NCCI estimates that the proposal to update the maximum reimbursement amounts (MRAs) contained in the Reimbursement Manual for Ambulatory Surgical Centers (RMASC), 2015 edition, effective January 1, 2016 to the MRAs contained in the RMASC, 2017 edition, proposed to be effective July 1, 2018 would result in an estimated overall impact on Florida workers compensation system costs of +1.1% (+$40M\(^1\)). NCCI will update this analysis should the Florida Legislature ratify the RMASC, 2016 edition, proposed to be effective July 1, 2017.

Please note that the estimated cost impact is 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 rule and the impacts stated in this analysis may change accordingly.

**Summary of Proposed Changes**

The Florida Division of Workers’ Compensation (FL DWC) proposes to update the list of MRAs contained in Chapter 6 of the RMASC, 2015 Edition. The 2015 Edition of the RMASC became effective January 1, 2016. For those procedure codes not listed on the proposed fee schedule, the maximum reimbursement would remain at 60% of billed charges.

**Actuarial Analysis**

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

1. Calculate the percentage change in maximum reimbursements
   a. Compare the current and proposed maximum reimbursements by procedure code and determine the percentage change by procedure code
   b. Calculate the weighted average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights

2. Estimate the price level change as a result of the proposed fee schedule

---

\(^1\) Overall system costs are based on 2015 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 the percent impact displayed multiplied by $3,645M. 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.
portions of a change in maximum reimbursements is realized on payments impacted by the change.

b. In response to a fee schedule decrease, NCCI research indicates that payments decline by approximately 50% of the fee schedule change.

c. In response to a fee schedule increase, NCCI research indicates that payments increase by approximately 80% of the fee schedule change and the magnitude of the response depends on the relative difference between actual payments and fee schedule maximums (i.e. the price departure).

i. The formula used to determine the percent realized for fee schedule increases is

\[ 80\% \times (1.10 + 1.20 \times \text{(price departure)}) \]

3. Determine the share of costs that are subject to the fee schedule

a. The share is based on a combination of fields, such as procedure code, provider type, and place of service, as reported on the FL DWC detailed medical data, to categorize payments that are subject to the fee schedule.

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

- Detailed medical data provided by the FL DWC with dates of service between January 1, 2016 and December 31, 2016.

- The share of benefit costs attributed to medical benefits is based on NCCI’s Financial Call data for Florida from the latest two policy years projected to July 1, 2018.

In some components of the analysis NCCI may rely on other data sources, which are referenced where applicable.

**ASC Services**

In Florida, payments for ASC services represent 9.5% of total medical payments. To calculate the percentage change in maximums for ASC services, NCCI calculates the percentage change in maximums for each procedure code. The overall change in maximums for ASC services is a weighted average of the percentage change in MRA (proposed MRA / current MRA) by procedure code weighted by the observed payments by procedure code as reported in detailed medical data provided by the FL DWC for Service Year 2016. The overall weighted-average percentage change in MRAs is estimated to be +20.2%.

Since the overall average maximum reimbursement for ASC services increased, the price realization factor is estimated according to the formula

\[ 80\% \times (1.10 + 1.20 \times \text{(price departure)}) \]. Since a reliable price
departure could not be calculated, the price realization factor is assumed to be 80%. The estimated impact on ASC payments after applying the price realization factor of 80% is +16.2% (=0.80 x +20.2%).

The above impact of +16.2% is then multiplied by the Florida percentage of medical costs attributed to ASC payments (9.5%) to arrive at the estimated impact on medical costs of +1.5%. The resulting impact on medical costs is then multiplied by the percentage of Florida benefit costs attributed to medical benefits (70.0%) to arrive at the estimated impact on Florida overall workers compensation costs of +1.1%.

