

Medical Analytics Working Group

Meeting Summary

To: Participants of the Medical Analytics Working Group
Date: April 26, 2024

RE: Summary of March 29, 2024 Meeting

Discussion Topics

At the meeting, the following topics were discussed.

1. Update to the Medical Severity Trends

Staff summarized the latest information on medical severity patterns by type of service based on the medical transaction data through 2023. Staff noted that the overall medical cost per claim in 2023 was similar to 2022, driven by a 4% increase in the paid per transaction and a 3% decrease in the number of transactions per claim. Below is feedback from the Working Group, along with context:

- For pharmaceutical costs, staff noted that the new pharmacy fee schedule is currently going through the rulemaking process and that the potential increase in the pharmacy dispensing fee in the new schedule. Staff shared the preliminary initial cost estimates on the increased pharmacy dispensing fee and asked if the Working Group anticipated any behavioral changes related to the new pharmacy fee schedule. The Working Group shared that the increased pharmacy dispensing fee may affect the negotiation between Pharmacy Benefit Managers and individual pharmacies but not sure how the increased dispensing fee would affect pharmacies' dispensing patterns.
- For inpatient costs, staff noted a long-term downward trend in the number of hospitalizations per claim since 2012 except for a couple of years, reflecting overall fewer hospitalizations in the system in recent years. The Working Group found the patterns consistent with their experience and research and shared that the downward trend is partly attributed by a significantly drop in spinal surgeries and major joint replacement procedures in the inpatient settings. One Working Group member asked whether the trend of injury rates in the workers' compensation system contributed to the decrease. Staff responded that the indemnity claim frequency has been generally declining over the past decade¹; however, the decline in the number of hospitalizations per claim is independent of the overall decline in injury rate as the measure is the number of hospitalizations relative to all claims in the system. Instead, the decline is largely driven by changes in service mix, especially a shift from inpatient services to outpatient services, and potential changes in injury severity, such as fewer severe traumatic injuries in 2023.
- For outpatient costs, the Working Group suggested that additional exhibits by subgroup within outpatient services, including hospital outpatient departments and ambulatory surgical centers, would be helpful to better understand the shift of medical services from the inpatient to outpatient settings. Staff agreed to add the exhibits in future updates.

¹ Chart 10 of the WCIRB 2023 State of the System report.
https://www.wcirb.com/sites/default/files/documents/wcirb_2023_state_of_the_system.pdf

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- For the HCPCS service category, staff noted larger increases in the paid per transaction in 2022 and 2023, potentially driven by higher inflationary adjustments in the Durable Medical Equipment, Prosthetics, Orthotics & Supplies (DMEPOS) fee schedule in the recent two years and higher average costs of home health service. One Working Group member shared that the recent labor shortage among home health workers may have contributed to an increase in wages, which would drive up the costs of home health services that are outside of the Official Medical Fee Schedule.

2. Retrospective cost impact evaluation of the 2021 Medical-Legal Fee Schedule

Staff summarized the retrospective evaluation of the new Medical-Legal (ML) Fee Schedule that became effective April 1, 2021, based on three years of post-schedule change payment data in 2021 through 2023. Staff noted that in the third year of the new fee schedule, the average ML payment per claim was similar to 2022 but was 57% higher than the average for service year 2019, which is not impacted by the new schedule or the COVID-19 pandemic. The key cost drivers of the higher costs in 2023 compared to 2019 are the costs of record review for additional pages and an increase in the number of ML services per claim, concentrated in the follow-up ML evaluations.

Staff noted that the higher costs of record review in 2023 was driven mostly by an increase in the number of pages per record. The Working Group was not surprised to see that the higher costs of record review continued in 2023 and shared that it was helpful to understand the magnitude of the increase.

For the increase in the number of ML services per claim, a Working Group member asked if the increase was related to the quality of ML reports. Staff responded that feedback from claims experts suggested that newer qualified medical examiners may be producing lower-quality ML reports as part of the comprehensive evaluations, which could be driving the need for more follow up evaluations. Staff noted that the lower quality of comprehensive ML reports may not have affected the supplemental evaluations. A Working Group member shared that the pattern is consistent with their research.