH: Group Health

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Few States Do Not Incentivize More Invasive Care: Single CF Jurisdictions

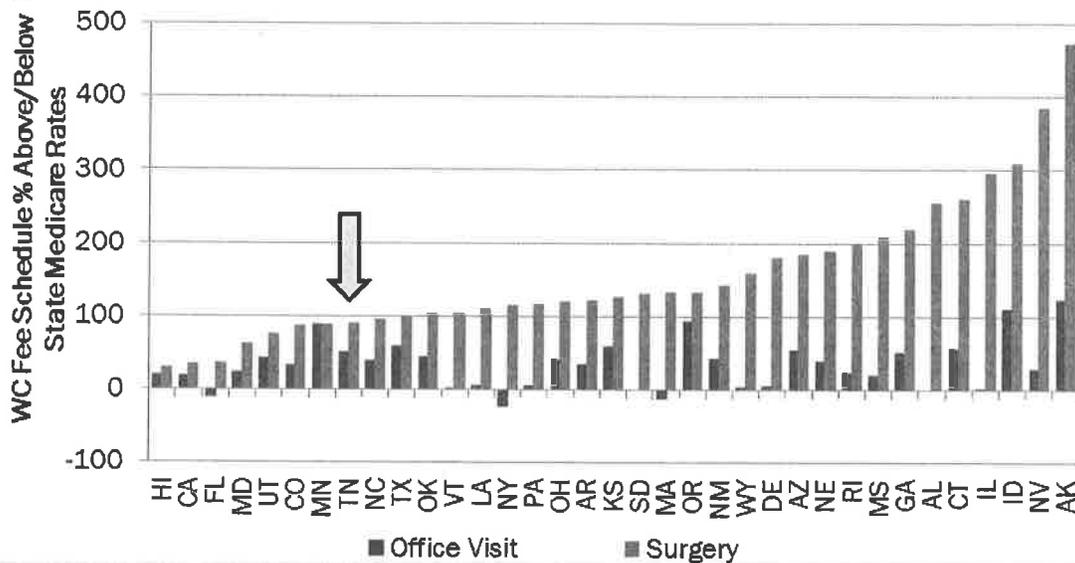


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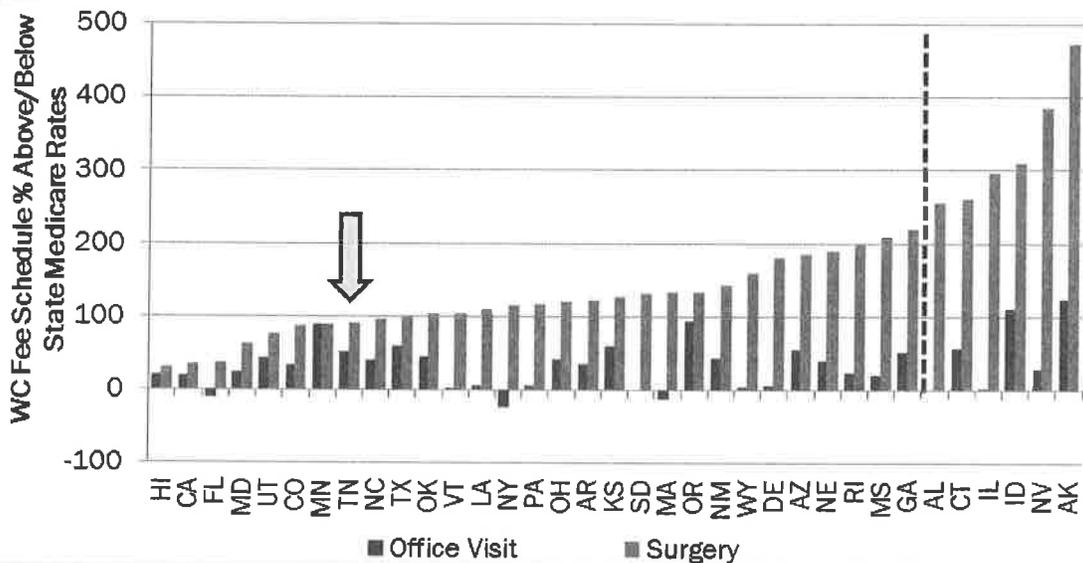
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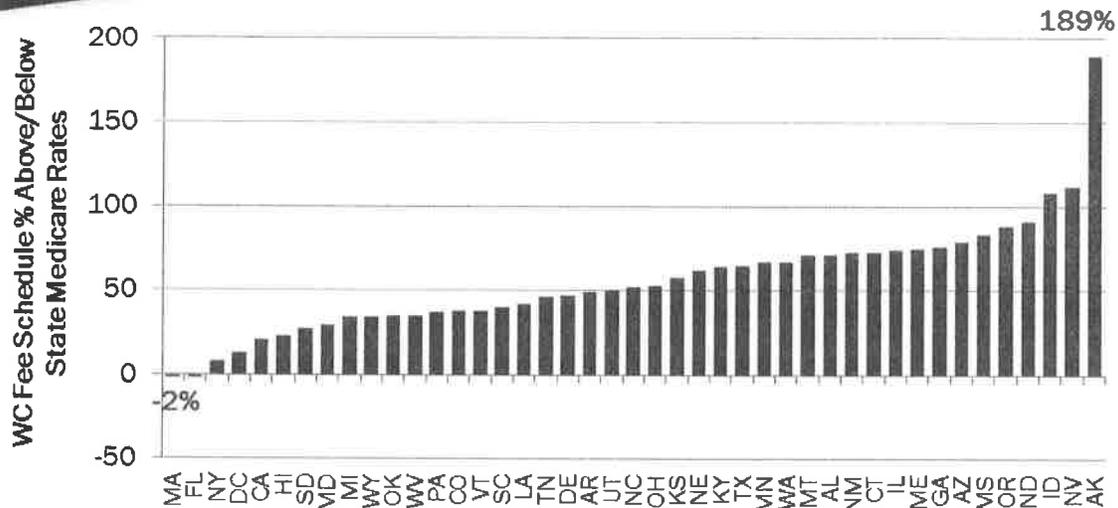
Typically Surgery Reimbursed At Higher Conversion Factor Than Office Visits



Typically Surgery Reimbursed At Higher Conversion Factor Than Office Visits



Premiums Over Medicare Varied Greatly—From 2% Below In FL & MA To 189% Above In AK



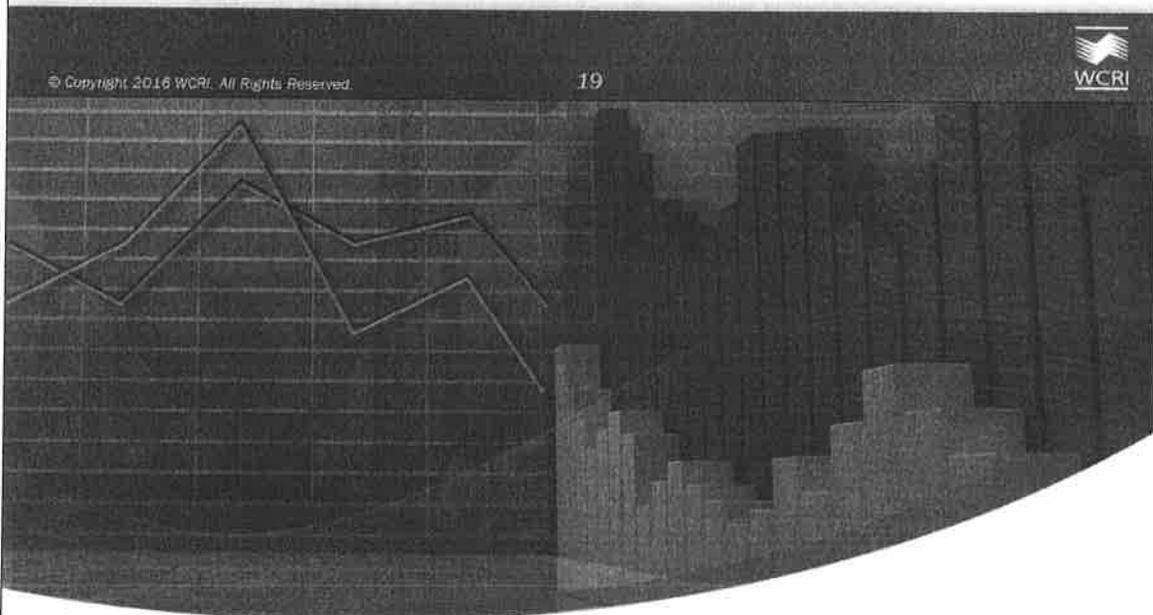
All Professional Services

Medical Services Without Established Fee Schedule Rates

- In the majority of states, over 98 percent of expenditures were for services with assigned fee schedule rates
- 96% in TN
- In TN, 91% of expenditures for physical medicine were covered by fee schedules
 - CPT codes 97545 and 97546 (work hardening and conditioning) not covered by Medicare

Take-aways Regarding Professional Fee Schedules

- Fee schedule premiums over Medicare vary widely across states
- 31 of 44 jurisdictions using fee schedules use Medicare RBRVS system
 - Includes Tennessee
- Of these 31 jurisdictions, 22 use multiple conversion factors
- With multiple conversion factors, surgery is typically reimbursed at higher amount than office visits



How Does Tennessee Compare?