The estimated impact due to the changes to the ASC MRAs, proposed to become effective 7/1/2018, is summarized in the table below:

<table>
<thead>
<tr>
<th>(A) Estimated Impact on Type of Service</th>
<th>(B) Share of Medical Costs</th>
<th>(C) Estimated Impact on Medical Costs</th>
<th>(D) Medical Costs as a Percentage of Overall Workers Compensation Benefit Costs</th>
<th>(E) Estimated Impact on Overall Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASC</td>
<td>+16.2%</td>
<td>9.5%</td>
<td>+1.5%</td>
<td>70.0%</td>
</tr>
</tbody>
</table>
ANALYSIS OF THE PROPOSED CHANGES TO THE FLORIDA WORKERS’ COMPENSATION HEALTH CARE PROVIDER REIMBURSEMENT MANUAL PROPOSED TO BE EFFECTIVE JULY 1, 2018

This document is provided solely as a reference tool to be used for informational purposes only and shall not be construed or interpreted as pertaining to the necessity for or a request for a rate increase or decrease, the determination of rates, or rates to be requested.

NCCI estimates that the proposal to update the maximum reimbursement amounts (MRAs) contained in the Health Care Provider Reimbursement Manual (HCPRM), 2015 Edition, effective July 1, 2016 to the MRAs contained in the HCPRM, 2017 edition, proposed to be effective July 1, 2018 would result in a negligible\(^1\) decrease on overall Florida workers compensation system costs. NCCI will update this analysis based upon updates to the MRAs contained in the HCPRM, 2016 edition, effective July 1, 2017.

Please note that the estimated cost impact is 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 rule and the impacts stated in this analysis may change accordingly. Additionally, the changes to the HCPRM are being evaluated in isolation. Any other changes not in the HCPRM that could interact with this analysis could result in a different estimated cost impact.

**Summary of Proposed Changes**

The Florida Division of Workers’ Compensation (FL DWC) proposes updates to Schedule A, Schedule B, and Schedule C of the HCPRM for professional health care providers. The 2015 edition of the HCPRM, which became effective July 1, 2016, is based on 2014 Medicare Conversion Factor and Resource Based Relative Value Scale (RBRVS) geographic-specific reimbursement levels. The proposal is to update the HCPRM to 2017 Medicare Conversion Factor and RBRVS geographic-specific reimbursement levels. Note that the MRAs in the current and proposed HCPRMs are limited to no less than the MRAs published in the 2003 HCPRM.

The proposed changes would impact reimbursements for physician services as well as Category 1 hospital outpatient services (as described below).

Below is a summary of the 3 parts of the HCPRM:

- **Part A**: Contains MRAs for all anesthesia services, dental and certain injection services, services performed outside of the state of Florida, and services performed by workers compensation certified providers not specifically addressed in the HCPRM.

- **Part B**: Contains MRAs for surgical procedures performed by physicians. In addition, maximum reimbursement levels for surgical procedures performed by physician assistants and advanced registered nurse practitioners are based on the MRAs listed in Schedule B.

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\(^1\) Negligible is defined in this document to be an impact on overall system costs smaller in magnitude than 0.1%.

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4/3/2017

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Part C: Contains MRAs for non-surgical procedures (excluding anesthesia) performed by physicians, physical and occupational therapists, audiologists, psychologists, speech pathologists, independent clinical laboratories, and freestanding imaging/x-ray centers. Maximum reimbursement levels for non-surgical procedures performed by physician assistants, advanced registered nurse practitioners, dietitians, nutritionists, nutrition counselors, and licensed clinical social workers are based on the MRAs listed in Schedule C.

Hospital outpatient services in Florida are currently reimbursed under the 2014 Edition of the Florida Workers' Compensation Reimbursement Manual for Hospitals (RMH). This manual contains 3 categories of reimbursement:

- **Category 1:** All scheduled, non-emergency clinical laboratory and radiology services shall be reimbursed by the schedule of MRAs listed in the HCPRM. In addition, any outpatient physical, occupational, and speech therapy is reimbursable based on the listed MRA in the HCPRM.

