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BULLETIN

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A new Institute analysis of physician and non-physician service fees governed by the California workers' compensation Official Medical Fee Schedule finds that as the state began to transition to a new Resource Based Relative Value Scale (RBRVS) fee schedule there was a major shift in where the medical dollars flow, so as intended, primary care providers are now getting a bigger share of covered fees and specialists are getting less.

The results come from a new CWCI analysis of 11.4 million medical services provided to California injured workers in the first 10 months of 2013, 2014, and 2015. For the analysis, the author calculated the average and total number of medical services delivered in each of those years, as well as the associated payments, then compared results from 2013, the final year under the old schedule, to those from 2014 and 2015, the first two years of the transition to the RBRVS schedule mandated by state policymakers as part of the 2012 workers' compensation reform bill (SB 863). To measure the impact of the new schedule on specific types of medical care, results were also broken out for eight medical service categories: radiology; surgery; evaluation and management; medicine services; physical medicine; special services; anesthesia; and pathology.

A tally of medical services covered by the fee schedule shows that in 2015, two years into the transition, the volume of services had declined 17.7 percent from the 2013 level, with reductions ranging from 11.4 percent for radiology services to 49.5 percent for medicine services (comprised primarily of ancillary services such as cardiovascular, nerve and muscle testing, and psychiatric testing and psychotherapy). On the reimbursement side, aggregate payments for all services under the schedule were down 14.3 percent, but changes in the amounts paid for various categories of services varied, ranging from a 44.9 percent reduction in medicine services to a 12.7 percent increase in physical medicine services. The number of unique claims associated with each service category showed similar variability, though the variations fell within a narrower range (a 26.5 percent decline in claims with medicine services to a 2.2 percent increase in claims involving evaluation and management), for a net decline of 3.3 percent in the number of unique claims for all services.

Weighing the decreases in the number of services against the total amounts paid for the eight service categories revealed that despite the across-the-board reductions in the volume of services between 2013 and 2015, as intended by SB 863, average amounts paid to providers increased in the four categories that account for the bulk of medical services rendered to injured workers, with average reimbursements rising 9.2 percent for medicine services, 16.5 percent for surgery services, 25.3 percent for evaluation and management services, and 28.1 percent for physical medicine services.

Weighted Average Paid For Calif WC Medical Services by Service Code by Category and Service Year

	2013	2014	2015	% Change
Radiology	$161.49	$132.52	$119.03	-26.3%
Surgery	$343.71	$362.62	$400.39	16.5%
E/M	$94.56	$112.65	$118.46	25.3%
Special Services	$72.55	$47.74	$55.82	-23.1%
Physical Medicine	$27.75	$31.75	$35.54	28.1%
Medicine	$109.87	$116.64	$120.00	9.2%
Anesthesiology	$377.37	$375.88	$358.79	-4.9%
Pathology	$76.08	$61.55	$70.89	-6.8%
Overall Average	**$74.10**	**$71.60**	**$77.20**	**4.2%**

On the flip side, reductions in weighted average paid amounts were noted for anesthesiology, pathology, radiology, and special services (where the decline was primarily due to lower report costs which reflect the new schedule's elimination of separate fees for consultation reports, which in most cases were incorporated into the underlying evaluation service fee). However, given the distribution of workers' compensation medical services among the eight service categories, the reductions in the average amounts paid for the ancillary services were more than offset by the increases in the primary service categories, producing a net 4.2 percent increase in the weighted average amount paid for all service codes (from $74.10 in 2013 to $77.20 in 2015).

To provide a more detailed look at how the utilization and reimbursement of workers' compensation medical services have changed during the first two years of the transition to the RBRVS-based fee schedule, the study also identifies the top services in each of the eight fee schedule categories for service years 2013, 2014 and 2015, based on the overall volume of services and total payments, then noted the changes in the payment and service distributions, the rankings of the top 10 services, and the amounts paid per code. The Institute has included the exhibits and analyses for the individual service categories, along with more background information, graphics and findings from the RBRVS outcomes study in a Report to the Industry, "**Impact of the RBRVS Fee Schedule on California Workers' Comp Physician and Non-Physician Practitioner Service Payments"** which is available to CWCI members and subscribers in the Research section of its website, www.cwci.org, and available for purchase by the public at www.cwci.org/store.html.

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