

# Overview: WCAC WI Workers' Compensation Proposal

RISK INSIGHT

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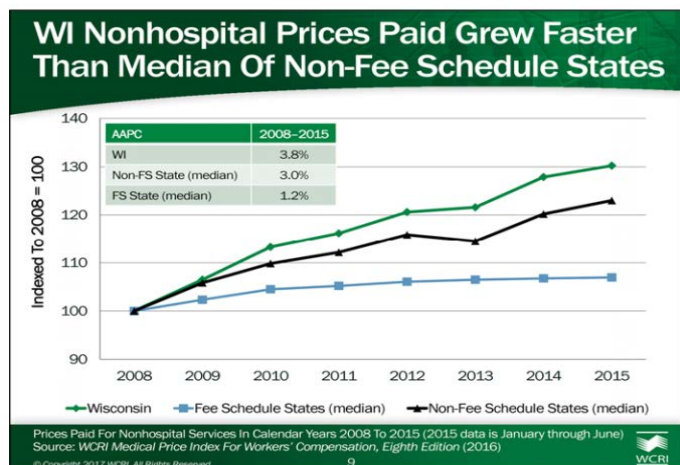
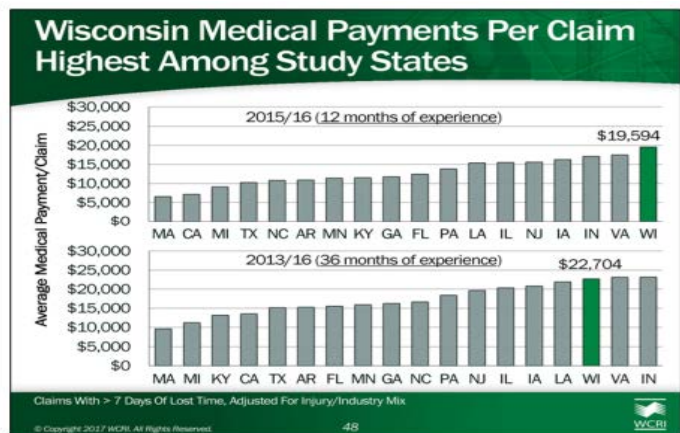
The Wisconsin Workers' Compensation Advisory Council (WCAC) has proposed changes to existing workers' compensation payment structure to the Wisconsin State Legislature. WCAC, a diverse body designed to advise the Department of Workforce Development (DWD) and the Legislature on workers' compensation policy matters, has recommended that a medical-fee schedule be put into place to address the high and rising costs of medical treatments for work injuries in Wisconsin.

By implementing a medical fee schedule as proposed by the WCAC, workers' compensation costs would experience limits or caps on the amounts that medical providers can charge for services and procedures related to the treatment of work-related injuries.

## BACKGROUND RESEARCH

The WCAC based their findings on statistical data compiled by the Workers' Compensation Research Institute (WCRI). According to a recent report by the WCRI:

- Highest Per-Claim Payments:** Wisconsin had the highest average per-claim medical payments in the study group from 2015-2016. Between 2010/11 and 2015/16, the total medical costs per claim increased 73%.
- Non-Hospital Services:** Prices for non-hospital services and hospital outpatient services were highest in Wisconsin, compared to 27 other states in the same study. Non-hospital prices paid in Wisconsin were 50% higher than the state with the second highest prices and 147% higher than the median state.
- Common Services:** Wisconsin employers pay more than double the typical price for common services, like pain management injections, radiology services and even basic evaluation and management.
- Price Increases:** Prices for workers' compensation medical treatment in Wisconsin grew faster than any other study state from 2008-2016.



## 2017 WCAC MEDICAL FEE SCHEDULE PROPOSAL

Understanding the data from WCRI, the WCAC put forward a proposal which includes a medical fee schedule for workers' compensation medical fees. The proposed schedule includes the following requirements:

- **Medical Fee Schedule:** The Wisconsin Department of Workforce Development (DWD) would be required to develop a medical fee schedule that approximates the average negotiated price of group health in Wisconsin. In developing the fee schedule, DWD shall utilize available data sources, including surveying self-insured employers to request price data by Centers for Medicare and Medicaid Services (CMS) CPT codes.
- **Initial Schedule:** The fee schedule developed by DWD shall be constructed initially by applying a percentage increase to Medicare rates that would result in the fee schedule approximating the average negotiated group health price.
- **Medical Inflation:** Annually thereafter, the fee schedule shall be adjusted by an amount equal to medical inflation. The department shall repeat the data collection and analysis in order to reset the medical fee schedule rates every ten years. Data collected by DWD under this section shall be considered proprietary information and not subject to open records requests.
- **Administrative Fees:** The fee schedule shall include a 2.5% increase above the DWD-determined average negotiated group health price to reimburse medical providers for administrative expenses associated with workers' compensation claims, unless providers bring data forward to DWD that proves the amount of uncompensated administrative expenses associated with workers' compensation claims is higher than 2.5% but no higher than 10%.
- **Implementation Timeline:** The fee schedule would be implemented on 1/1/2019.

### KEY TAKEAWAY:

Medical costs typically account for 80-90% of the incurred cost of a workers' compensation claim. While employers can manage the indemnity (lost time) portion of the claim costs by providing transitional duty work as part of an effective return-to-work program, it can be more challenging to manage medical costs. The proposed medical fee schedule aims to lower workers' compensation costs in Wisconsin, by setting limits or maximum allowable fees for the reimbursement to medical providers for medical treatment associated with work-related injuries.

Opponents of the proposal argue that the efficiency in the medical treatment results in quicker return to work. However, WCRI research shows that our statutes encourage the termination of lost time benefits and determination of permanency and less litigation.

The WCAC proposal addresses the issue of high costs for treating work-related injuries. **Wisconsin-based employers interested in supporting this proposal should [contact their legislators](#) to encourage passage.**

*The information in this document should not be construed as legal advice. In all cases, consult with your own legal counsel.*

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