TN Fee Schedule

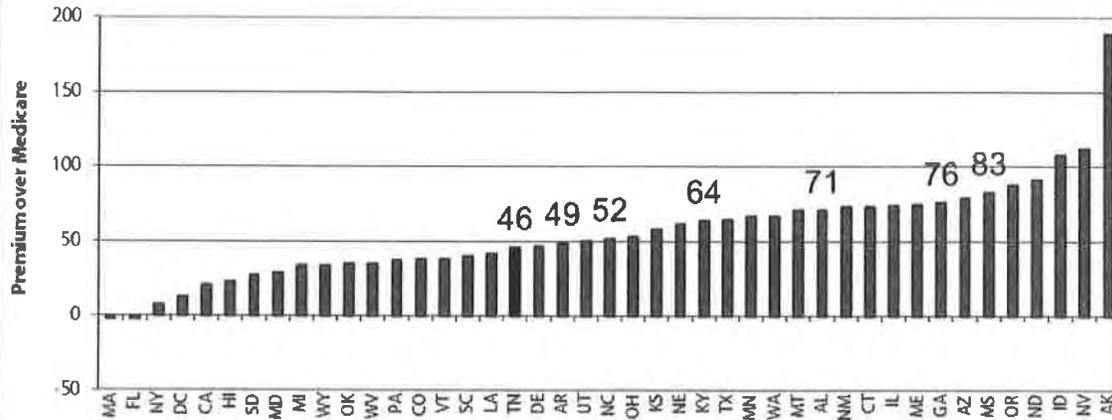
- Single fee schedule for entire state
- Fee schedule establishes firm maximums
- Current-year Medicare RVUs
- Base conversion factor of \$33.9764 (2011 Medicare CF, v. 2016 Medicare CF = \$35.8043)
- Multiple premiums above base CF for service groups
 - 200% (General surgery, radiology, emergency care)
 - 160% (General medicine, incl. evaluation and management)
 - 130% (Physical medicine, i.e., PT/OT and chiropractic)

Calculation Of Benchmarks

- Calculated aggregate fee schedule for each state using common marketbasket of professional services
- Did the same for Medicare
- Calculated WC fee schedule premium over Medicare
 - By how much does state's fee schedule exceed Medicare?
 - Zero percent premium means fee schedule is same as Medicare
 - 100% premium over Medicare means fee schedule is 100% above Medicare or twice Medicare

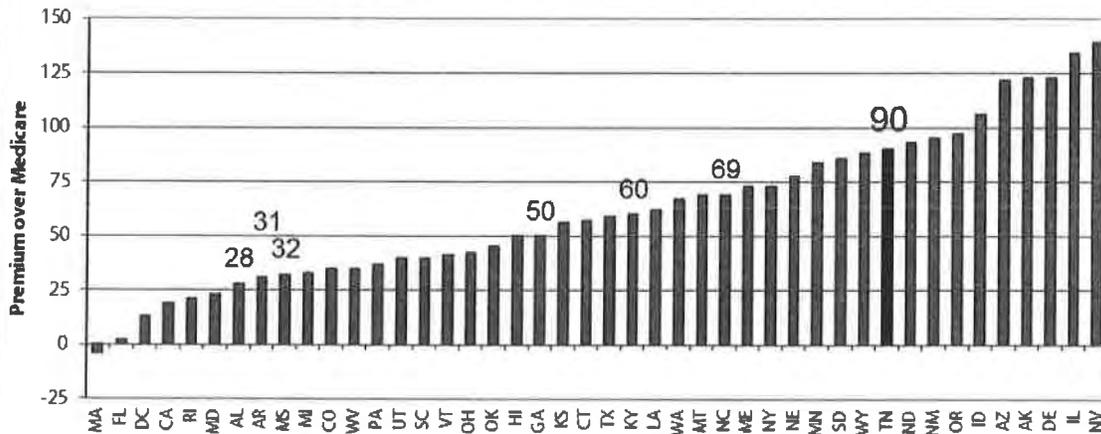
WC Premium Over Medicare, All Professional Services, March 2016

Median = 52



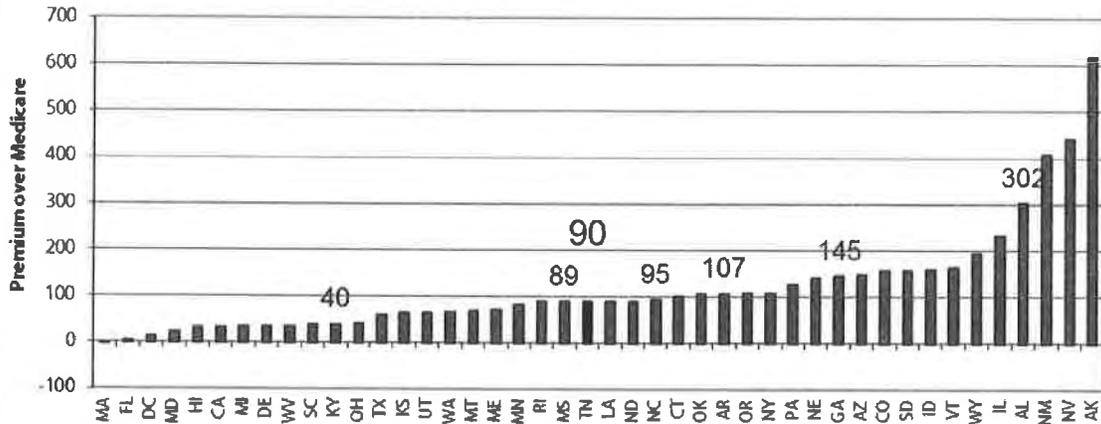
WC Premium Over Medicare Emergency Services, March 2016

Median = 58



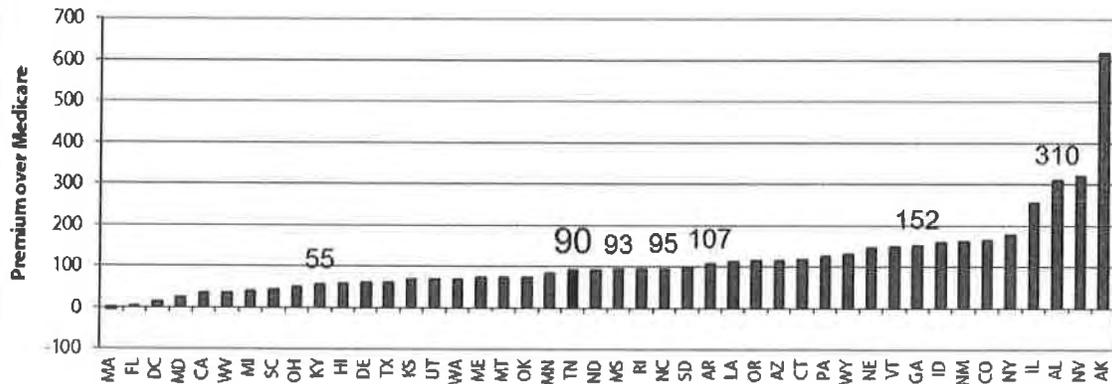
WC Premium Over Medicare Major Radiology, March 2016

Median = 92



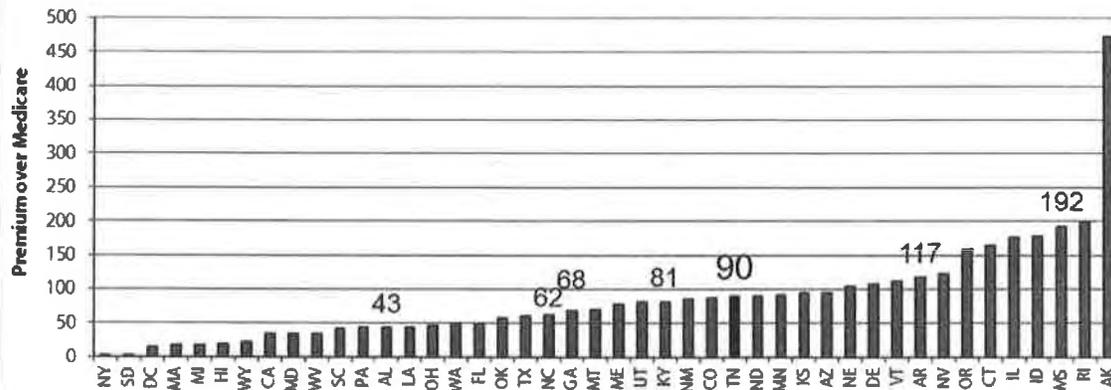
WC Premium Over Medicare Minor Radiology, March 2016

