

SENATE  
SPECIAL COMMITTEE ON  
WORKERS' COMPENSATION REFORM

December 8, 2010

Reference Notes to Testimony  
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Fee Schedule Project Manager

Illinois Workers' Compensation Commission  
Trends in Illinois Medical Costs

NCCI<sup>i</sup>

Average Medical Cost Per Case In Illinois  
(All cases)

Policy Year	All Injuries	% Change
2000	\$3,538	16.4%
2001	\$3,942	11.4%
2002	\$4,839	22.8%
2003	\$5,779	19.4%
2004	\$6,695	15.9%
2005	\$7,735	15.5%
2006	\$8,234	6.5%
2007	\$8,604	4.5%

WCRI

Growth in Average Medical Payment per Claim  
With More Than 7 Days of Lost Work Time <sup>ii</sup>

Policy Year	Illinois	Study Median
2002 – 2003	13.3%	10.7%
2003 – 2004	11.7%	6.9%
2004 – 2005	8.0%	7.2%
2005 – 2006	16.9%	7.3%
2006 – 2007	1.1%	4.9%
2007 – 2008	5.1%	5.5%

Utilization of Nonhospital Providers  
For Claims With More Than 7 Days of Lost Work Time  
Annual Percentage Change <sup>iii</sup>

Policy Year	Illinois	Median
2002 – 2003	6.6%	5.7%
2003 – 2004	5.0%	3.8%
2004 – 2005	2.5%	2.5%
2005 – 2006	10.4%	2.5%
2006 – 2007	-0.2%	3.3%
2007 – 2008	4.5%	1.1%

<sup>i</sup> National Council on Compensation Insurance, *Annual Statistical Bulletin*, 1996-2010 editions, Exhibit XI ("First Report" data; farthest right column entitled, "Medical (\$)").

<sup>ii</sup> Workers' Compensation Research Institute, *Monitoring the Impact of Illinois Regulatory Changes: CompScope Medical Benchmarks, 10<sup>th</sup> Edition*, July 2010, Figure 31, page 83. Note figures from prior years have been revised.

<sup>iii</sup> WCRI, Figure 35, page 88. Note figures from prior years have been revised. Utilization is defined as the composite of the number of visits per claim, number of services per visit, and the resource intensity of services provided.



ILLINOIS WORKERS' COMPENSATION COMMISSION

TOTAL WORKERS' COMPENSATION COSTS

	Medical	Cash	Total	<i>% Change From Prior Year</i>		
				Medical	Cash	Total
Illinois	\$1,449,299	\$1,545,121	\$2,994,420	12%	7%	9%
Total	25,809,808	\$26,067,050	51,876,858	9%	<1%	5%

Source: National Academy of Social Insurance, "Workers' Compensation: Benefits, Coverage, and Costs, 2008" September 2010, Table 9, pages 26-27.

# Fee Schedule Methodology

- Controlled by Section 8.2 of WC Act – copy attached to end of document.
- Use database with 12 million charges; only Ingenix qualified
- Use charges (not paid amounts) from 8/1/02 - 8/1/04.
- This historical use of data limited fee schedule amounts to those codes existing in 2004 – new codes since 2004, or those with insufficient data during data call time frame, are updated by POC76.
- Calculate fee for each of 29 geozips
- Fee based on site of treatment
- Payment shall be the LESSER of provider's charge OR fee schedule amount — this payment represents full payment.
- Caveat to bullet point above: a contractual agreement will prevail over fee schedule amount.

## Fee Schedule Methodology, Page 2

Step 1: Fee = 90% of the 80<sup>th</sup> percentile (8<sup>th</sup> of 10 data points)...

