Developing a Medical Fee Schedule for Injured Workers based on the Resource Based Relative Value Scale (RBRVS)

5 years experience in the State of Utah

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Overview:
This is report on how the State of Utah in 1999 updated their existing fee schedule to one based on the Resource Based Relative Value Scale (RBRVS).

Summary of Background Data
Each workers’ compensation jurisdiction is mandated to provide medical care for injured workers. Compensation for this care is jurisdiction dependent and often labor intensive and expensive to maintain. As the costs for medical care increases exponentially, without any foreseeable constraints in sight, it is imperative that jurisdictions are proactive in developing and maintaining a dynamic and adequate fee schedule for their injured workers. Currently 17 states have workers’ compensation medical fee schedules based in some fashion on the RBRVS. In 1998 the Labor Commission of Utah, with the recommendations of providers and payers began to develop methodology for adopting a RBRVS based medical fee schedule. This fee schedule was completed and adopted in 1999, with annual updates. This report explains the process and methodology that was utilized in the development of this schedule.

Results
Administrative proactive processes for developing and adopting a RBRVS based Workers Compensation medical fee schedule are discussed. This process has created a comprehensive professional fee schedule with annual updates that are much less labor intensive to maintain and defend.

Conclusion
Medical expenses for injured workers remains a substantial cost to employers. Control of medical cost is essential to facilitate a healthy business climate, while making certain that injured worker’s have access to the best medical care possible. Discussed in this article is how the Labor Commission of Utah developed their fee schedule based on the latest RB RVS methodology. Adoption of this fee schedule has greatly facilitated control of medial costs, annual updating and reducing controversies among payers, agencies, and providers. Utah is now one of the least costly states for an employer to obtain workers compensation coverage, while successfully maintaining its medical fee schedule above state and national average. This paper demonstrates the significant positive impact that volunteer professionals involved with the State Agency can make in improving a jurisdictions’ overall Workers Compensation system. The Utah Labor Commission medical fee schedule provides an improved model from which other Workers Compensations jurisdictions should give serious consideration for controlling utilization and medical expenditures.

Introduction
'Workers' compensation' became a legislated right for Utah’s workers in 1917, with all states eventually adopting some form of work workers’ compensation by 1949. Consistent with all workers’ compensation systems are the following four basic entitlements:

1. Medical treatment: This includes medical care, services, and supplies that are necessary to cure or relieve the effects of an injury sustained on-the-job. This includes full medical care, without a deductible or out of pocket expense for the injured worker for medical treatment of a work-related injury or illness.

2. Indemnity Payments: Wage replacement as established by the jurisdiction while the injured worker is recovering from an industrial injury and is unable to work or until it is established that everything reasonably medically has been provided and it is not expected that the worker will significantly medically improve.

3. Permanent partial disability benefits: Additional compensation is paid to an injured worker for permanent physical loss from a work-related injury (i.e. scars, disfigurement, amputation, etc.), according to a defined compensation schedule. There are significant differences between the states on the dollar settlement amounts and the methodology utilized to calculate these benefits.


Medical expenses are a substantial cost for employers and are increasing. Health-care premiums for families in employer-sponsored plans soared 14 percent in 2003, compared to the overall consumer prices rise of 2.2 percent\(^2\). This is the third year of double-digit growth for medical care and the biggest spike since 1990, translating to an annual family premium of now at $9,068\(^3\). This increasing financial burden to business, along with other administrative issues businesses are forced to deal with, is causing many now to be unable to afford group health insurance.

A significant cost for businesses is providing the mandated Workers’ Compensation for their employees. Workers’ compensation has likewise become a significant cost for business and paradoxically has been shown to adversely affect recovery, increase disability, and decrease the potential to return to work. Several factors have contributed to these rising workers’ compensation costs, among them are the use of ineffective treatments and potential over-utilization of services. Over the past two decades the cost of treating and compensating injured workers in the United States has risen from 2.1 billion in 1960 to over 171 billion in 1997.\(^{15}\) This cost now averages 3.4% of the payroll.\(^{16}\) A recent survey indicated that California’s businesses believed that workers' compensation costs are the biggest single cost issue facing them today, costing an estimated $25.1 billion.\(^{17}\)