Median = 92



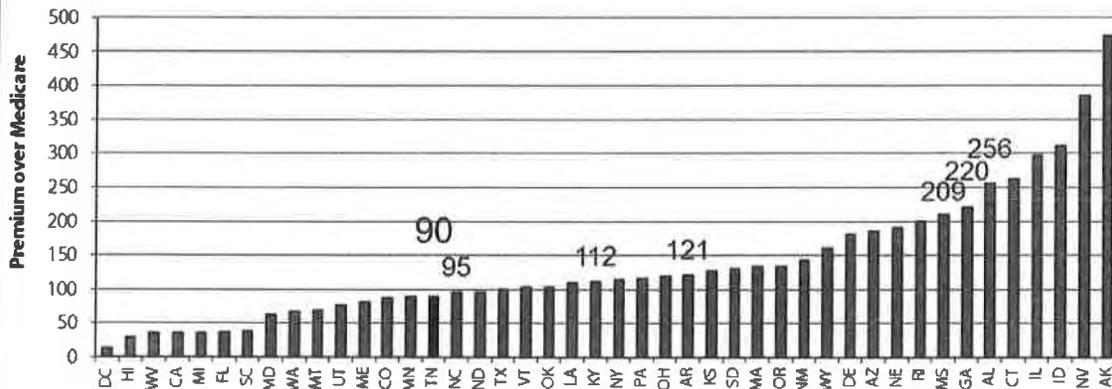
WC Premium Over Medicare Pain Mgt. Injections, March 2016

Median = 73.5



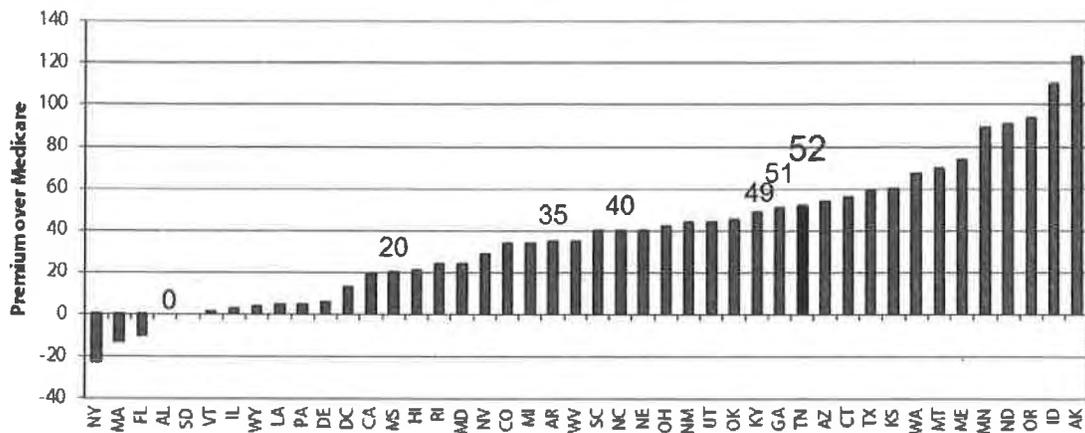
WC Premium Over Medicare Major Surgery, March 2016

Median = 113.5



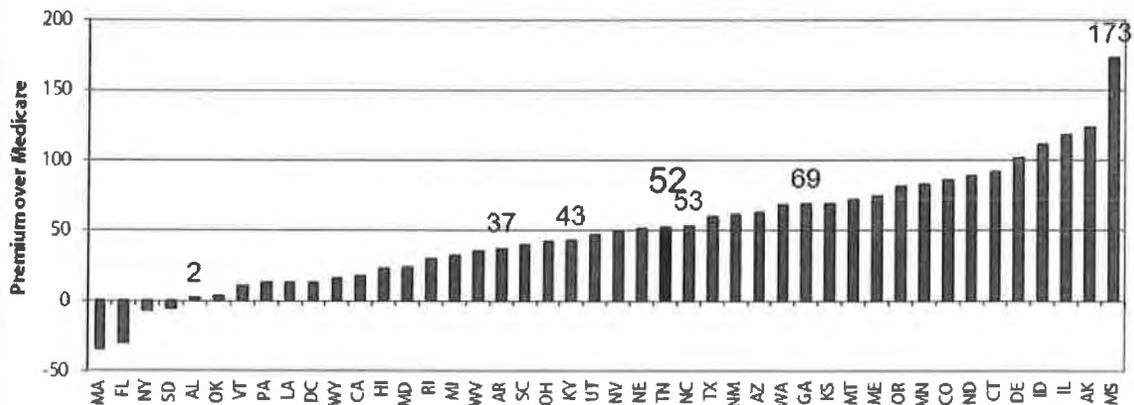
WC Premium Over Medicare Evaluation And Management, March 2016

Median = 37.5



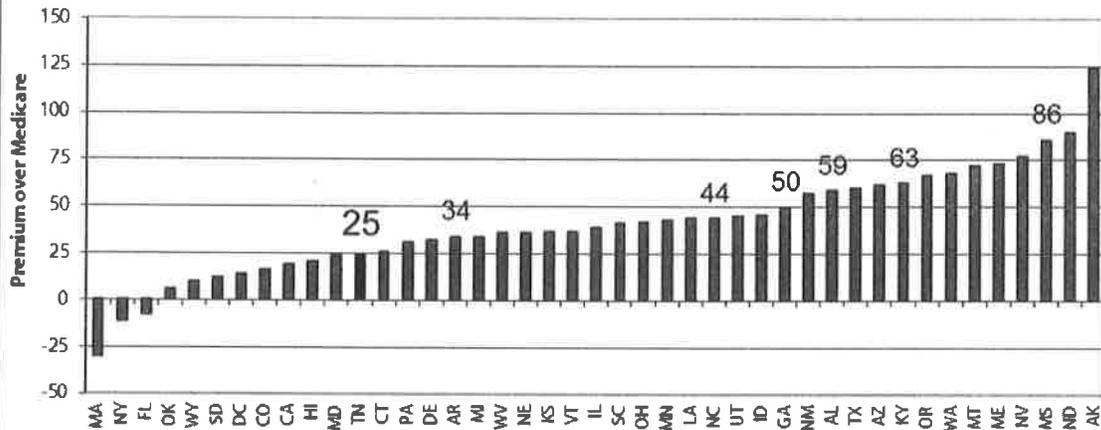
WC Premium Over Medicare Neuro. Testing, March 2016

Median = 48.5



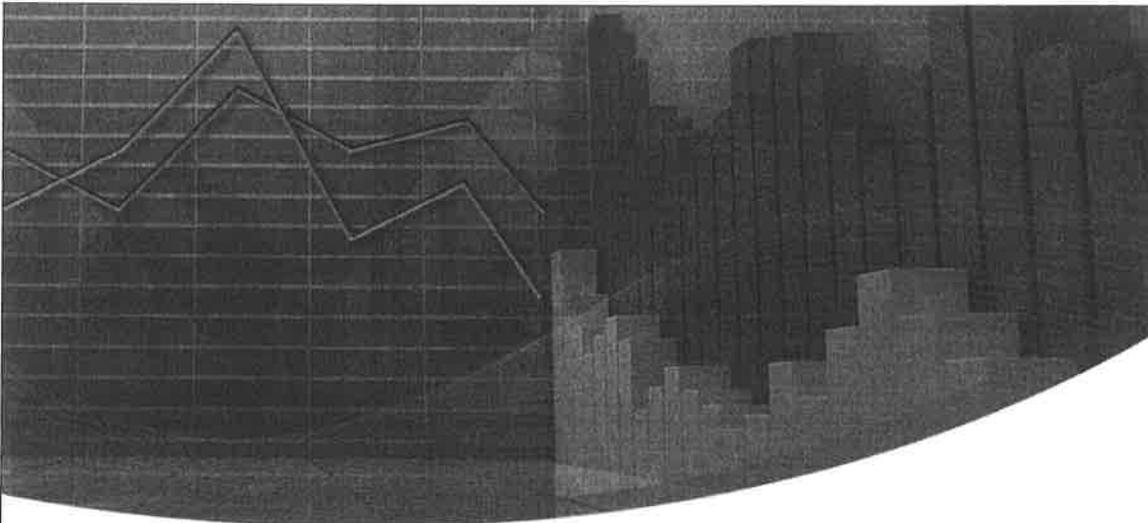
WC Premium Over Medicare Physical Medicine, March 2016