- **Category 2 and Category 3:** Non-scheduled surgical services will be reimbursed at the base rate from RMH, Appendix B, multiplied by the geographic modifier listed for the county of the location of service from Appendix A. Similarly, scheduled surgical services will be reimbursed at the base rate from Appendix C, multiplied by the geographic modifier from Appendix A. Procedures with no specified MRA will continue to be reimbursed in accordance with the current methodology (60% of Usual and Customary Charge (UCC) for Category 2 procedures and 75% of UCC for Category 3 procedures).

- Surgical implants utilized during unscheduled surgeries shall be reimbursed at 75% of UCC. Surgical implants utilized during scheduled surgeries shall be reimbursed at 60% of UCC.

The proposed HCPRM also includes changes clarifying language. These clarifications, if adopted, are not expected to impact costs materially.

**Actuarial Analysis**

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

1. Calculate the percentage change in maximum reimbursements
   a. Compare the current and proposed maximum reimbursements by procedure code and determine the percentage change by procedure code
   b. Calculate the weighted-average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights
2. Estimate the price level change as a result of the revised fee schedule
   a. NCCI research by Frank Schmid and Nathan Lord (2013), “The Impact of Physician Fee Schedule Changes in Workers Compensation: Evidence from 31 States”, suggests that a portion of a change in maximum reimbursements is realized on payments impacted by the change.
      i. In response to a fee schedule decrease, NCCI’s research indicates that payments decline by approximately 50% of the fee schedule change.
      ii. In response to a fee schedule increase, NCCI’s research indicates that payments increase by approximately 80% of the fee schedule change and the magnitude of the response depends on the relative difference between actual payments and fee schedule maximums (i.e. the price departure). The formula used to determine the percent realized for fee schedule increases is 80% x (1.10 + 1.20 x (price departure)).

3. Determine the share of costs that are subject to the fee schedule
   a. The share is based on a combination of fields, such as procedure code, provider type, and place of service, as reported on the FL DWC detailed medical data, to categorize payments that are subject to the fee schedule.

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

- Detailed medical data provided by the FL DWC with dates of service between January 1, 2016 and December 31, 2016.

- The share of benefit costs attributed to medical benefits is based on NCCI’s Financial Call data for Florida from the latest two policy years projected to July 1, 2018.

In some components of the analysis NCCI may rely on other data sources, which are referenced where applicable.

**Physician Services**

In Florida, payments for physician services represent 29.9% of total medical payments. To calculate the percentage change in maximums for physician services, we calculate the percentage change in maximums for each procedure code. The overall change in maximums for physician services is a weighted average of the percentage change in MRA (proposed MRA / current MRA) by procedure code weighted by the observed payments by procedure code as reported in detailed medical data provided by FL DWC for Service Year 2016. The MRAs by medical procedure depend on the geographic locality.
and place of service where the procedure is performed. The place of service is split into two distinct categories:

1. Facility—Hospital setting, ambulatory surgical center, skilled nursing facility, inpatient psychiatric facility, and comprehensive [Level III] outpatient rehabilitation facility
2. Non-Facility—Provider’s office, urgent care center, or diagnostic facility

The current facility and non-facility MRAs are based on the HCPRM, which became effective July 1, 2016. The proposed facility and non-facility MRAs are based on the proposed HCPRM to become effective July 1, 2018.

Medicare specifies three Geographic Practice Cost Index (GPCI) localities for Florida. Locality 03 represents the greater Ft. Lauderdale area (including West Palm Beach), locality 04 represents the greater Miami area, and locality 99 represents the rest of Florida. (Note the HCPRM uses the label “01/02” instead of “99” for the “rest of Florida” locality).

The overall weighted-average percent change in MRAs is estimated to be -0.1%. The estimated change by category is shown in the table below.

