



## ANALYSIS OF FLORIDA MEDICAL FEE SCHEDULE CHANGES PROPOSED TO BE EFFECTIVE JULY 1, 2022

NCCI estimates that the proposed changes to the maximum reimbursement allowances (MRAs) in the Reimbursement Manual for Ambulatory Surgical Centers (RMASC), 2015 edition, would result in an estimated impact of -0.4% (-\$15M<sup>1</sup>) on overall workers compensation system costs.

Please note that the estimated cost impacts are based on the provisions summarized below which may differ from the final implemented version. If the final version is different from the provisions included here, NCCI would perform an analysis based on the ratified rules and the impacts stated in this analysis may change accordingly.

### SUMMARY OF PROPOSED CHANGES

The Florida Division of Workers' Compensation (DWC) proposes to update the list of MRAs contained in Chapter 6 of the RMASC, 2015 edition. Note that this analysis is an update to a previous request completed by NCCI<sup>2</sup>.

### ACTUARIAL ANALYSIS

NCCI's methodology to evaluate the impact of proposed medical fee schedule changes includes three major steps:

1. Calculate the percentage change in maximum reimbursements
  - Compare the current and proposed maximum reimbursements by procedure code to determine the percentage change by procedure code.
  - Calculate the weighted-average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights.
2. Determine the share of costs that are subject to the fee schedule
  - The share is based on a combination of fields, such as procedure code, provider type, and place of service, as reported in the Florida DWC medical data, to categorize payments that are subject to the fee schedule.

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<sup>1</sup> Overall system costs are based on 2020 net written premium for insurance companies including an estimate of self-insured premium as provided by the Florida Division of Workers' Compensation. The estimated dollar impact is displayed for illustrative purposes only and calculated as the percentage impact multiplied by \$3,847M. This figure does not include the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs.

<sup>2</sup> This analysis is an update to the request completed on September 27, 2021.



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3. Estimate the price level change as a result of the revised fee schedule
  - NCCI research by David Colón and Paul Hendrick, “The Impact of Fee Schedule Updates on Physician Payments” (2018), suggests that approximately 80% of the change in maximum reimbursements for physician fee schedules is realized on payments impacted by the change. For non-physician fee schedule changes, a price realization factor of 80% is assumed.

In this analysis, NCCI relies primarily on two data sources:

- Detailed medical data provided by the Florida DWC with dates of service between January 1, 2020 and December 31, 2020, including COVID-19 claims.
- The share of benefit costs attributed to medical benefits is based on NCCI’s Financial Call data for Florida from Policy Years 2018 and 2019 projected to the effective date of the benefit changes.

### *Ambulatory Surgical Centers (ASC) Fee Schedule*

In Florida, payments for ASC services represent 9.5% of total medical costs. The overall change in maximums for ASC services is a weighted average of the percentage change in MRA<sup>1</sup> by procedure code (Proposed MRA/Current MRA). The weights are based on Service Year 2020 observed payments by procedure code for Florida, as reported in the Florida DWC detailed medical data. The current and proposed MRAs are calculated as follows:

Current MRA = MRA from Chapter 6 of the 2015 Edition of the RMASC or 60% of Trended Charges

When there is no MRA, the charges are adjusted to the price levels projected to be in effect on July 1, 2022. The trend factor is based on the U.S. hospital outpatient services component of the medical producer price index (MPPI)<sup>3</sup>.

Proposed MRA = MRA provided by the Florida DWC

The estimated impact<sup>4</sup> is then multiplied by a price realization factor of 80% to arrive at an estimated impact on ASC payments in Florida. The impact is then multiplied by the percentage of medical costs attributed to ASC payments in Florida (9.5%) to arrive at an estimated impact on medical costs. This is then multiplied by the percentage of benefit costs attributed to medical benefits in Florida (64%) to arrive at an estimated impact on overall workers compensation costs.

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<sup>3</sup> Source: Bureau of Labor Statistics, series ID WPU511104.

<sup>4</sup> NCCI assumed no change for services not subject to the proposed fee schedules.



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**SUMMARY OF ESTIMATED IMPACTS**

The estimated impact from the ASC fee schedule change, proposed to be effective July 1, 2022, is summarized below.

<b>Summary of Estimated Impacts</b>	
(A) Estimated Impact on ASC Payments	-9.0%
(B) Price Realization Factor	80%
(C) Estimated Impact after Price Realization = (A) x (B)	-7.2%
(D) ASC Share of Medical Costs	9.5%
<b>(E) Estimated Impact on Medical Costs = (C) x (D)</b>	<b>-0.7%</b>
(F) Medical Costs as a Share of Overall Costs	64%
<b>(G) Estimated Impact on Overall Costs = (E) x (F)</b>	<b>-0.4%</b>

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