EXAMPLE

1	2	3	4	5	6	7	8	9	10
50	50	55	70	80	95	115	115	120	130

$$\text{Fee} = .90 \times \$115 = 103.50\dots$$

## Fee Schedule Methodology, Page 3

Step 2: Adjust fee UP or DOWN by CPI-U

<b>CPI Adjustments to Medical Fees</b>		
<b>Eff. Date</b>	<b>CPI-U</b>	<b>CPI-M</b>
<b>2/1/06</b>	<b>4.90%</b>	<b>4.37%</b>
<b>1/1/07</b>	<b>3.80%</b>	<b>4.26%</b>
<b>1/1/08</b>	<b>1.97%</b>	<b>4.52%</b>
<b>1/1/09</b>	<b>5.37%</b>	<b>3.26%</b>
<b>1/1/10</b>	<b>-1.48%</b>	<b>3.31%</b>
<b>Total</b>	<b>14.56%</b>	<b>19.72%</b>

2010 Fee = .90 X 115 = 103.50 X 1.1456 = \$118.57

With CPI-M, fee would be 103.50 X 1.1972 = \$123.91

**5% savings**

5

# Professional Services

## Key Components

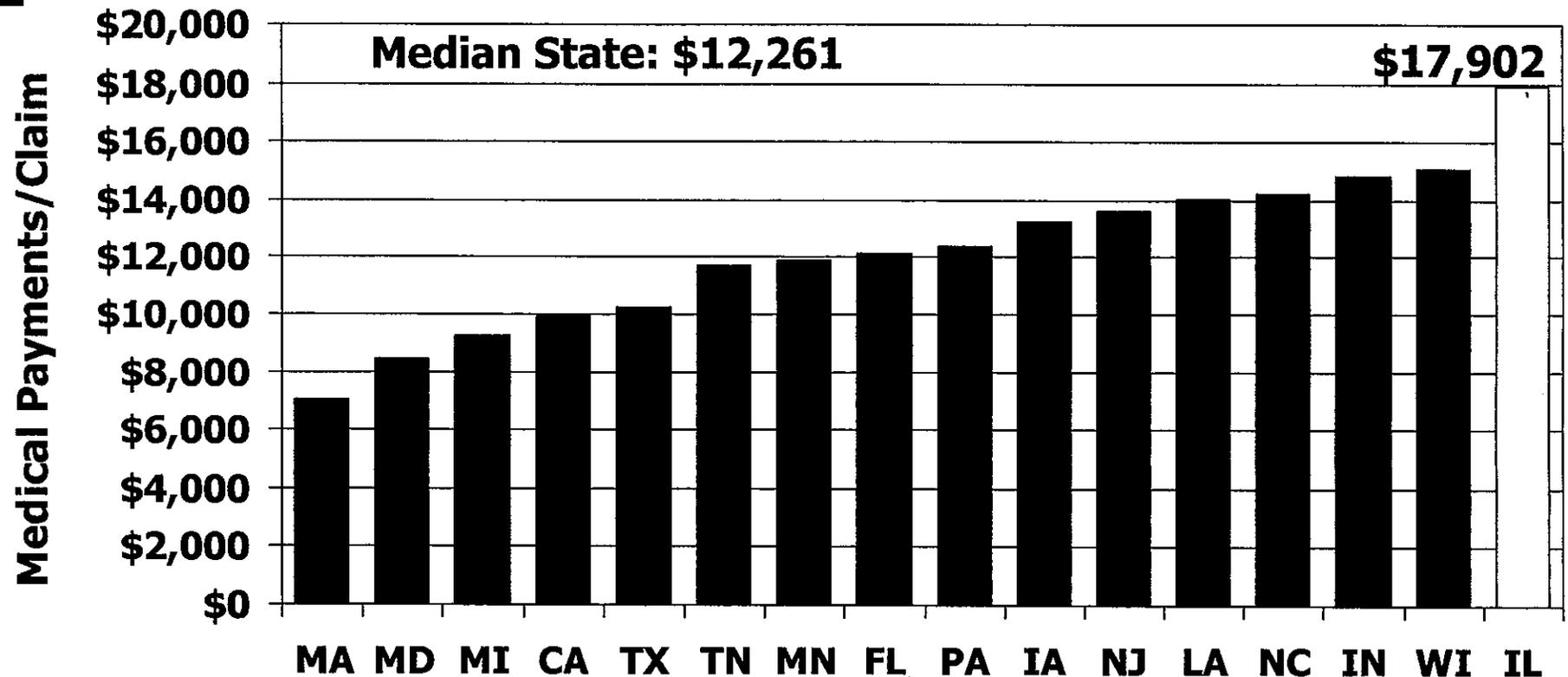
- Fee Schedule
- Instructions and Guidelines
- *Payment Guide to Global Days, Multiple Procedures, etc.*
- *National Correct Coding Initiative (Version 11.3).*