<table>
<thead>
<tr>
<th>Physician Service Category</th>
<th>Share of Payments</th>
<th>Percentage Change in MRAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anesthesia</td>
<td>2.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Surgery</td>
<td>16.6%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Radiology</td>
<td>11.7%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Pathology &amp; Laboratory</td>
<td>0.7%</td>
<td>+0.2%</td>
</tr>
<tr>
<td>Medicine</td>
<td>24.8%</td>
<td>+1.1%</td>
</tr>
<tr>
<td>Evaluation &amp; Management</td>
<td>28.5%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Payments with No Specific MRA</td>
<td>15.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Overall Physician Payments</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>-0.1%</strong></td>
</tr>
</tbody>
</table>

Since the overall average maximum reimbursement for physicians decreased, NCCI expects that 50% of the decrease in maximum reimbursements would be realized on physicians’ services price levels. The estimated impact on physician payments due to the proposed physician fee schedule change is -0.1% (= -0.1% x 0.50).

The above impact of -0.1% is then multiplied by the Florida percentage of medical costs attributed to physician payments (29.9%) to arrive at an estimated negligible decrease on Florida medical costs and overall workers compensation costs.
Hospital Outpatient Services

The changes to the HCPRM also impact Category 1 hospital outpatient services. In Florida, payments for hospital outpatient services represent 17.3% of medical costs and Category 1 hospital outpatient services represent 4.4% of total hospital outpatient payments. To calculate the percentage change in maximums for hospital outpatient services, we calculate the percentage change in maximums for each procedure code. The overall change in maximums for hospital outpatient services is a weighted average of the percentage change in MRA (proposed MRA / current MRA) by procedure code weighted by the observed payments by procedure code as reported in detailed medical data provided by FL DWC for Service Year 2016. The overall weighted-average percentage change in MRAs is estimated to be -0.6% on Category 1 hospital outpatient payments.

The above impact of -0.6% is then multiplied by the ratio of category 1 hospital outpatient payments to total hospital outpatient payments in Florida (4.4%) to arrive at the estimated negligible decrease on Florida hospital outpatient costs, medical costs, and overall workers compensation costs.

Summary of Impacts

The estimated impacts due to the proposed changes to the HCPRM are summarized in the following table:

<table>
<thead>
<tr>
<th></th>
<th>(A) Estimated Impact on Type of Service</th>
<th>(B) Share of Medical Costs</th>
<th>(C) Estimated Impact On Medical Costs (A) x (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician</td>
<td>-0.1%</td>
<td>29.9%</td>
<td>Negligible Decrease</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>Negligible Decrease</td>
<td>17.3%</td>
<td>Negligible Decrease</td>
</tr>
<tr>
<td>(1) Estimated Impact on Florida Medical Costs</td>
<td></td>
<td></td>
<td>Negligible Decrease</td>
</tr>
<tr>
<td>(2) Medical Costs as a Percentage of Overall Workers Compensation Benefit Costs in Florida</td>
<td></td>
<td></td>
<td>70.0%</td>
</tr>
<tr>
<td>(3) Estimated Impact on Overall Workers Compensation System Costs in Florida = (1) x (2)</td>
<td></td>
<td></td>
<td>Negligible Decrease</td>
</tr>
</tbody>
</table>
NCCI estimates that the proposal to update the maximum reimbursement amounts (MRAs) contained in the Reimbursement Manual for Hospitals (RMH), 2014 Edition, effective January 1, 2015 to the MRAs contained in the RMH, 2017 edition, proposed to be effective July 1, 2018 would result in an impact of +2.2% (+$80M\(^1\)) on overall workers compensation system costs in Florida. NCCI will update this analysis should the Florida Legislature ratify the RMH, 2016 edition, proposed to be effective July 1, 2017.

Please note that the estimated cost impact is 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 rule and the impacts stated in this analysis may change accordingly. Additionally, the changes to the RMH are being evaluated in isolation. Any other changes not in the RMH that could interact with this analysis could result in a different estimated cost impact.

