

DELAWARE COMPENSATION RATING BUREAU, INC.

Evaluation of House Bill 373 of 2014

Introduction

§2322B of House Bill 373 of 2014 (HB373) set forth procedures and requirements applicable to the health care payment system for workers compensation claims, and particularly impacting the fee schedule for all Delaware workers compensation funded procedures, treatments and services. Among those procedures and requirements are the following notable elements:

§2322B (3)(a):

The Workers' Compensation Oversight Panel (WCOP) was required to establish a fee schedule(s) based on the Resource Based Relative Value Scale ("RBRVS"), Medical Severity Diagnosis Related Group (MS-DRG), Ambulatory Payment Classification (APC), or equivalent scale used by the Centers for Medicare and Medicaid Services.

The fee schedule(s) are required to result in a reduction of 20% in aggregate workers compensation medical expenses by the year beginning January 31, 2015, an additional reduction of 5% of 2014 expenses by the year beginning January 31, 2016 and an additional reduction of 8% of 2014 expenses by the year beginning January 31, 2017.

§2322B (3)(b):

By January 31, 2017, no individual procedure in Delaware paid for through the workers compensation system shall be reimbursed at a rate greater than 200% of that reimbursed by the federal Medicare system, provided that radiology services may be reimbursed at up to 250% of the federal Medicare reimbursement and surgery services may be reimbursed at up to 300% of the federal Medicare reimbursement.

Section 3:

The advisory organization designated by the Department of Insurance pursuant to Title 18, Section 2607 of the Delaware Code (DCRB) was required, within 90 days of enactment of HB373, to file for approval by the Insurance Commissioner prospective loss costs that explicitly and individually accounted for the impact of any statutory changes in HB373.

Note: HB373 was signed into law on July 15, 2014. Accordingly, 90 days after enactment of HB373 was October 13, 2014.

Consistent with the evaluations of HB373 in the DCRB's December 1, 2014 and subsequent filings, the DCRB has elected to again apply the full level of savings called for in HB373 to the development of the December 1, 2017 residual market rate and voluntary market loss cost change. When Medical Data Call information pertaining to services provided, subject to the new fee schedules, has been collected and compiled for a sufficient period of time, the DCRB would be able to credibly measure the changes in expenditures occurring after the implementation of the new fee schedules. If such a review suggests that savings mandated under the law have not been accomplished, the DCRB reserves its right to submit, at any time following the completion of that review, a filing of prospective loss costs and residual market rates consistent with the DCRB's evaluation of the effects of HB373.

Sheet 2 of Exhibit 35 calculates savings factors by payment year for a forty-year medical payout pattern attributable to the intended effects of the legislation. The expected annual savings from 2014 medical expenses are reflected in the first, second and finally third year of the payout. For the second and third years of the payout pattern, the required reductions in medical expenses pre-empt what would otherwise have been inflationary adjustments to medical fees and payments based on the CPI-U index. This overlap of provisions amplifies the otherwise attainable savings for this legislation. For 2015 and 2016, the first and second years under the mandated reductions, the actual CPI-U values (0.1%) and (1.3%), respectively, replaced the projected values from the previous analyses (2.0%). This caused a slight reduction in the savings factors over the forty-year projection.

On Sheet 1 of Exhibit 35, the savings factors from Sheet 2 are applied to the DCRB's selected medical payout pattern. The resulting cumulative payments (\$685,934) are compared to the unadjusted payout of \$1,000,000, deriving the overall HB373 potential savings factor of 31.41 percent.