Gaps: follow common coding and reimbursement practices

# Fee Schedule Methodology

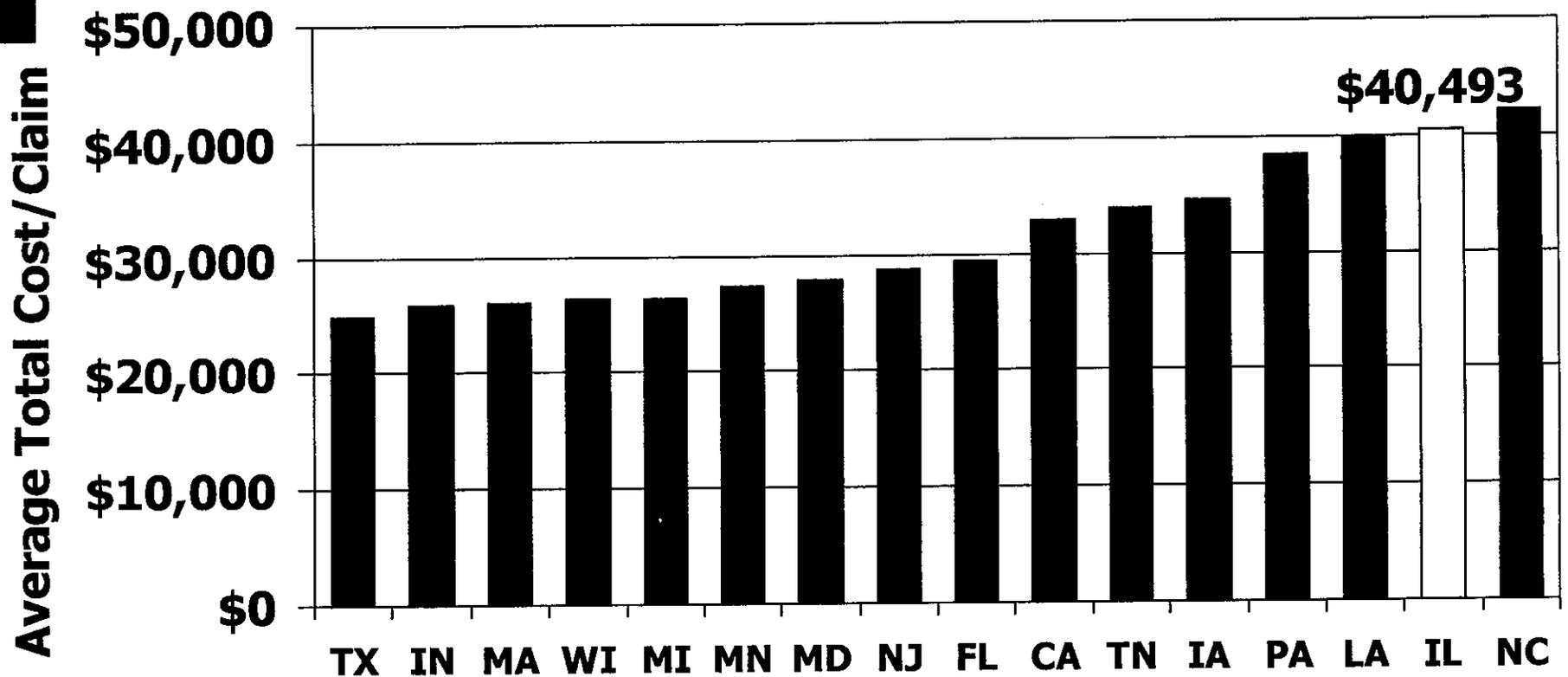
- Controlled by Section 8.2 of WC Act – copy attached to end of document.
- Use database with 12 million charges; with the exception of radiology, pathology/laboratory and physical medicine, all of the fee schedules in this area have Illinois Department of Public Health data as basis.
- Use charges (not paid amounts) from 8/1/02 - 8/1/04. Regrouping of DRGs allowed for update to more recent codes.
- This historical use of data limited fee schedule amounts, in some areas, to those codes existing in 2004 – new codes since 2004, or those with insufficient data during data call time frame, are updated by POC76.
- Calculate fee for each of 29 geozips
- Fee based on site of treatment
- Payment shall be the LESSER of provider's charge OR fee schedule amount — this payment represents full payment.
- Caveat to bullet point above: a contractual agreement will prevail over fee schedule amount.