**Summary of Proposed Changes**

Currently, hospital inpatient services are reimbursed based on per-diem rates defined in the 2014 edition of the RMH. The 2017 proposed rules contain the following changes:

- Increases the Stop-Loss Reimbursement threshold from $59,891.34 to $68,119.00
- Increases the per-diem rates at trauma centers from $3,850.33 to $4,379.00 for surgical stays, and from $2,313.69 to $2,632.00 for non-surgical stays
- Increases the per-diem rates at acute care hospitals from $3,849.16 to $4,378.00 for surgical stays, and from $2,283.40 to $2,598.00 for non-surgical stays

The current reimbursement for a workers’ compensation hospital outpatient service in Florida depends on the category of service as described below:

- **Category 1**: Reimbursement for a scheduled, non-emergency outpatient radiology or clinical laboratory service that is not performed in conjunction\(^2\) with a scheduled surgery is subject to the schedule of MRAs listed in *Florida Workers’ Compensation Health Care Provider Reimbursement Manual (HCPRM)*, 2015 Edition. In addition, the reimbursement for an outpatient physical therapy, occupational therapy, or speech therapy service is subject to the MRA listed in the HCPRM.

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\(^{1}\) Overall system costs are based on 2015 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 the percent impact displayed multiplied by $3,645M. 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.

\(^{2}\) “In Conjunction” is defined as on the day of or up to three days before
• **Category 2:** The maximum reimbursement for a scheduled surgical service is calculated as the base rate from *Florida Workers’ Compensation Reimbursement Manual for Hospitals, 2014 Edition*, Appendix C, multiplied by the geographic modifier listed for the county of the location of service from Appendix A. The maximum reimbursement for a procedure with no specified MRA is 60% of usual and customary charges (UCC). In addition, the maximum reimbursement for any scheduled radiology service or clinical laboratory service performed in conjunction with a scheduled surgery is also 60% of UCC.

• **Category 3:** Similarly, the maximum reimbursement for a non-scheduled surgical service is calculated as the base rate from Appendix B, multiplied by the geographic modifier from Appendix A. The maximum reimbursement for a procedure with no specified MRA is 75% of UCC.

The proposed changes to the hospital reimbursement manual would update the base rates and geographic modifiers for Category 2 and Category 3 services.

**Actuarial Analysis**

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

1. Calculate the percentage change in maximum reimbursements
   a. Compare the current and proposed maximum reimbursements by procedure code and determine the percentage change by procedure code
   b. Calculate the weighted-average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights

2. Estimate the price level change as a result of the proposed fee schedule
   a. NCCI research by Frank Schmid and Nathan Lord (2013), “The Impact of Physician Fee Schedule Changes in Workers Compensation: Evidence from 31 States”, suggests that a portion of a change in maximum reimbursements is realized on payments impacted by the change.
      i. In response to a fee schedule decrease, NCCI’s research indicates that payments decline by approximately 50% of the fee schedule change.
      ii. In response to a fee schedule increase, NCCI’s research indicates that payments increase by approximately 80% of the fee schedule change and the magnitude of the response depends on the relative difference between actual payments and fee schedule maximums (i.e. the price departure).

The formula used to determine the percent realized for fee schedule increases is 80% x (1.10 + 1.20 x (price departure)).
3. Determine the share of costs that are subject to the fee schedule
   a. The share is based on a combination of fields, such as bill type and procedure code, as
      reported in the FL Division of Workers’ Compensation (DWC) detailed medical data, to
      categorize payments that are subject to the fee schedule.

The detailed medical transactions are obtained from the FL DWC medical data management system
reported on form DWC-90 for services performed between January 1, 2016 and December 31, 2016.
This data is collected by the FL DWC from workers compensation insurance carriers and self-insured
employers. The analysis of hospital outpatient services includes data reported with bill types 13x, 14x,
and 85x. The analysis for hospital inpatient services includes data reported with bill types 11x, 12x, 18x,
21x, 22x, 23x, 81x, and 82x.