Median = 39



Take-aways Regarding Tennessee Professional Fee Schedule Vs. Other States

- Overall, Tennessee professional fee schedule premium over Medicare is below median state and 6 neighbors
- But, result for Tennessee varies depending on service group
- Fee schedule premium over Medicare;
 - Above median and 6 neighbors for emergency services and evaluation and management
 - Below median and 6 neighbors for major surgery and physical medicine



Comparing Prices For Professional Services

Data From The WCRI Medical Price Index Study



Factors Affecting Actual Prices Paid

- Actual prices paid are affected by
 - Fee schedules
 - Network participation that influences discounts off of fee schedules
- In TN, reimbursement to providers is the lesser of
 1. Provider's usual charges
 2. Maximum fee schedule
 3. MCO/PPO or any other negotiated and contracted amount

Network Participation Rate

- Percentage of payments for professional services rendered within networks
- In TN in 2014, network penetration rate is around 82%
- Range: 36% in TX to 89% in several states and 93% in OK

Value Of Workers' Compensation Medical Price Index

- Provides a tool for policymakers to compare prices in their state with other states for similar services
- Helps policymakers evaluate effectiveness of their public policy initiatives by tracking trends in workers' compensation medical prices

Data And Methods In WC Medical Price Index

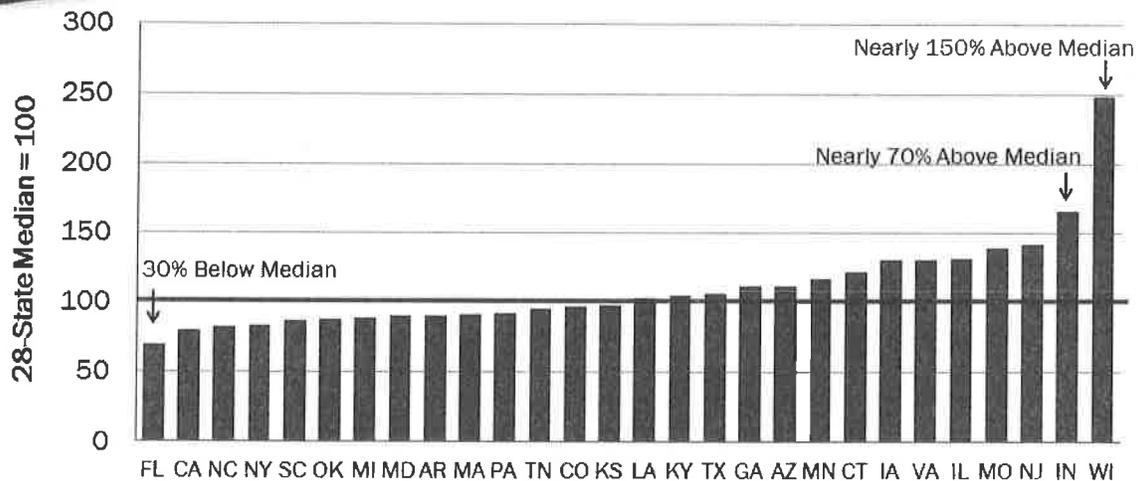
- Evaluates prices paid for professional services
- Includes 28 states; focus on 2008-2015 (half-year)
- Indices for overall and for 8 major service groups
- Uses a marketbasket of most commonly billed WC medical services
- Isolates price and price trends by holding utilization constant across states and over time
 - Fixed marketbasket of services
 - Like CPI-Medical, but just WC prices

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Tremendous Variation In Prices Paid Across States For Similar Professional Services



Medical Price Index In 2015 (January Through June)

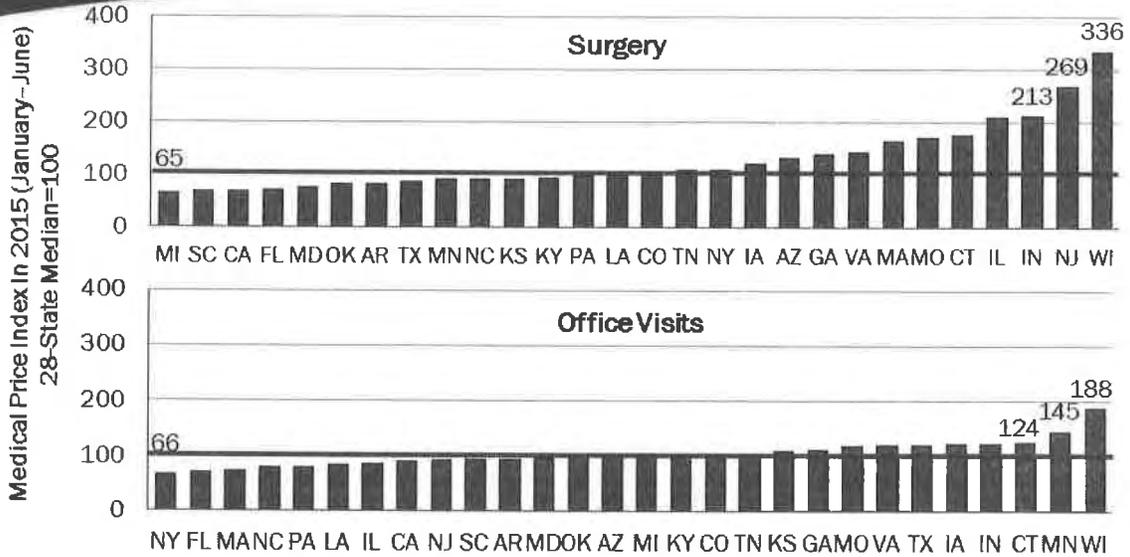
MS, NE, And OR Are Not Shown Here Due To Insufficient Cell Sizes In 2015 (Half Year)
 Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

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More Variation Across States In Prices Paid For Surgeries Than Office Visits



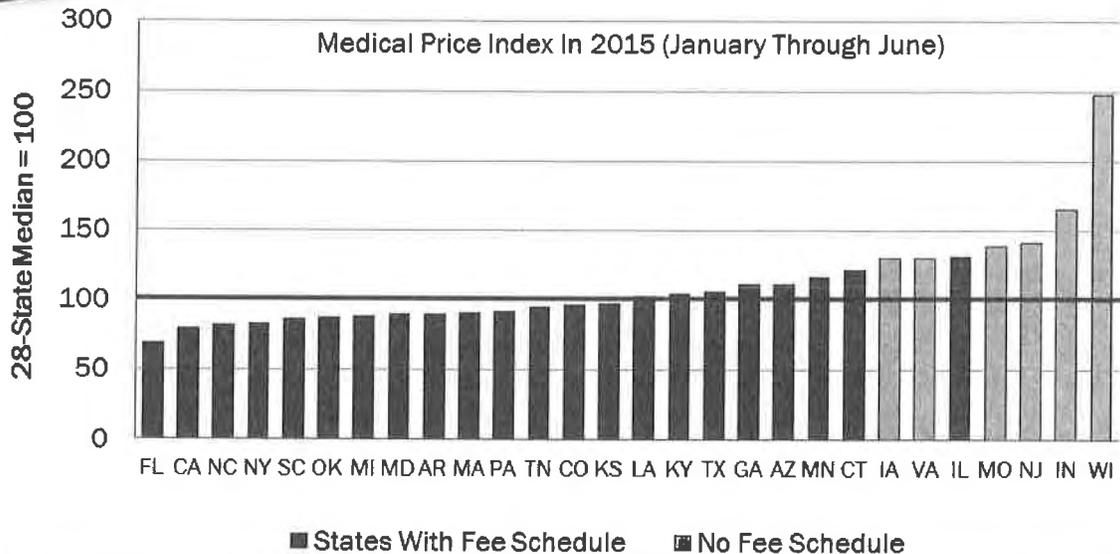
MS, NE, and OR are not shown here due to insufficient cell sizes in 2015 (half-year)
Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

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Higher Prices Were Paid In States Without Fee Schedules



