



BULLETIN

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Average amounts paid for ambulatory surgery center (ASC) facility fees in California workers' comp have dropped 27 percent per episode and 29 percent per procedure under the revised fee schedule adopted by the state after the passage of SB 863 in 2012 according to updated data from the California Workers' Compensation Institute (CWCI) and the Workers' Compensation Insurance Rating Bureau (WCIRB).

SB 863, the legislative reform package signed by Governor Brown in September 2012 included a provision requiring the Division of Workers' Compensation (DWC) to revise the workers' compensation Outpatient Facility Fee Schedule in order to contain the rising cost of treatment provided at ASCs. The DWC subsequently adopted changes to the schedule that effective January 1, 2013, reduced maximum outpatient surgery facility fees for ASC services from 120 percent to 80 percent of the Medicare rate. In 2012, the WCIRB estimated that this change would reduce ASC facility fees by 25 percent.

Preliminary results of a joint CWCI/ WCIRB analysis published a year ago examined the impact of the fee schedule revision on ASC expenditures by measuring the average amounts billed and paid for workers' compensation outpatient surgery services from the year preceding the adoption of the schedule (2012) and in the first 6 months after it took effect (January through June of 2013). The new CWCI/WCIRB study updates that report with an additional year's worth of data, encompassing reimbursements for ASC services from January 2012 through June 2014. As in the earlier study, average payments were measured both on a per procedure basis using CWCI data, and a per episode basis using WCIRB data. In addition, the authors looked for changes in a number of factors that can affect the amounts paid to ASCs, including:

- ASC discounts negotiated between workers' compensation payers and provider networks
- the mix of services rendered
- the number of non-primary procedures per surgical episode and the percentage of ASC episodes that included services not subject to the ASC fee schedule reductions
- the proportion of outpatient surgeries performed at hospitals and at ASCs

From January 2013, when the revised schedule took effect, through June 2014, the study found that the average ASC fee schedule allowance fell 29 percent from \$1,813 to \$1,285 per procedure. With maximum fees reduced under the schedule, ASCs were less inclined to contract for discounted rates well below the scheduled amounts, so the average network discount for ASC services dropped from 11 percent in 2012 to 7 percent after the schedule took effect, which drove the average discount per ASC procedure down from \$191 to \$90, a 53 percent reduction. After accounting for changes in the mix of services rendered at ASCs, the authors calculated that the average amount paid for ASC procedures declined from \$1,571 to \$1,123 – a net reduction of 29 percent per procedure over the 18-month period, even though the average amount billed per ASC procedure declined only 2.5 percent.

In addition to calculating the change in ASC payments on a per procedure basis, the study also includes an event-based analysis on the impact of the fee schedule changes based on a review of data from the 30 most frequently used outpatient facility procedures in California workers' comp. The authors grouped the data into episodes of care, with each episode including all procedures and ancillary services delivered by an ASC or hospital outpatient department on a specific claim, on a specific date of service. Average payments per episode were then calculated and compared for 2012 and for the first 18 months after the schedule changes took effect. The results show the average amount paid per episode declined 27 percent from \$2,074 in 2012 to \$1,524 in 2013 through June 2014, a net reduction of 26 percent after the fee schedule changes took effect, just slightly less than the 29 percent reduction noted in the per procedure payments.

To determine if changes to the ASC fee schedule led to an increase in services at outpatient hospital facilities that were not subject to the same fee controls, the authors examined data on the top 30 outpatient surgeries performed at ASCs and at outpatient hospital facilities, which combined account for about 8 out of every 10 California workers' compensation outpatient surgical episodes. As in the initial findings from last year, the updated data showed a negligible shift in the distribution of outpatient surgeries performed in each setting; with 79 percent of the 2012 surgical episodes taking place in ASCs compared to 80 percent of the surgeries performed in the 18 months after the schedule was in place. In terms of the dollars paid per episode for these surgeries, the average ASC reimbursement for the top 30 surgical episodes declined 27 percent from \$2,074 in 2012 to \$1,524 under the revised fee schedule, while the average paid for those surgeries at outpatient hospital increased 8 percent from \$2,458 to \$2,646. Furthermore, after grouping the data into three major categories of workers' compensation outpatient surgeries (knee and shoulder arthroscopies as well as hand and hernia procedures; nerve impingement procedures – primarily injections in the back; and spinal cord stimulator procedures) the authors found little change in the mix of surgeries performed in ASCs and in hospitals before and after the schedule took effect, as well as a relatively stable distribution of payments among the three major surgery categories.

Reducing facility fees for procedures performed at ASCs created a potential incentive for ASCs to increase the intensity of services rendered to injured workers to make up for lost revenue. To measure the extent to which that took place, the authors calculated the percentage of outpatient facility payments per episode that reimbursed non-primary procedures (such as additional injections when an injured worker received an epidural). The results indicate that thus far, there has been no increase in service intensity under the new schedule, as the proportion of ASC outpatient facility fees that reimburse additional services has declined from 39 percent to 37 percent since the fee schedule changes took effect, while the proportion of hospital outpatient fees paying for such services has held steady at 39 percent. Furthermore, an analysis of ASC billing data showed that the proportion of ASC episodes that included charges for additional services such as x-rays that were not subject to the fee schedule reduction declined from 1.5 percent in 2012 to 1.2 percent under the revised schedule, further suggesting that the adoption of the ASC schedule did not produce a change in service intensity.

CWCI and the WCIRB have jointly published a report, "Ambulatory Surgery Center Cost Outcomes Follow-Up Study: The Impact of California SB 863 Workers' Compensation Reforms" on the study, which includes additional details, tables and analyses. CWCI has posted the report in the Research section of its website, www.cwci.org.

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