The share of benefit costs attributed to medical benefits is based on NCCI’s Financial Call data for Florida
from Policy Years 2012 and 2013 projected to July 1, 2018.

In some components of the analysis NCCI may rely on other data sources, which are referenced where
applicable.

**Hospital Inpatient Fee Schedule**

In Florida, payments for hospital inpatient services represent 19.9% of total medical payments. To
calculate the percentage change in maximums for hospital inpatient services, we compare the maximum
reimbursements for each hospital inpatient bill under the current and proposed fee schedule.

The current MRA for each hospital inpatient bill is calculated as follows:

- If total trended charges (excluding charges for implants) are $59,891.34 or less,
  
  \[ \text{Current MRA} = \text{current per-diem allowance} \times \text{length of stay (LOS)} \]

- If total trended charges (excluding charges for implants) are greater than $59,891.34,
  
  \[ \text{Current MRA} = \text{total trended charges} (\text{excluding charges for implants}) \times 75\% \]

The proposed MRA for each hospital inpatient bill is calculated as follows:

- If total trended charges (excluding charges for implants) are $68,119.00 or less,
  
  \[ \text{Proposed MRA} = \text{proposed per-diem allowance} \times \text{LOS} \]
ANALYSIS OF THE PROPOSED CHANGES TO THE FLORIDA WORKERS’
COMPENSATION REIMBURSEMENT MANUAL FOR HOSPITALS
PROPOSED TO BE EFFECTIVE JULY 1, 2018

This document is provided solely as a reference tool to be used for informational purposes only and shall not be construed or interpreted as pertaining to the necessity for or a request for a rate increase or decrease, the determination of rates, or rates to be requested.

- If total trended charges (excluding charges for implants) are greater than $68,119.00,

  \[\text{Proposed MRA} = \text{total trended charges (excluding charges for implants)} \times 75\%
  \]

Note that implants are excluded from the above reimbursement since they are reimbursed separately as a function of acquisition cost.

The charge for each hospital inpatient bill was adjusted to reflect changes from past price levels (“coverage from” date, indicating the beginning of an inpatient episode) to the price levels projected to be in effect on the proposed effective date of the hospital inpatient fee schedule (July 1, 2018). The trend factor is based on the U.S. hospital inpatient component of the medical producer price index (MPPI).

<table>
<thead>
<tr>
<th>Service Year</th>
<th>Hospital Inpatient MPPI Change from July of Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1.5%</td>
</tr>
<tr>
<td>2015</td>
<td>1.6%</td>
</tr>
<tr>
<td>2016</td>
<td>1.8%</td>
</tr>
<tr>
<td>2017</td>
<td>1.6% (Estimated)</td>
</tr>
</tbody>
</table>

The MPPI change from 7/1/2016 to 7/1/2018 is estimated using a three-year average of the observed MPPI for 2014-2016 which is equal to 1.016 (= \([1.015+1.016+1.018] / 3\)). The trend factor applied to each inpatient bill is calculated as follows:

\[\text{Trend Factor} = 1.016^{(7/1/2018 - \text{coverage from date})}\]

The overall change in maximum reimbursements for hospital inpatient services is a weighted average of the percentage change in MRA (proposed MRA / current MRA) by bill, using current costs by bill as the weights. The overall weighted-average percentage change in MRA is estimated to be -2.3%. The table below summarizes the estimated impacts by category:

<table>
<thead>
<tr>
<th>Category of Inpatient Bill</th>
<th>Distribution of Costs</th>
<th>Percentage Change in MRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills With Trended Charges Less Than $59,891.34</td>
<td>13.7%</td>
<td>+13.8%</td>
</tr>
<tr>
<td>Bills With Trended Charges Between $59,891.34 and $68,119.00</td>
<td>5.5%</td>
<td>-77.0%</td>
</tr>
<tr>
<td>Bills With Trended Charges Greater Than $68,119.00</td>
<td>80.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>
Since the overall average maximum reimbursement for hospital inpatient services decreased, NCCI expects that 50% of the decrease in maximum reimbursements would be realized on hospital inpatient price levels. The estimated impact on hospital inpatient after applying the price realization factor of 0.50 is -1.2% (=-2.3% x 0.50).