Control of medical cost is essential to facilitate a healthy business climate, while making certain that injured workers have access to the best medical care possible. Since 1951, by authority of the Utah State Legislature, the Labor Commission of Utah has been responsible for the establishing and maintaining a fee schedule along with developing rules needed to make the workers’ compensation system operate as efficiently as possible. With significant changes evolving over the years for medical procedures, along with the coding methodology, inflation and billing requirements, the maintaining of an accurate and defensible fee schedule became extremely labor intensive. For this reason, a Medical Fee Advisory Committee was established by the Labor Commission. The Medical Fee Advisory Committee purpose was to advise the commission as to the recommended reimbursement schedule of procedures and fees at appropriate time intervals. All recommendations of the Medical Fee Advisory Committee are reported to the Workers’ Compensation Advisory Council for approval.
The members of this committee are appointed for 2 years terms by the Labor Commission. All recommendations of the Medical Fee Committee are to be reported to the Workers’ Compensation Advisory Council for approval. The Workers Compensation Advisory Council is composed of equal representation of management and labor, who are the only voting members, as well as members from the insurance industry and medical community. Medical Fee Committee members are selected based on those who have interest, knowledge, experience, and employment in this type of work. Its voluntary members include representatives of payors, providers, administrators and coding experts. The provider members are nominated to the commission from their respective state organizations. These members include physicians, (occupational, orthopedic, physical medicine, chiropractic) and a physical therapist. Members of the payer community include a representative from the Workers’ Compensation Fund, the largest insurer in the state, a representative of the self insured in the State, two professional coders and a representative from the other insurers in the state. Supervising this committee are 2 members from the Labor Commission, the director of Industrial Accidents and the medical director for the Labor Commission. The Fee Committee has no budget and no employees. The services rendered by the committee members are gratuitous. Because of the extreme labor intensity of annually maintaining a specific workers’ compensation fee schedule, in 1998 the Labor Commission’s Advisory Council assigned the Medical Fee Advisory Committee to make recommendations for adopting a fee schedule based on the evolving national Medicare reimbursement schedule, also known as the Resource Bases Relative Value Service or RBRVS.

This report was to discuss the following issues:
1. How to incorporate into the new fee schedule the existing workers’ compensation rules that had been developed over the prior 80 years experience of workers’ compensation in the state.
2. How to maintain the fairness of the system to workers, payers and providers.
3. Maintain reimbursement levels so as to continue to provide adequate access for injured workers.
4. Make certain that the new recommended fee schedule was fiscally neutral in relationship to the existing schedule. This was necessary in that a recent 9% increase had been incorporated into the prior schedule.

Recommendations by the Medical Fee Committee:
After extensive review, and consideration of multiple models, the Medical Fee Advisory Committee reported to the Advisory Council that work had been progressing on a federal reimbursement schedule for several years and it was substantially finalized. Adoption of a fee schedule based on this international fee methodology had significant advantages for the Utah Labor Commission. Therefore it was the consensus of the committee that the Health Care Financing Administration (HCFA) Resource Based Relative Value Scale (RBRVS) used for calculating medical procedures be adopted as the platform for calculating reimbursement for injured workers in conjunction with the 2003 AMA CPT-4 xxx coded procedures. This methodology was recommended for all those providing care for injured workers covered under the Utah Workers’ Compensation Act, with specific adjustments as needed by the Labor Commission. The advantages of adopting this new schedule was:

•The Labor Commission is able to take advantage of Medicare’s reimbursement system that has been part of a multimillion-dollar research effort at the Harvard Medical School of Public Health and reflects the results of substantial consensus-building activity among panels of providers in each medical practice area.

• Medicare’s RVU schedule is automatically adjusted each year according to carefully researched measurements and takes into consideration the following three variables to derive a single number assigned to each American Medical Association Current Procedural Terminology (AMA CPT) code, referred to as the Relative Value Unit (RVU). These units are based upon:

1. The physician’s time and effort; (Work Expense Value)
2. The operating expenses involved in maintaining a physician’s office; (Practice Expense Value)
3. Malpractice insurance premiums for the area; (Malpractice Expense Value)

• The adoption of this methodology simplifies calculating reimbursement rates by providers and payors, and allows uniformity for all types of billings by medical providers for one procedure i.e., Medicare, private health insurance, or workers compensation.

• It eliminates the need for the Labor Commission to publish its own schedule describing each item along with the reimbursement values for the various 7,000 medical procedures. Copies of the RBRVS and the most current CPT is available from most major medical publishing companies.

• There are uniform rules for the application of this national fee schedule and they have been simplified.

• By utilizing some form of a national fee schedule as the basis for reimbursement, providers would not be obligated to purchase annually a separate voluminous Labor Commission reimbursement schedules for injured workers they are treating.

• For outcome purposes, it is impossible to compare Utah industrial medical fees with other jurisdiction schedules because of the assorted types and varieties of basic fee schedules and the varying conversion factors used to determine the dollar amounts for medical fee procedures. The adoption of a uniform fee schedule facilitates the use of the latest technology in the exchanging of information electronically for accurate comparisons in intra and inter state comparisons and would accommodate future electronic data transfers.

• Taking advantage of this methodology greatly facilitates the Labor Commission’s yearly updates and more accurately allows for projecting future premium costs.