# IL Medical Costs/Claim Were 46% Higher Than Median State



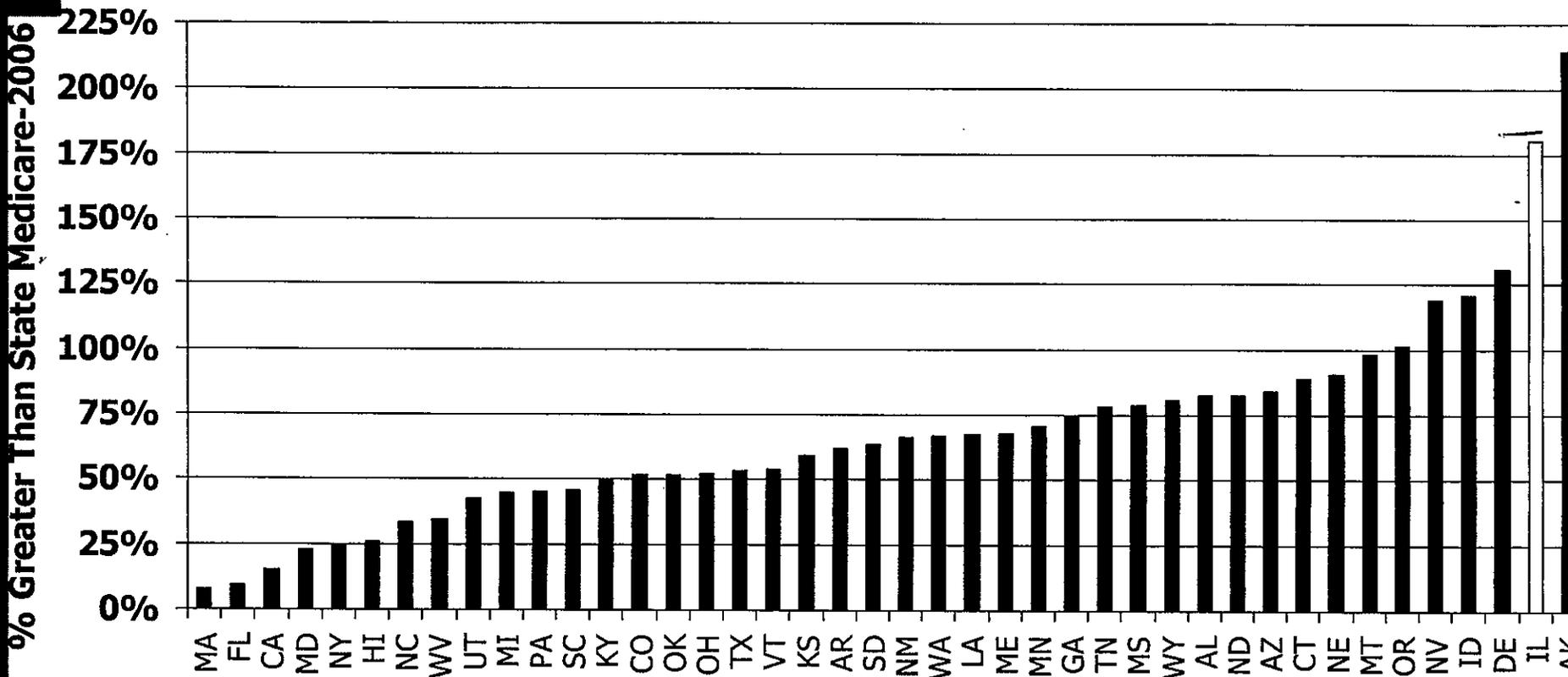
2007/09 Claims With > 7 Days Of Lost Time,  
Adjusted For Injury/Industry Mix