The above impact for hospital inpatient services is then multiplied by the Florida percentage of medical costs attributed to hospital inpatient payments (19.9%) to arrive at an estimated impact of -0.2% on medical costs. The resulting impact on medical costs is then multiplied by the percentage of Florida benefit costs attributed to medical costs (70.0%) to arrive at the estimated impact on Florida overall workers compensation costs of -0.1%.

**Hospital Outpatient Fee Schedule**

In Florida, payments for hospital outpatient services, excluding surgical implants, represent 17.3% of total medical payments. To calculate the percentage change in maximum reimbursements for hospital outpatient services, we calculate the percentage change in MRA for each procedure. The overall change in maximum reimbursements for hospital outpatient is a weighted average of the percentage change in MRA (proposed MRA / current MRA) for each procedure code using the observed payments for each procedure code as the weights. The current and proposed MRAs are calculated as follows:

**Category 1 Procedures:**

Reimbursement for hospital outpatient category 1 procedures will remain under the schedule of MRAs listed in the HCPRM, 2014 edition.

**Category 2 and 3 Procedures:**

For each relevant procedure code,

Current MRA = Base Rate x Geographic Modifier

Where:

- The base rate for a Category 2 or Category 3 service is provided in Appendices B and C of the Florida Workers Compensation Reimbursement Manual for Hospitals.
- The Geographic Modifier is provided in Appendix A.

For each relevant procedure code,

Proposed MRA = Base Rate x Geographic Modifier
The overall weighted-average percentage change in MRA for hospital outpatient services, including Category 2 and Category 3 but excluding surgical implants, is estimated to be +23.5%. Since the overall average maximum reimbursement for hospital outpatient services increased, the percent expected to be realized from the fee schedule increase is estimated according to the formula \(80\% \times (1.10 + 1.20)\) (price departure). Since a reliable price departure could not be calculated, the percent expected to be realized from the fee schedule increase is assumed to be 80%. The estimated impact on hospital outpatient payments after applying the price realization factor of 80% is +18.8% (=0.80 x +23.5%).

The above impact of +18.8% is then multiplied by the Florida percentage of medical costs attributed to hospital outpatient payments excluding surgical implants (17.3%) to arrive at an estimated impact of +3.3% on medical costs. The resulting impact on medical costs is then multiplied by the percentage of Florida benefit costs attributed to medical costs (70.0%) to arrive at the estimated impact on Florida overall workers compensation costs of +2.3%.

Summary of Estimated Impacts

The estimated impacts due to the changes in the hospital inpatient and hospital outpatient fee schedules are summarized in the following table:

<table>
<thead>
<tr>
<th></th>
<th>(A) Estimated Impact on Type of Service</th>
<th>(B) Share of Medical Costs</th>
<th>(C) Estimated Impact On Medical Costs (=) (A) x (B)</th>
<th>(D) Estimated Impact on Overall Costs (=) (C) x (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Inpatient</td>
<td>-1.2%</td>
<td>19.9%</td>
<td>-0.2%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Hospital Outpatient</td>
<td>+18.8%</td>
<td>17.3%</td>
<td>+3.3%</td>
<td>+2.3%</td>
</tr>
<tr>
<td>(1) Total Estimated Impact on Florida Medical Costs</td>
<td>(+3.1%)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(2) Medical Costs as a Percentage of Overall Workers Compensation Benefit Costs in Florida</td>
<td></td>
<td></td>
<td></td>
<td>70.0%</td>
</tr>
<tr>
<td>(3) Total Estimated Impact on Overall Workers Compensation System Costs in Florida = (1) x (2)</td>
<td></td>
<td></td>
<td></td>
<td>(+2.2%)</td>
</tr>
</tbody>
</table>