

Medical Fee Schedule Group
Economic Affairs Interim Committee
Non-Facility (Physician) Fee Schedule
October 28, 2010

1. DLI seeks to establish breakeven amount for cost of delivering services
 - a. Begin with CMS national cost data.
 - b. National data shows Group Health pays 125% of CMS rate for physicians (Source: MedPAC Report to Congress, 2010)
 - c. National data shows Group Health pays 114% of CMS for hospitals (Source: Combination of data from MedPAC Report to Congress, 2010; American Hospital Association Survey of members, and analysis of length of stay, charged amounts and complicating conditions done by Frank Neuhauser)
 - d. Approximate 10% difference basis for different % above Medicare
 - e. Agree on % adjustment to CMS cost data to account for full cost of delivering services
 - f. Agree to % increase above breakeven cost as appropriate work comp rate

2. Non-Facility Fee Schedule Rate Comparisons
 - a. Current Medicare CF = \$36.87
 - b. Current Group Health CF (median) = \$59.80
 - c. Current Work Comp CF = \$65.28 (177% of Medicare)*
 - d. 150% of Medicare = \$55.31
 - e. 155% of Medicare = \$57.15

*Note: the proposed Conversion Factors assume that the Montana specific GPCIs will be applied to the components of the RVUs. This is not currently done under the MT workers' compensation schedule. Since the MT GPCIs are less than 1.0, this has the impact of reducing the RVU values, on average, by 9.1%. This reduction varies across CPT codes according to the composition of professional expense, practice expense, and malpractice expense. This is identical to the Medicare's adjustment for GPCIs in MT.

3. Non-Facility Fee Schedule in Context
 - a. Group Health CF (median) = \$59.80 (app. 55% of payer base)
 - b. Medicare CF = \$36.87 (app. 25% of payer base)
 - c. Weighted average of Group Health and Medicare CF = \$52.63 (Presumed to cover breakeven cost of delivering services, uncompensated care and profit)
 - d. DLI/LMAC believes that 150% of Medicare covers cost plus reasonable profit
 - e. \$55.31 is \$2.68 above the weighted average of GH and Medicare CF of \$52.63

4. Conclusion
 - a. Need a transparent cost based reimbursement system
 - b. Work Comp should reimburse cost of delivering services plus reasonable profit
 - c. We assume blended CF of \$52.63 (55% GH and 25% Medicare) covers costs plus uncompensated care and profit in non-facility practice.
 - d. Recognize WC is 1st dollar payer – no co-pays or deductibles
 - e. DLI/LMAC believes CF of \$55.31 (150% of Medicare) is fair reimbursement