# Illinois Cost per Claim Was 25% Higher Than The Median State



**2006/09 Claims With > 7 Days Of Lost Time ,  
Adjusted For Injury/Industry Mix And Wages**

# IL Non-hospital Fee Schedule Is 2<sup>nd</sup> Highest In The U.S.



Source: Benchmarking FS 2006

# IL Set Significantly Higher Hospital Inpatient DRG Rates Than Most Study States (2009)

Illustrative Examples 2009	Shoulder Procedures (DRG 508)	Hernia Procedures (DRG 355)	Back & Neck Procedures (DRG 491)
Illinois <span style="margin-left: 100px;">10% 24,300</span> <span style="margin-left: 100px;">20% 21,600</span>	← \$27,000	\$21,583	\$20,952
13-State Median	\$9,101	\$7,880	\$7,663
Other 12 States, Min-Max Range	\$4,532-\$14,293	\$4,059-\$12,375	\$4,026-\$12,035

Rates are from the *Guide for Policymakers*, calculated for a large hospital (200–900 beds) in a large city in 13 states. IL example is based on zip code 601.



Source: *Fee Schedules For Hospitals And Ambulatory Surgical Centers: A Guide For Policymakers*

# IL Hospital Outpatient Fee Schedule Double to Triple The Next Highest State (That Also Uses CPT-based Rates)

Outpatient Hospital Fee Schedule (2009)	Arthroscopy <small>Knee Meniscus</small>	Nerve Procedures	Hernia/ Hydrocele Procedures
	CPT 29881	CPT 64721	CPT 49505
Illinois <span style="float: right; font-size: small;">10% 8,118 2090 7,216</span>	← \$9,021	\$5,626	\$9,208
7-State Median	\$2,153	\$1,329	\$1,644
6-State (IL Excluded) Min-Max Range	\$928-\$3,203	\$593-\$2,015	\$548-\$3,447

Rates are from the *Guide for Policymakers*, calculated for a large hospital (200–900 beds) in a large city in 7 states. IL example is based on zip code 601.

Source: *Fee Schedules For Hospitals And Ambulatory Surgical Centers: A Guide For Policymakers*

# Non-hospital Fee Schedule Especially Higher For Surgery and Specialty Care

Type of Service	Fee Schedule Illinois	Fee Schedule Median State
Surgery	IL Medicare +219%	Medicare +54%
Emergency care	IL Medicare +504%	Medicare +143%
Major Radiology	IL Medicare +214%	Medicare +79%
Office visits	IL Medicare +54%	Medicare +34%