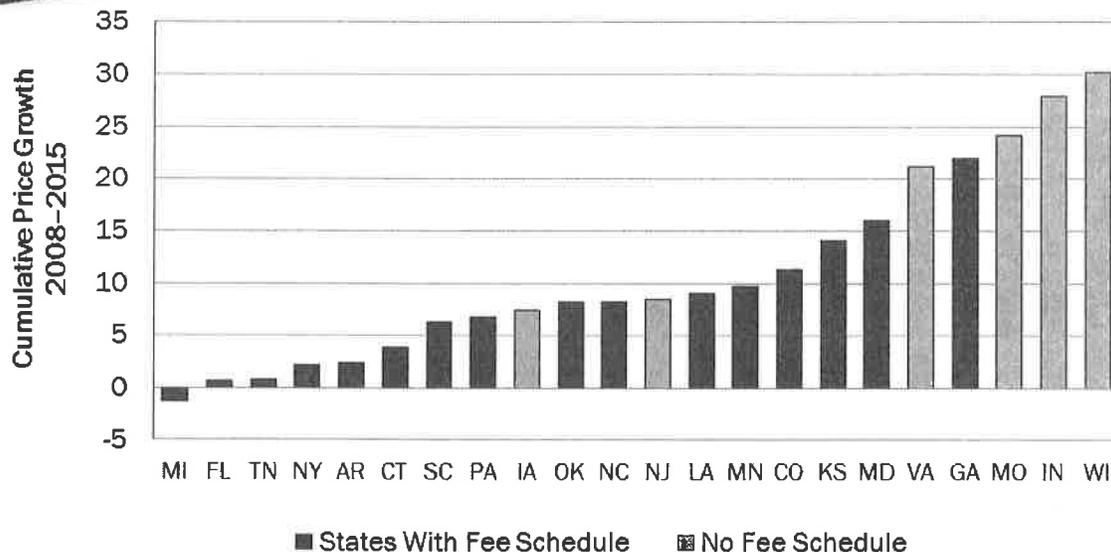
MS, NE, and OR are not shown here due to insufficient cell sizes in 2015 (half-year)
Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

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Most States With No Fee Schedules Had Faster Price Growth



MS, NE, and OR are not shown here due to insufficient cell sizes in 2015 (half-year). AZ, CA, IL, KY, MA, and TX had substantial fee schedule changes and are excluded from this chart. Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)
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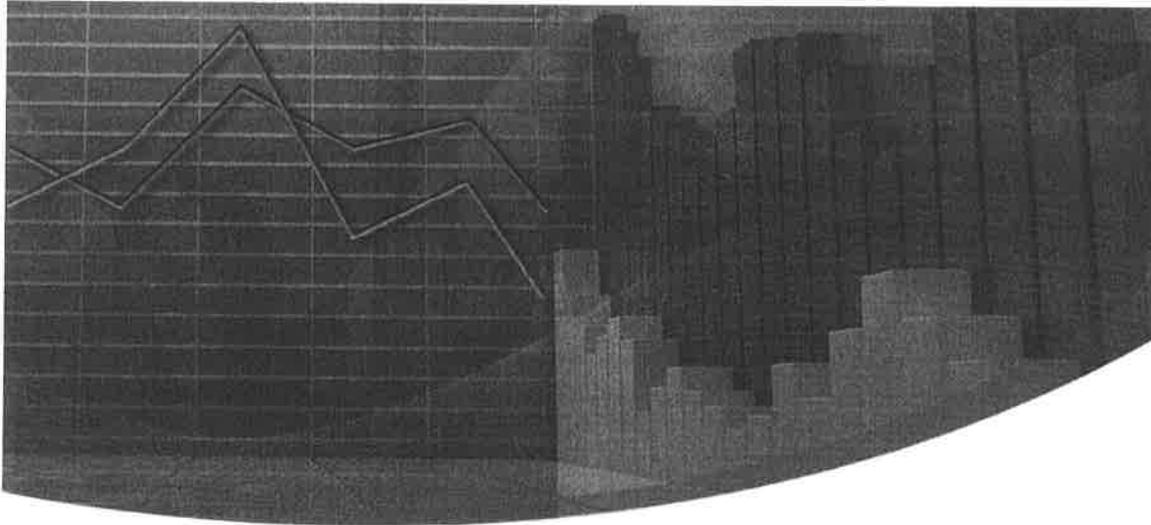
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Key Lessons From Interstate Comparisons Of Prices And Price Trends

- Prices paid reflect
 - Presence and level of fee schedule
 - Extent of network participation influencing discounts off fee schedule
- Prices paid for a similar set of professional services varied tremendously across states
- States with no fee schedules had higher prices paid and faster price growth compared with states with fee schedules



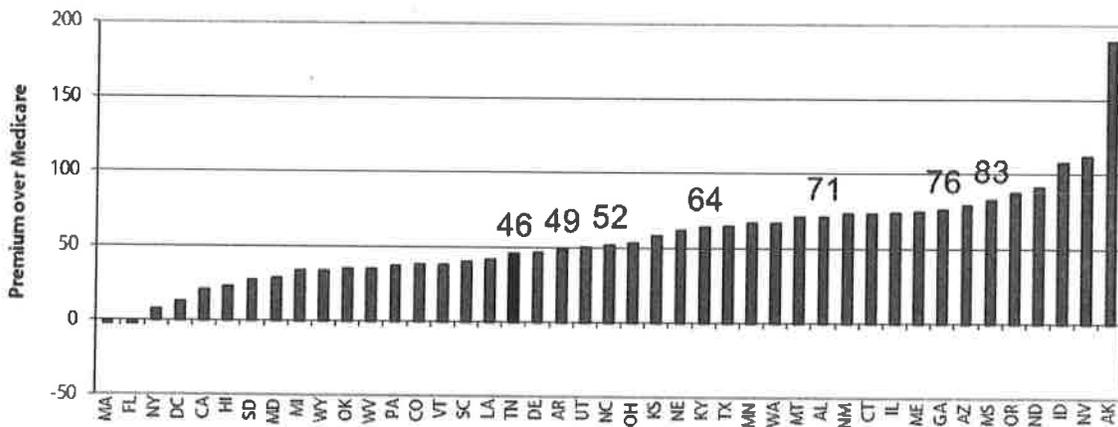


MPI Results For Tennessee



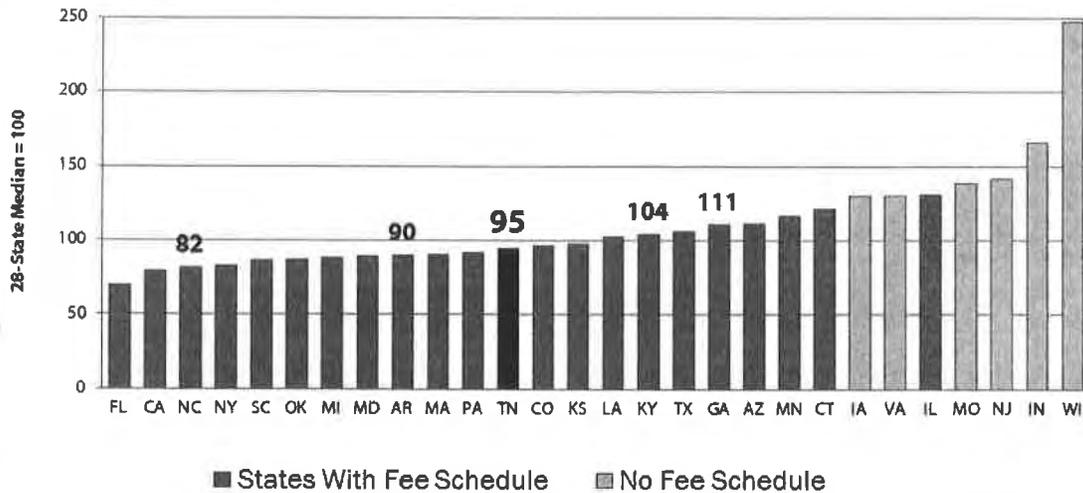
WC Fee Schedule Premium Over Medicare All Professional Services, March 2016

Median = 52



Source: *Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)*

Prices Paid For All Professional Services January To June 2015



Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

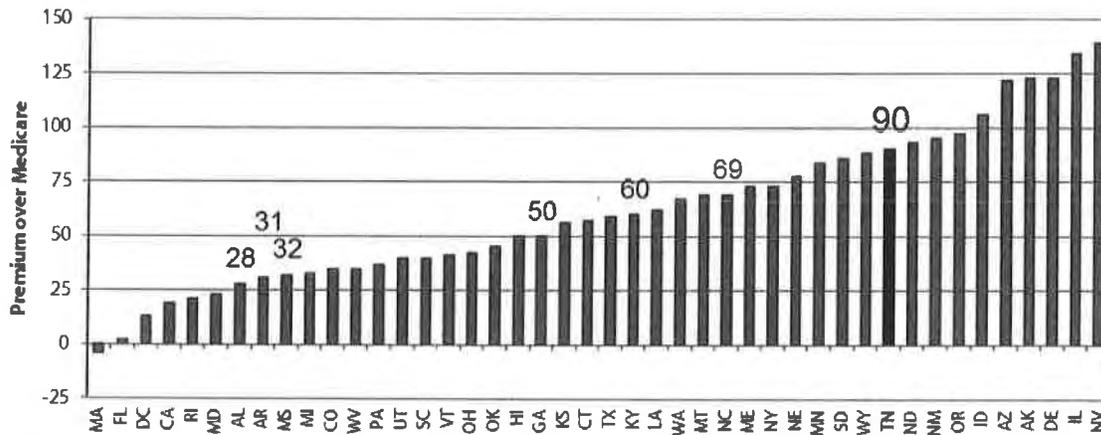
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WC Fee Schedule Premium Over Medicare Emergency Services, March 2016