• The Utah Labor Commission chose NOT to use RBRVS designated Utah’s Geographic Practice Cost Indexes, (GPCI) adjustment, but to use the non-adjusted national RBRVS to calculate reimbursement values. The reason for this exclusion is 3 fold:
  1. It is very confusing for most payers and physicians to understand the derivation and application of the GPCI index.
  2. All books publish the national RBRVS GPCI unit value, not the state specific unit. Adopting the national standard negated the commission from having to publish annually over 7000 individual codes with the Utah GPCI unit number.
  3. By utilizing the national GPCI index, rather than Utah’s specific GPCI index, Utah medical providers actually get a slightly higher reimbursement, facilitating provider acceptance of this work.

To better clarify this, an example for the reimbursement of a lumbar laminotomy, code 63030 is given. Using the Utah GPCI index, with Utah’s conversion factor of $58 the reimbursement would be $1239. Using the National GPCI index with a $58 conversion factor, the reimbursement is $1331, an increase of $92, with much simpler methodology.

• Wholesale adoption of both the latest RBRVS and the CPT was not recommended. Although there are procedures which are given a code by the AMA CPT and some with an RVU value, the Fee schedule make it clear that this in no way establishes acceptance by the Labor Commission as reimbursable procedures. Some procedures that are excluded includes thermograms, muscle testing, computer based motion analysis, plantar pressure measurements, dynamic surface EMG’s, dynamic fine wire EMG’s, physician review of comprehensive motion analysis, athletic training evaluation and reevaluation.
•Each year in July, the committee meets to review the latest AMA-CPT coding book and the RBRVS. After careful review, the committee recommends the needed clarifications, inclusions, exclusion or modification for updating the workers’ compensation fee schedule.

This fee schedule, based on the Health Care Financing Administration (HCFA) Resource Based Relative Value System, (RBRVS) utilizing the most current AMA CPT-4 defined coded procedures and rules specific for it’s application with injured workers was adopted by Workers’ Compensation Advisory Council and proceeded though rule making without contesting for implementation in July of 2000.

**Development Methodology**

The current Relative Value Unit (RVU) assigned to each CPT code is multiplied by the unique Utah Labor Commission’s conversion factor for each specialty to obtain the total reimbursement value.

[Example: (AMA’s CPT’s RVU) x (Utah Labor Commission’s designated conversion factor as per specialty (expressed in dollars) = the Total Reimbursement Value.]

**Utah Labor Commission’s designated Conversion Factor per Specialty**

It was the Commission’s desire that injured workers in Utah receive the best possible medical care. To do this it was imperative that the fee schedule be established at a level that encourages medical providers to participate. It was agreed that the prior fee schedule’s level of reimbursement provided a bench mark where most payers, with few exceptions, were willing to see and treat injured workers.

**Establishing Fiscal Neutrality with the new RBRVS Workers Compensation Fee Schedule**

In order to provide access to quality care and surgeons specialties, the Commission chose to adopt a higher conversion for the more difficult surgery codes. To establish fiscal neutrality as close to the Commissions previous RVS, the Medical Fee Committee took the largest data source of medical payment data specific for Utah’s injured workers and utilizing different models and conversion factors, the following conversion factors were adopted:

- Medicine evaluation in management $40
- Restorative service $40
- Surgery $37
- All codes in the 20000 and 60000 sections including codes 49505-49525 $58

**Utah Specific Modifications:**

Certain codes were found to be erroneous within the RBRVS. The commonly used codes for injured workers needing removal of foreign bodies in the eye with a slit lamp (code 65222) was only given a RVU of 1.25 while removal of a foreign body without a slit lamp (code 65220) was given an RVU of 8.82. These assigned RVU’s were obviously in reverse order, so correction was needed in the Utah fee schedule to reflect correct values. The committee felt that reimbursement for physical therapy codes 97001 (RVU of 1.99) and 97003 (RVU 2.12) was much higher than accepted by our prior fee schedule and adoption of a 6.8 RVU was assigned. Likewise codes 97002 and 97004 were also assigned 0.5 RVU. The prior fee schedule of anesthesia was based on a 12 minute interval. Medicare’s base unit’s methodology is 1 unit per 15 minutes. This was adopted with the conversion factor of $40. For pathology and laboratory services, the RVU was set at 150% of Utah’s medicare laboratory fee schedule. Clarification is provided for starred procedures along with defining what constitutes the non facility and facility total RVU.

