

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.

Consistent with the prior evaluations of HB373 in the DCRB's filings, the DCRB has elected to apply the full level of savings called for in HB373 to the development of the December 1, 2018 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.

Policies subject to this filing (i.e. policies effective on or after December 1, 2018) will be fully impacted by all provisions contained in HB373.

Exhibit 35 calculates savings factors attributable to the intended effects of the legislation. For the second and third years of the forty-year payout pattern, the required reductions in medical expenses (5% and 8%) 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.

Therefore, the proposed rates and loss costs in this filing will be subject to the 33.93% savings calculated in Exhibit 35.

**Delaware Compensation Rating Bureau, Inc.**  
**HB373 - Estimated Savings**

Year	Allowable Increase	Base Rate	Statutory Additional Savings	Adj Rate	Estimated Savings % (-)	Estimated Savings Cum % (-)
(1)	(2)	(3) (3 <sub>yr-1</sub> )*(1+(2))	(4)	(5)	(6) (7)-(7 <sub>yr-1</sub> )	(7) (5)/(3) -1
0	-	0.7563				
1	-	0.7563	20%	0.6000 *	-20.01%	-20.01%
	<b>CPI-U</b>					
2	0.0010	0.7571	5%	0.5672	-5.06%	-25.07%
3	0.0130	0.7669	8%	0.5067	-8.86%	-33.93%
4	0.0210	0.7830		0.5174	0.00%	<b>-33.93%</b>
5	0.0200	0.7987		0.5277	0.00%	-33.93%
6	0.0200	0.8146		0.5383	0.00%	-33.93%
7	0.0200	0.8309		0.5490	0.00%	-33.93%
8	0.0200	0.8475		0.5600	0.00%	-33.93%
9	0.0200	0.8645		0.5712	0.00%	-33.93%
10	0.0200	0.8818		0.5826	0.00%	-33.93%
11	0.0200	0.8994		0.5943	0.00%	-33.93%
12	0.0200	0.9174		0.6062	0.00%	-33.93%
13	0.0200	0.9358		0.6183	0.00%	-33.93%
14	0.0200	0.9545		0.6307	0.00%	-33.93%
15	0.0200	0.9736		0.6433	0.00%	-33.93%
16	0.0200	0.9930		0.6561	0.00%	-33.93%
17	0.0200	1.0129		0.6693	0.00%	-33.93%
18	0.0200	1.0332		0.6826	0.00%	-33.93%
19	0.0200	1.0538		0.6963	0.00%	-33.93%
20	0.0200	1.0749		0.7102	0.00%	-33.93%
21	0.0200	1.0964		0.7244	0.00%	-33.93%
22	0.0200	1.1183		0.7389	0.00%	-33.93%
23	0.0200	1.1407		0.7537	0.00%	-33.93%
24	0.0200	1.1635		0.7688	0.00%	-33.93%
25	0.0200	1.1868		0.7841	0.00%	-33.93%
26	0.0200	1.2105		0.7998	0.00%	-33.93%
27	0.0200	1.2347		0.8158	0.00%	-33.93%
28	0.0200	1.2594		0.8321	0.00%	-33.93%
29	0.0200	1.2846		0.8488	0.00%	-33.93%
30	0.0200	1.3103		0.8658	0.00%	-33.93%
31	0.0200	1.3365		0.8831	0.00%	-33.93%
32	0.0200	1.3632		0.9007	0.00%	-33.93%
33	0.0200	1.3905		0.9188	0.00%	-33.93%
34	0.0200	1.4183		0.9371	0.00%	-33.93%
35	0.0200	1.4467		0.9559	0.00%	-33.93%
36	0.0200	1.4756		0.9750	0.00%	-33.93%
37	0.0200	1.5051		0.9945	0.00%	-33.93%
38	0.0200	1.5352		1.0144	0.00%	-33.93%
39	0.0200	1.5659		1.0347	0.00%	-33.93%
40	0.0200	1.5972		1.0554	0.00%	-33.93%

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