Median = 58



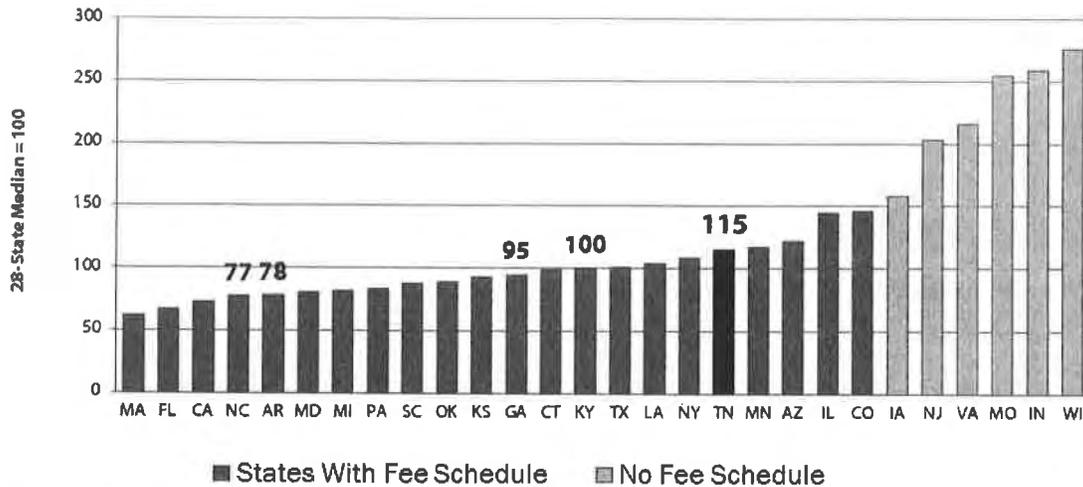
Source: Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)

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Prices Paid For Emergency Services January To June 2015



Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

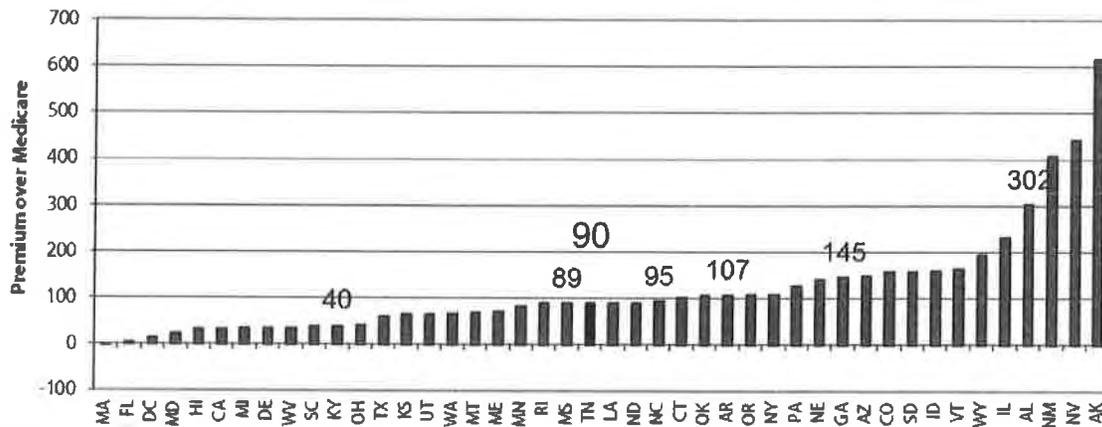
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WC Fee Schedule Premium Over Medicare Major Radiology, March 2016

Median = 92



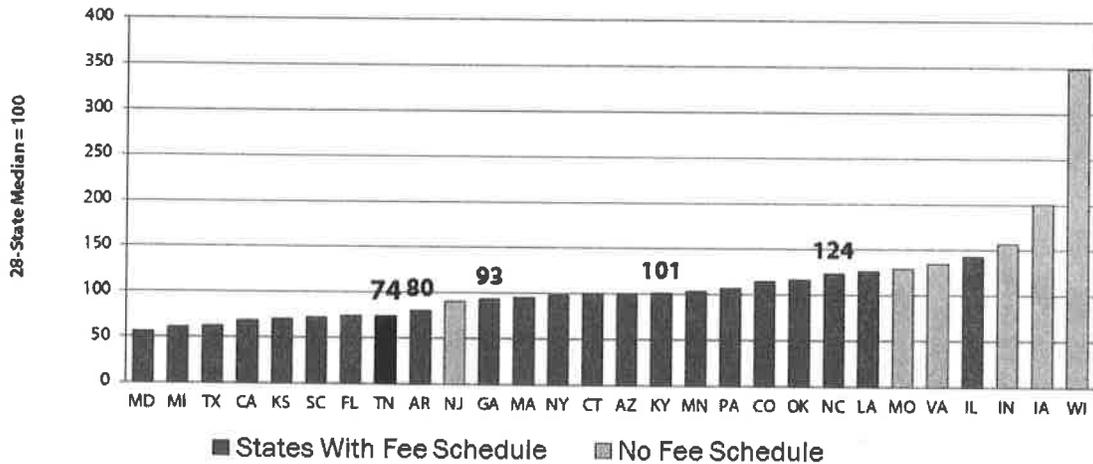
Source: Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)

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Prices Paid For Major Radiology January To June 2015



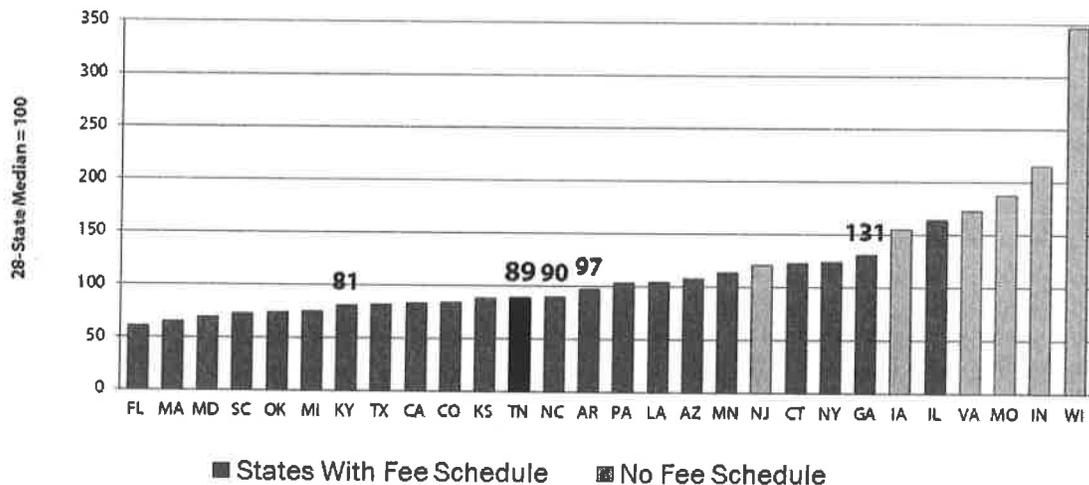
Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

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Prices Paid For Minor Radiology January To June 2015



Source: WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)