Delaware Compensation Rating Bureau, Inc.
HB373 - Estimated Savings

Year (1)	Medical 40 Year Payout		Estimated Savings Factor (4)	Indicated Paid (5) (3)*\$1,000,000	Adjusted Paid (6) (5)*(1+(4))
	Cum (2)	Increm (3)			
0					
1	0.0560	0.0560	-20.67%	56,000	44,425
2	0.2570	0.2010	-25.07%	201,000	150,609
3	0.3632	0.1062	-33.93%	106,200	70,166
4	0.4234	0.0602	-33.93%	60,200	39,774
5	0.4650	0.0416	-33.93%	41,600	27,485
6	0.4971	0.0321	-33.93%	32,100	21,208
7	0.5235	0.0264	-33.93%	26,400	17,442
8	0.5464	0.0229	-33.93%	22,900	15,130
9	0.5668	0.0204	-33.93%	20,400	13,478
10	0.5855	0.0187	-33.93%	18,700	12,355
11	0.6030	0.0175	-33.93%	17,500	11,562
12	0.6195	0.0165	-33.93%	16,500	10,902
13	0.6353	0.0158	-33.93%	15,800	10,439
14	0.6505	0.0152	-33.93%	15,200	10,043
15	0.6653	0.0148	-33.93%	14,800	9,778
16	0.6797	0.0144	-33.93%	14,400	9,514
17	0.6939	0.0142	-33.93%	14,200	9,382
18	0.7080	0.0141	-33.93%	14,100	9,316
19	0.7218	0.0138	-33.93%	13,800	9,118
20	0.7355	0.0137	-33.93%	13,700	9,052
21	0.7492	0.0137	-33.93%	13,700	9,052
22	0.7629	0.0137	-33.93%	13,700	9,052
23	0.7764	0.0135	-33.93%	13,500	8,919
24	0.7900	0.0136	-33.93%	13,600	8,986
25	0.8034	0.0134	-33.93%	13,400	8,853
26	0.8166	0.0132	-33.93%	13,200	8,721
27	0.8296	0.0130	-33.93%	13,000	8,589
28	0.8424	0.0128	-33.93%	12,800	8,457
29	0.8550	0.0126	-33.93%	12,600	8,325
30	0.8674	0.0124	-33.93%	12,400	8,193
31	0.8797	0.0123	-33.93%	12,300	8,127
32	0.8919	0.0122	-33.93%	12,200	8,061
33	0.9040	0.0121	-33.93%	12,100	7,994
34	0.9160	0.0120	-33.93%	12,000	7,928
35	0.9279	0.0119	-33.93%	11,900	7,862
36	0.9397	0.0118	-33.93%	11,800	7,796
37	0.9514	0.0117	-33.93%	11,700	7,730
38	0.9630	0.0116	-33.93%	11,600	7,664
39	0.9745	0.0115	-33.93%	11,500	7,598
40	1.0000	0.0255	-33.93%	25,500	16,848
		Total	-31.41%	1,000,000	685,934

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HB373 - Estimated Savings

Year	Allowable Increase	Base Rate	Statutory Additional Savings	Adj Rate	Estimated Savings % (-)	Estimated Savings Cum % (-)
(7)	(8)	(9) (9 _{yr-1})*(1+(8))	(10)	(11)	(12) (13)-(13 _{yr-1})	(13) (11)/(9) -1
0	-	0.7563				
1	-	0.7563	20%	0.6000 *	-20.67%	-20.67%
CPI-U						
2	0.0010	0.7571	5%	0.5672	-4.40%	-25.07%
3	0.0130	0.7669	8%	0.5067	-8.86%	-33.93%
4	0.0200	0.7822		0.5169	0.00%	-33.93%
5	0.0200	0.7979		0.5272	0.00%	-33.93%
6	0.0200	0.8138		0.5377	0.00%	-33.93%
7	0.0200	0.8301		0.5485	0.00%	-33.93%
8	0.0200	0.8467		0.5595	0.00%	-33.93%
9	0.0200	0.8637		0.5707	0.00%	-33.93%
10	0.0200	0.8809		0.5821	0.00%	-33.93%
11	0.0200	0.8985		0.5937	0.00%	-33.93%
12	0.0200	0.9165		0.6056	0.00%	-33.93%
13	0.0200	0.9348		0.6177	0.00%	-33.93%
14	0.0200	0.9535		0.6300	0.00%	-33.93%
15	0.0200	0.9726		0.6426	0.00%	-33.93%
16	0.0200	0.9921		0.6555	0.00%	-33.93%
17	0.0200	1.0119		0.6686	0.00%	-33.93%
18	0.0200	1.0321		0.6820	0.00%	-33.93%
19	0.0200	1.0528		0.6956	0.00%	-33.93%
20	0.0200	1.0738		0.7095	0.00%	-33.93%
21	0.0200	1.0953		0.7237	0.00%	-33.93%
22	0.0200	1.1172		0.7382	0.00%	-33.93%
23	0.0200	1.1396		0.7530	0.00%	-33.93%
24	0.0200	1.1624		0.7680	0.00%	-33.93%
25	0.0200	1.1856		0.7834	0.00%	-33.93%
26	0.0200	1.2093		0.7990	0.00%	-33.93%
27	0.0200	1.2335		0.8150	0.00%	-33.93%
28	0.0200	1.2582		0.8313	0.00%	-33.93%
29	0.0200	1.2833		0.8480	0.00%	-33.93%
30	0.0200	1.3090		0.8649	0.00%	-33.93%
31	0.0200	1.3352		0.8822	0.00%	-33.93%
32	0.0200	1.3619		0.8999	0.00%	-33.93%
33	0.0200	1.3891		0.9179	0.00%	-33.93%
34	0.0200	1.4169		0.9362	0.00%	-33.93%
35	0.0200	1.4453		0.9549	0.00%	-33.93%
36	0.0200	1.4742		0.9740	0.00%	-33.93%
37	0.0200	1.5036		0.9935	0.00%	-33.93%
38	0.0200	1.5337		1.0134	0.00%	-33.93%
39	0.0200	1.5644		1.0337	0.00%	-33.93%
40	0.0200	1.5957		1.0543	0.00%	-33.93%

* Adopted by Delaware Department of Labor in January 31, 2015 Fee Schedule