In rare situations there are procedures that have not been assigned a CPT code. If this conditions arises, providers are asked to contact the Labor Commission for discussion what reimbursement, if any, could be considered.
The Controlling of Exorbitant Provider Costs

It was established that the Labor Commission’s Fee Schedule would be the maximum fee for procedures billed treating injured workers. If an employer or carrier has a contract with a provider for discounted services given to an injured worker, then that discount applies. The fee schedule facilitates the controlling of unauthorized or unusual medical treatment and defines what is considered excessive charges. It is established that no payment for any service that is considered to be excessive or questionable will be reimbursed. This includes services that are not listed in the schedule, services that do not comply with standards or requirements in the fee schedule, services provided by an individual or provider who is prohibited for receiving reimbursement and services not usual or customary. The Fee Schedule provides guidance needed for resolving billing disputes along with defining those who are authorized to treat injured workers in Utah, and those professions that are excluded from providing care. Reimbursement is established for para medical personal working under the direct supervision of a licensed physician. These include physician assistants at 75%, nurse practitioners at 75%, social workers at 65%, nurse and atheists at 75%, and psychologists at 75%. The Fee Schedule makes it clear that all surgeries are to be pre authorized other than life or limb threatening admissions.

Restorative Services

A significant portion of the overall costs of workers’ compensation stem from treatments in the area of physical medicine. For example, in 1996, medical providers in California billed for over 112 million dollars in the area of physical medicine for work related injuries. This accounted for over 33% of the total dollars billed under the official medical fee schedule. This did not include evaluation and management costs, which accounted for another 30% or 103 million. Since restorative services are an integral part of the healing process for a variety of injured workers, specific care has been taken to better define and establish reimbursement parameters. The Medical Fee Schedule makes it clear that restorative services that are billed must meet the reporting requirements as established by prior workers compensation rules. Providers billing under the fee schedule are to use the restorative services authorization form, which mandates documentation of objective improvement every 6 visits in order to establish whether further treatment is warranted. Objective improvement is defined as: 1) increased work parameters as it relates to the essential job functions, 2) Pain resolution as measured by a visual analog scale. 3) Hours the worker is able to work. Other specific clarifications included authorization for work hardening and computer evaluation, TENS units, multiple treatment areas, maintenance or palliative care, and electro physiologic testing.

Impairment Ratings

Since impairment ratings are an essential portion of a number or industrial injuries, the fee schedule has established specific time based codes and reimbursement criteria in order for compensation to be given based upon the Utah Specific Impairment Gudies.

Annual Updating of the Medical Fee Schedule

The medical fee committee also determined what new services should be incorporated within the fee schedule and what should be taken off. Ineffective treatments are those which do not improve patient function. Recent literature does not support the prolonged use of modalities such as traction, acupuncture, laser therapy, diathermy, heat, ultrasound, massage, or electrical stimulation for any purpose other than providing temporary relief of pain. Although these modalities may provide some measure of temporary symptom relief, there is little evidence that any specific therapy modality has long term efficacy greater than a placebo. They have not been scientifically proven to facilitate healing, yet, a significant part of the cost of rehabilitating injured workers is the result of the use of these expensive, time consuming treatment modalities which can have the potential to prolong disability by reinforcing illness behavior. In California, ninety-five percent of physical medicine billed charges were for services listed in either the procedure or the modality code categories. Hot/cold pack codes accounted for almost 15 million dollars. This was the single most commonly billed code,
not only among the physical medicine procedure codes, but also for all fee schedule codes. Therefore it is the opinion of the fee schedule committee that even if these are listed in the CPT and given a RVU value, these should not be compensable in Utah. Regarding the spine for manual therapy techniques or manipulation treatments, the medical fee schedule makes it clear that the entire spine from head to pelvis is considered as one region and that the multiple CPT-RVU spine codes are not to be used more than 1 time per treatment session. Functional capacity evaluations need to be pre authorized including job analysis. Rather then adopting wholesale all of the new changes each year found in the CPT-RVU, the medical fee committee meets in each spring to review the latest CPT and RB RVS schedules. After careful review of the latest changes, including additions, deletions, and modifications, the medical fee committee makes the necessary proactive changes in the fee schedule, making certain that injured workers are receiving the most up to date and proven treatment.

**Summary:**

All states are mandated to provide medical care for injured workers. One of the greatest increase in cost for employers is the medical component increasing now at x% per year. Utah is now one of the least costly states for an employer to obtain workers compensation coverage while maintaining their fee schedule above national average and wage replacement of $520 per week. Contributing to this cost effective outcome has been a very aggressive approach at adopting a RB RVS medical base fee schedule with specific and aggressive workers compensation modifications. This paper demonstrates the significant positive impact that volunteer professionals involved with Workers Compensation can make in improving a jurisdiction’s overall Workers Compensation system. The Utah Labor Commission medical fee schedule provides an improved model from which other Workers Compensations systems should give serious consideration for controlling utilization and medical expenditures.

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