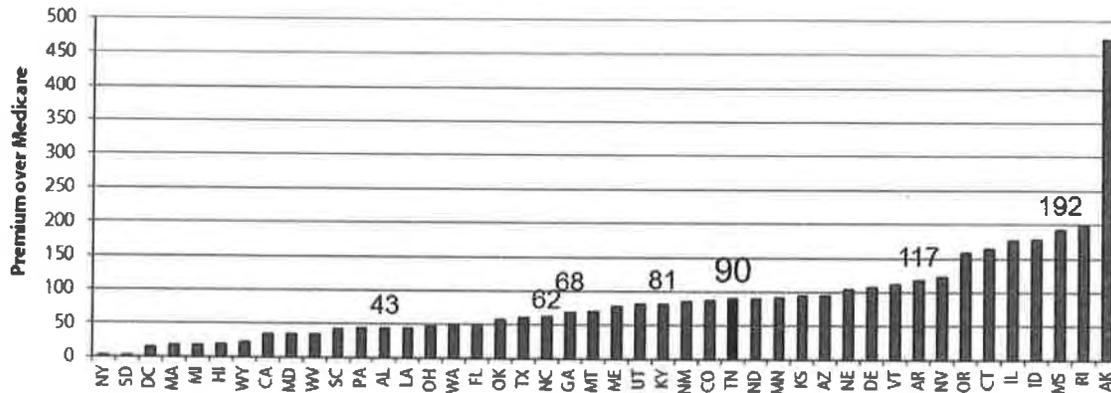
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WC Fee Schedule Premium Over Medicare Pain Mgt. Injections, March 2016

Median = 73.5



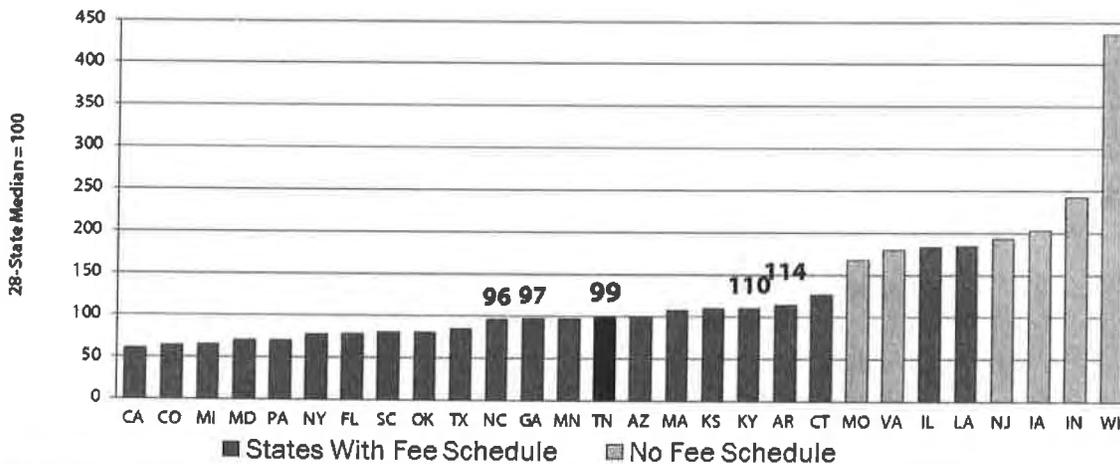
Source: *Designing Workers' Compensation Medical Fee Schedules, 2016* (2016)

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Prices Paid For Pain Mgt. Injections January To June 2015



Source: *WCRI Medical Price Index For Workers' Compensation, Eighth Edition* (2016)

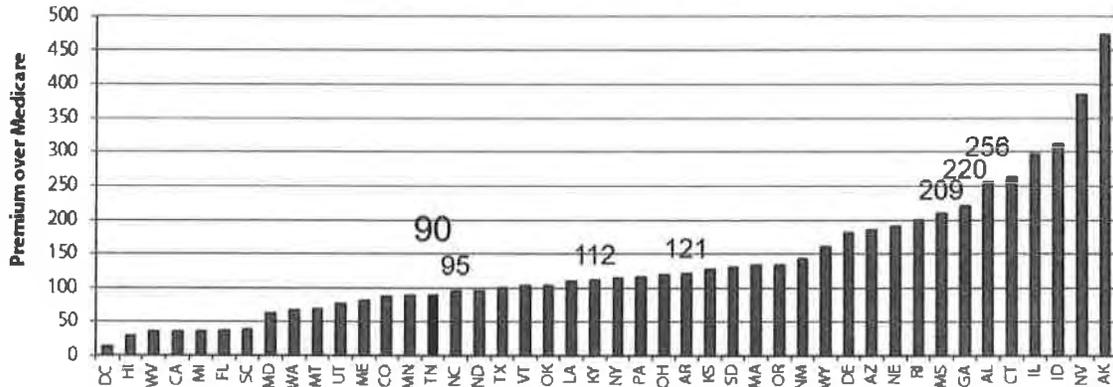
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WC Fee Schedule Premium Over Medicare Major Surgery, March 2016

Median = 113.5



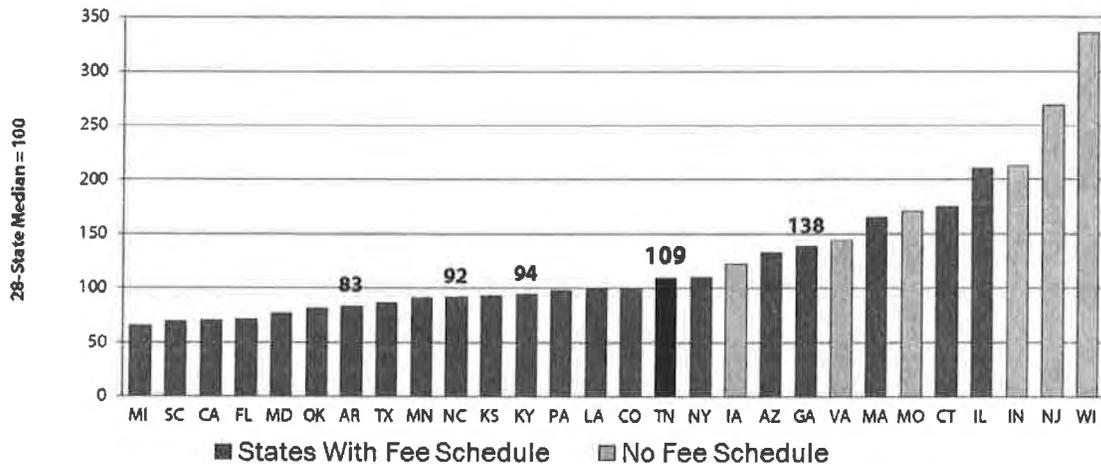
Source: *Designing Workers' Compensation Medical Fee Schedules, 2016* (2016)

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Prices Paid For Major Surgery January To June 2015



Source: *WCRI Medical Price Index For Workers' Compensation, Eighth Edition* (2016)

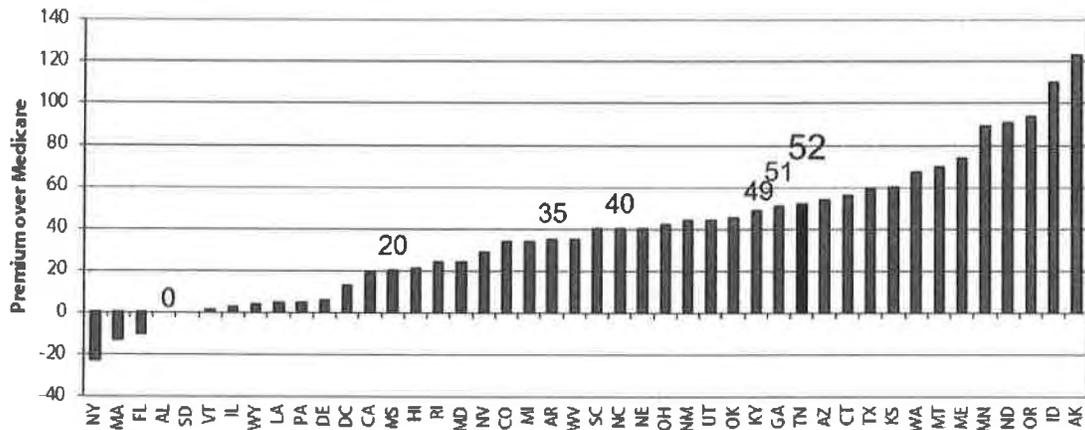
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WC Fee Schedule Premium Over Medicare Evaluation And Management, March 2016