Description	Provider Unit Charge	Manufacturer Invoice Price	65% of Billed	125% of Invoice	Difference
K wire .062	\$ 4.80	\$ 2.50	\$ 3.12	\$ 3.13	\$ (0.00)
K Wire Dbl Trocar 0.28 - .062	\$ 56.00	\$ 13.34	\$ 36.40	\$ 16.68	\$ 19.73
OR General Implant ; Mesh ( mesh plug per op note )	\$ 193.50	\$ 136.00	\$ 125.78	\$ 170.00	\$ (44.23)
UB only Implants ( compression plate 5 hole )	\$ 310.00	\$ 126.54	\$ 201.50	\$ 158.18	\$ 43.33
UB only C1713 qty 5 \$717.00 ( Depuy small frag screws )	\$ 143.40	\$ 22.98	\$ 93.21	\$ 28.73	\$ 64.49
Scr Lcking T 2 F/T 4 x 32	\$ 213.25	\$ 212.00	\$ 138.61	\$ 265.00	\$ (126.39)
Bio SutureTak Suture C1713	\$ 350.00	\$ 315.00	\$ 227.50	\$ 393.75	\$ (166.25)
BioSutureTak Suture C1713	\$ 350.00	\$ 315.00	\$ 227.50	\$ 393.75	\$ (166.25)
Micro Corkscrew FT ( Invoice in file \$285.00 )	\$ 427.50	\$ 285.00	\$ 277.88	\$ 356.25	\$ (78.38)
Screw 1.5 TI Cortex All qty 4 \$435.80	\$ 108.95	\$ 48.92	\$ 70.82	\$ 61.15	\$ 9.67
Screw Long Threaded 10 - 50 ( 4.0 cannulated screw )	\$ 384.00	\$ 172.90	\$ 249.60	\$ 216.13	\$ 33.48
2.0 - 2.4 screws all	\$ 117.00	\$ 23.50	\$ 76.05	\$ 29.38	\$ 46.68
NeuroStimulator Recharge Sy ( Restor IPG 37712 )					
Cable					
Patient Programmer					
Neurostimulator Leadwire 4 x 2 ( cost per unit \$2,100.00 in record ) ( 3550 -39)	\$ 8,190.00	\$ 2,100.00	\$ 5,323.50	\$ 2,625.00	\$ 2,698.50
Neuromuscular Extension Kit x 2	\$ 2,321.00	\$ 660.00	\$ 1,508.65	\$ 825.00	\$ 683.65
Stimulator Generator Advance ( cost \$15,655.50 ) Model 37091-40	\$ 54,794.00	\$ 15,655.50	\$ 35,616.10	\$ 19,569.38	\$ 16,046.73
Surgiflo 199102	\$ 669.00	\$ 62.62	\$ 434.85	\$ 78.28	\$ 356.58
Mitek Mini Anchor 212033	\$ 344.00	\$ 323.00	\$ 223.60	\$ 403.75	\$ (180.15)
Supply / implant C1762 ( Patella tendon allograft per op note )	\$ 7,095.00	\$ 1,595.00	\$ 4,611.75	\$ 1,993.75	\$ 2,618.00
Supply / implants C1713 ( 7 x 23 and 9 x 23 mm bioabsorb screw ) qty 2 \$1,247.00	\$ 623.50	\$ 125.00	\$ 405.28	\$ 156.25	\$ 249.03
Imp Spine Screw qty 12 \$34,848.00 ( 6 set screws / 7241100 Nuvasive 6 pedical screw 6.5 x 40 7246540 )	\$ 34,848.00	\$ 8,700.00	\$ 22,651.20	\$ 10,875.00	\$ 11,776.20
Imp Bone Protein BMP Lg \$	\$ 15,168.75	5,250.00	\$ 9,859.69	\$ 6,562.50	\$ 3,297.19
Implant Opus Magn ( OM1502 )	\$ 1,794.00	\$ 400.00	\$ 1,166.10	\$ 500.00	\$ 666.10
UB Implants qty 11					
1/3 tubular 8 hole	\$ 297.00	\$ 72.90	\$ 193.05	\$ 91.13	\$ 101.93
screw cortical self tap 3.5 x 16 qty 2 \$324.00	\$ 162.00	\$ 21.85	\$ 105.30	\$ 27.31	\$ 77.99
screw cortical self tap 3.5 x 18 mm qty 1	\$ 162.00	\$ 21.85	\$ 105.30	\$ 27.31	\$ 77.99
screw cortical ST 3.5 x 22 qty 2 \$324.00	\$ 162.00	\$ 21.85	\$ 105.30	\$ 27.31	\$ 77.99
scr canc FT 4 x 26 mm ss qty 1	\$ 162.00	\$ 28.64	\$ 105.30	\$ 35.80	\$ 69.50
Scr canc full threaded 4 x 30 mm ss qty 1	\$ 81.00	\$ 28.64	\$ 52.65	\$ 35.80	\$ 16.85
Scr w canc full thrd 4 x 36 qty 2 \$162.00	\$ 81.00	\$ 28.64	\$ 52.65	\$ 35.80	\$ 16.85
Scr w Canc FT 4 x 16 mm ss qty 1	\$ 162.00	\$ 28.64	\$ 105.30	\$ 35.80	\$ 69.50
Biotenodesis screw 8 x 12	\$ 925.00	\$ 195.00	\$ 601.25	\$ 243.75	\$ 357.50
	<b>\$ 130,699.65</b>	<b>\$ 36,992.81</b>	<b>\$ 84,954.77</b>	<b>\$ 46,241.01</b>	<b>\$ 38,713.76</b>

(14)