

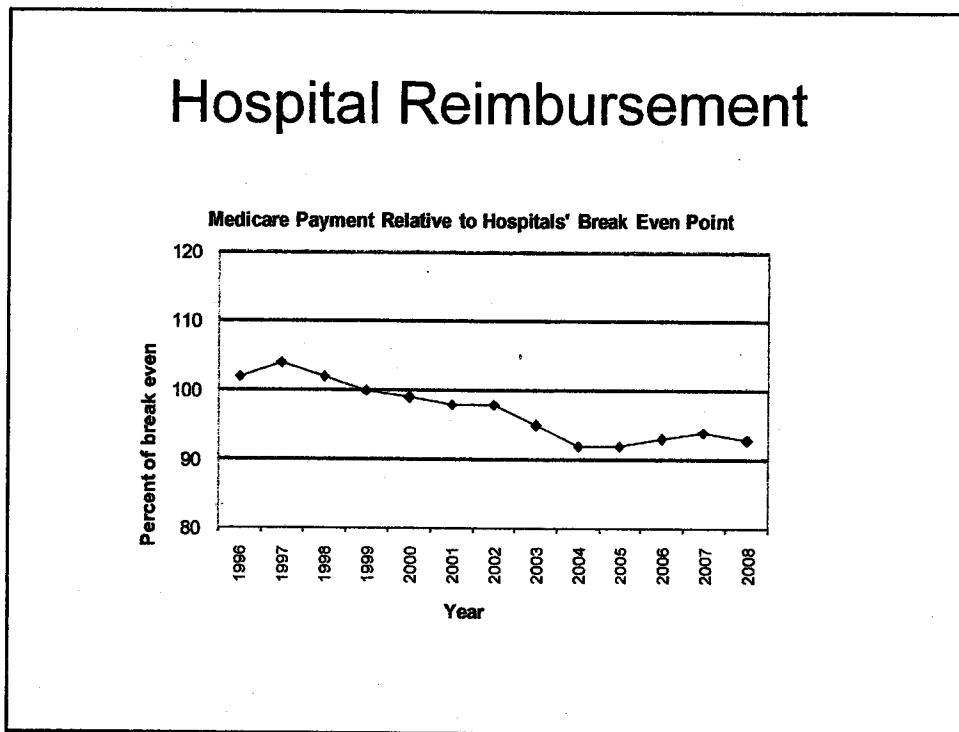
## Objectives of ERD/LMAC Cost Analyses

- Guarantee access to quality healthcare for injured workers
- Control costs for Montana's employers
- Reimburse providers fairly for cost of treating injured workers

### Tools

- Cost based estimates
- Medicare Fee Schedules
- High-quality national and state data

# Hospital Reimbursement



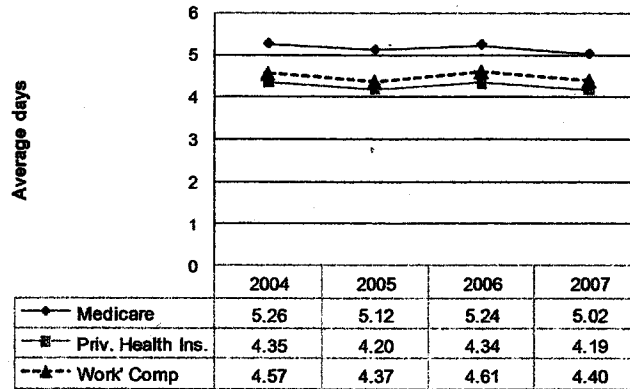
Medicare reimburses at less than average hospital breakeven point

97% of breakeven (1996-2007)

Source: Centers for Medicare and Medicaid Services (CMS) data, published by Medicare Payment Advisory Committee (MedPAC), "Medicare Payment Policy: Report to Congress, 2010.

# Hospital Reimbursement

Inpatient Hospital—Length of Stay: comparison WC with Medicare & Health Ins.



- Workers' compensation (and private health insurance) patients less costly for hospitals to treat

- 14%-17% shorter stays
- 5%-6% lower charged amounts

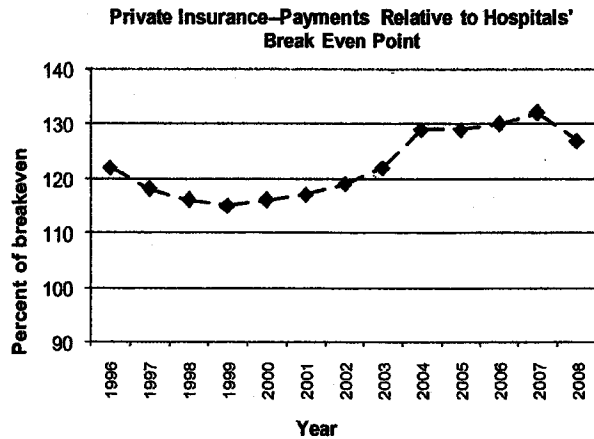
Source: California Office of Statewide Health Planning and Development, Hospital Discharge Survey, 2003-2008

## Hospital Reimbursement

- Medicare reimbursements slightly above breakeven for workers' compensation and private health insurance patients

- WC and PI patients about 90% cost of Medicare patients
- Latest year Medicare 92.8% of breakeven for Medicare patients
- Medicare rates about 103% of WC and PI breakeven

## Hospital Reimbursement



- Private insurers reimbursing hospitals at 122% of breakeven (1996-2007)

Source: American Hospital Association, National Survey of Hospitals, MedPAC, 2009 Report to Congress

- Result: Private health insurance reimbursing about 111%-114% of Medicare (1996-2007)

## Hospital Reimbursement

- ERD/LMAC Proposed 150% of Medicare
  - High relative to national estimates of hospital breakeven
  - High relative to national estimates of private insurance payments
  - No “hassle factor” for hospitals
  - No clear justification for current high Montana rates (202% of Medicare FS)

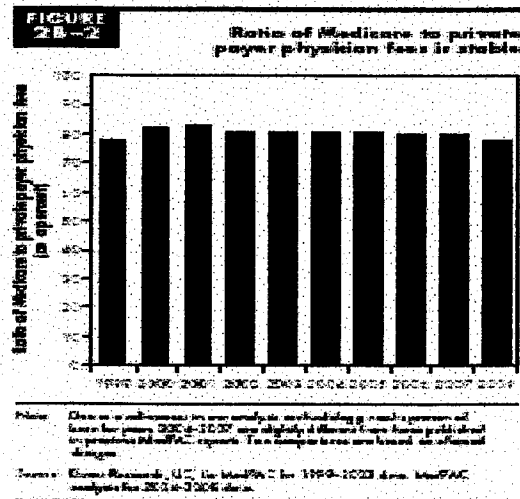
## Provider Payments

Medicare does not have access to provider cost data for non-facility fee schedule

- Medicare develops fee schedule levels that
  - Guarantee patient access
    - Primary providers
    - Specialists
  - Guarantee high provider participation levels
  - Balance reimbursement fairly across procedures
  
- Considers fees that accomplish both goals as reflecting adequate provider reimbursement

CMS provides regular survey results on provider participation rates and patient reported access to both primary care providers and specialists.

## Provider Payments-Private Insurance



- CMS annually evaluates Medicare provider reimbursement levels compared to private health insurer reimbursements
- Since 2000, Medicare has paid 78%-80% of what large national insurers reimburse
- Private health insurers reimbursing providers, on average, 125% of Medicare rates

Source: MedPAC, Report to Congress, 2010



## Provider Payments

- Combined Medicare and private insurance are paying about 112.5% of Medicare rate
- Has to represent, nationally, a rate at or above providers breakeven point including reasonable profit

Medicare = 40% of market

100% of Medicare rate

Private insurance = 40% of market

125% of Medicare rate

Average for 80% of market is 112.5% of Medicare

Most of remaining market is Medicaid which usually pays less than Medicare.

## Provider Payments

- ERD/LMAC proposal @ 150% of Medicare should be reasonable
- Current MT workers' compensation reimbursement relative to Medicare Fee Schedule = 198%
- MT-WC is currently 7<sup>th</sup> highest in country
  - Source: Workers' Compensation Research Institute, "Benchmarks for designing workers' compensation fee schedules." 2009