Median = 37.5



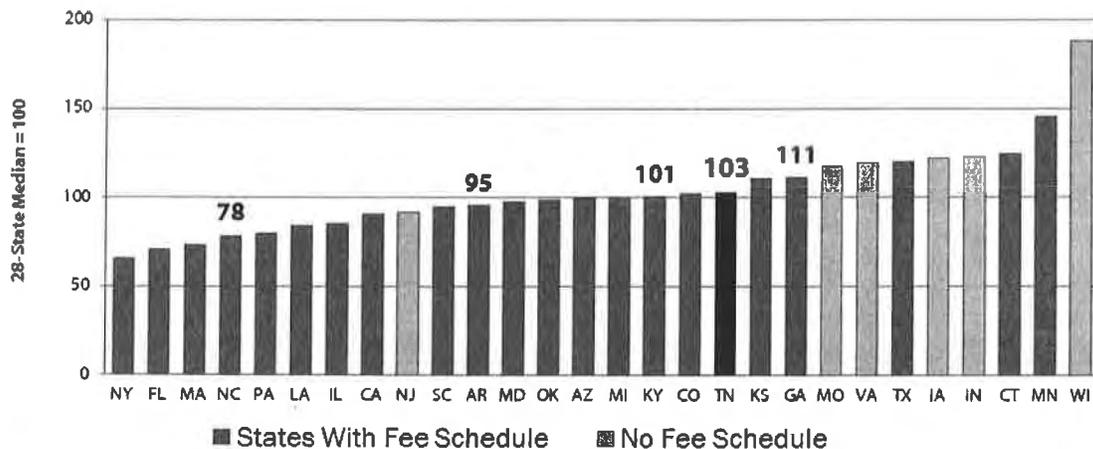
Source: *Designing Workers' Compensation Medical Fee Schedules, 2016* (2016)

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Prices Paid For Evaluation & Management January To June 2015



Source: *WCRI Medical Price Index For Workers' Compensation, Eighth Edition* (2016)

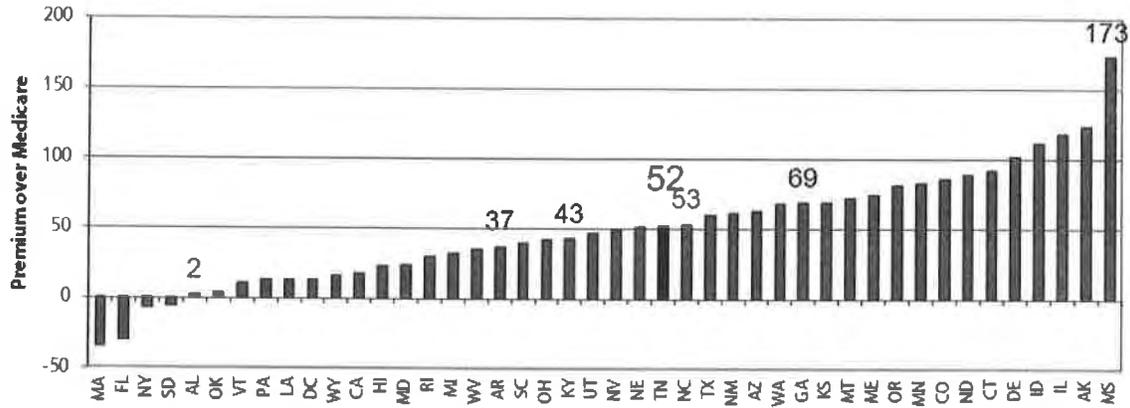
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WC Fee Schedule Premium Over Medicare Neuro. Testing, March 2016

Median = 48.5



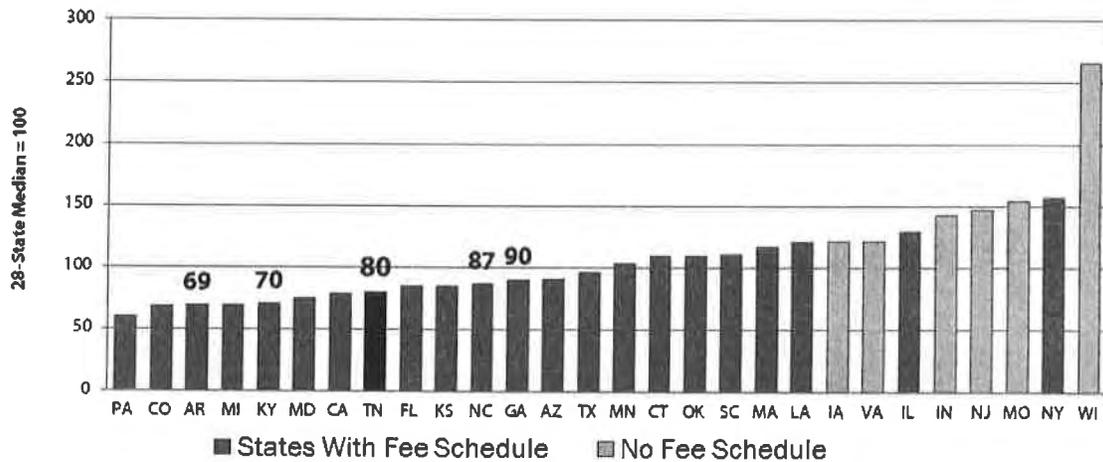
Source: *Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)*

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Prices Paid For Neuro. Testing January To June 2015



Source: *WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)*

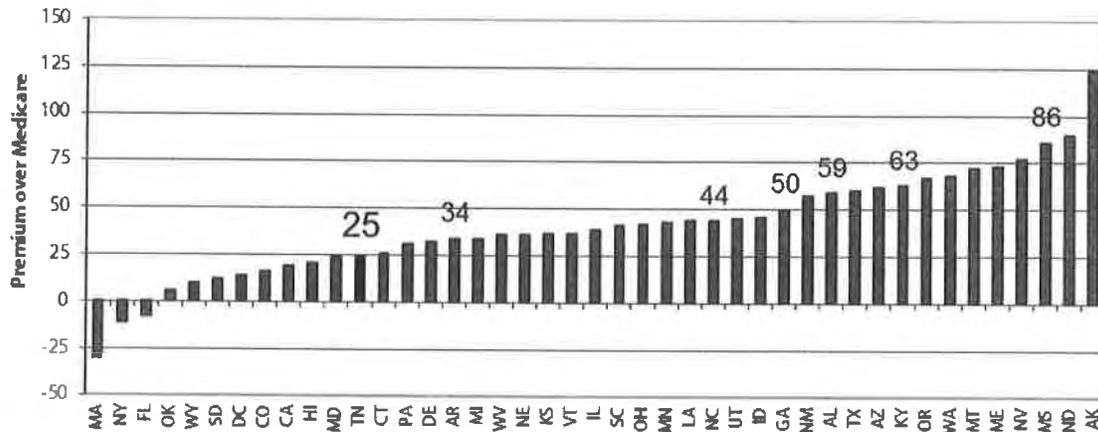
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WC Fee Schedule Premium Over Medicare Physical Medicine, March 2016

Median = 39



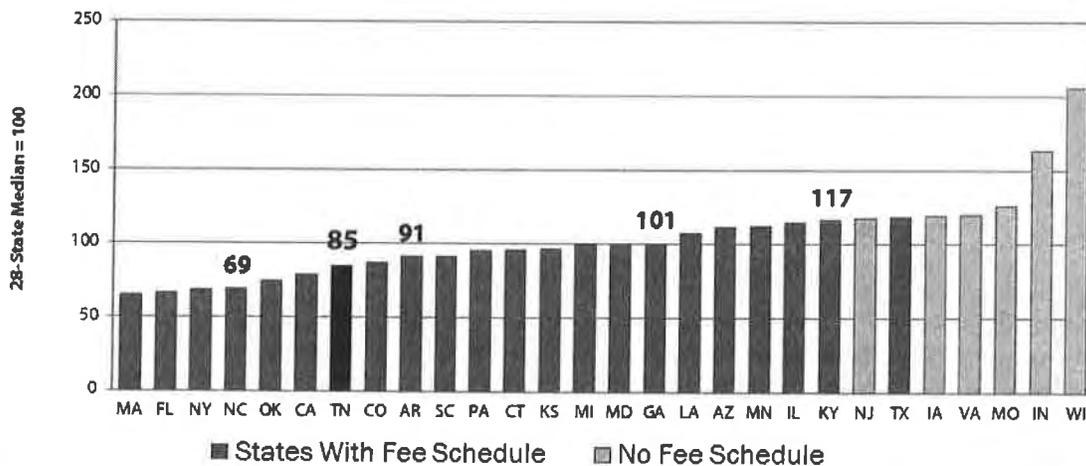
Source: *Designing Workers' Compensation Medical Fee Schedules, 2016 (2016)*

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Prices Paid For Physical Medicine January To June 2015



Source: *WCRI Medical Price Index For Workers' Compensation, Eighth Edition (2016)*

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Take-aways Regarding Tennessee Prices Paid

- Overall, TN professional prices were 5% below median state and between 4 neighbors
- Results vary for service groups
 - For emergency services, TN prices were above median state and 4 neighbors
 - For major surgery, TN prices were above median state and 3 neighbors
 - For physical medicine, TN prices below median and 3 neighbors
 - For major radiology, TN prices were below median state and 4 neighbors

Thank You!

- For comments/questions about the findings:

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- I invite you to stay connected with WCRI on:

