

Medical Payments in the Oregon Workers' Compensation System, 2005

Department of Consumer & Business Services

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Workers' compensation (WC) medical payments represent a significant portion of WC claim costs. Medical payments consist of reimbursements to medical providers for medical services and medical supplies provided to workers with on-the-job injuries, including both accepted disabling and nondisabling claims. In 2005, WC medical payments accounted for \$287,668,950, or 53.6 percent, of total WC claim costs. Medical payments in 2005 were nearly \$26.6 million, or 10.2 percent, higher than in 2004.

WC medical expenses in Oregon are covered by one of the following insurer categories: state accident insurance fund (SAIF), private insurers, self-insurers, or noncomplying employers' fund¹ (Figure 1). SAIF is the largest insurer in Oregon with 51.2 percent of market share in 2005, 5.6 percent more than in 2004.

Medical doctors, hospital outpatient providers, and hospital inpatient providers are the top three provider types by payments in Oregon's WC system (Table 1). Together they accounted for 66 percent of total medical payments in 2005, 1 percent more than in 2004.

Figure 1. Medical payments by insurer category

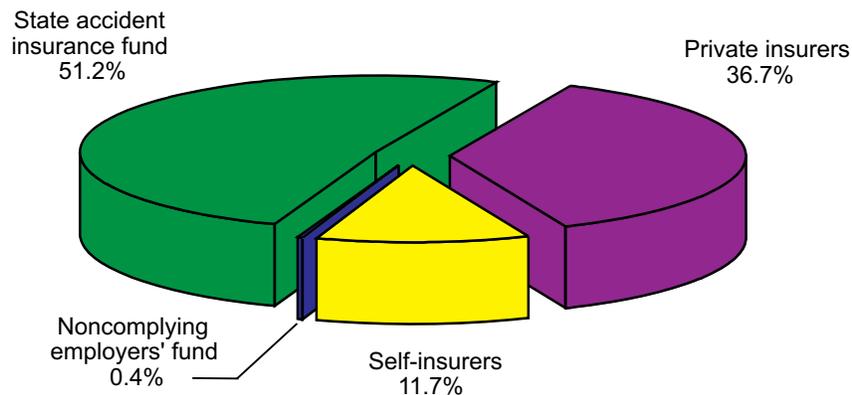


Table 1. Medical payments by provider type

Provider Type	Total payments	Percent of total medical payments
Medical doctors	\$88,251,850	30.7%
Hospital outpatient providers	\$66,917,800	23.3%
Hospital inpatient providers	\$34,575,850	12.0%
Physical therapists	\$21,881,050	7.6%
Pharmacists	\$14,750,300	5.1%
Radiologists	\$9,064,350	3.2%
Chiropractors	\$6,375,300	2.2%
Medical supplies	\$5,249,100	1.8%
Other medical providers*	\$40,603,350	14.1%
Total medical payments	\$287,668,950	100.0%

Individual figures may not sum to totals due to rounding.

* Other medical providers include: osteopath, occupational therapists, dentists, physician assistants, podiatrists, optometrists, laboratory, nurse practitioners, acupuncturists, naturopaths, and other medical providers.

Medical services provided to covered workers are reimbursed based on the maximum allowable payment set by the Oregon rules (Oregon Administrative Rules: Chapter 436, Division 009). Oregon rules define the following service categories:

- Medical fee-schedule services – represented by eight service sub-categories (Table 2). These services are reimbursed according to resource-based relative value system established by Medicare and conversion factors developed by DCBS.
- Hospital services² – such as room and board, medical supplies, and other. These services are reimbursed according to hospital’s cost-to-charge ratio, which DCBS derives, based on hospital’s financial standings and geographic location.
- Pharmaceuticals³ – paid according to the pharmacy fee schedule, which is an \$8.70 dispensing fee plus 88 percent of average wholesale price (AWP).

- Durable medical equipment (DME) and medical supplies – paid at 85 percent of the manufacturer’s suggested retail price or at 140 percent of the actual cost.
- Non-fee-schedule services – services that do not fit under above mentioned categories, including independent medical exams. These services are reimbursed at providers’ usual and customary rates.

The share of medical fee-schedule services increased 2.5 percent from 2004; shares of hospital services, DMEs, and medical supplies remained about the same; and the shares of pharmaceuticals and non-fee-schedule services declined 0.5 percent and 2.2 percent, respectively.

Data sources and methodology

This report reflects WC insurer medical payment data reported to the department under [Bulletin 220](#). To better represent total WC medical payments, the department adjusts insurer-reported medical payments to account for the following two factors:

Table 2. Medical payments by service category

Service category	Total payments by service category	Percent of total medical payments
Medical fee-schedule services	\$173,203,750	60.2%
-Surgery	\$43,537,600	15.1%
-Evaluation and management	\$43,098,700	15.0%
-Physical medicine and rehabilitation	\$41,751,300	14.5%
-Radiology	\$24,686,550	8.6%
-Medicine	\$11,204,500	3.9%
-Anesthesia	\$4,103,150	1.4%
-Multidisciplinary and other Oregon specific codes	\$3,326,900	1.2%
-Laboratory and pathology	\$1,495,050	0.5%
Hospital services	\$63,272,300	22.0%
Pharmaceuticals	\$14,830,950	5.2%
DME and medical supplies	\$4,888,000	1.7%
Non-fee-schedule services	\$31,473,950	10.9%
Total medical payments	\$287,668,950	100.0%

Note: Individual figures may not sum to totals due to rounding.

- Unreported pharmacy payments. DCBS annually surveys SAIF and several large insurers from private and self-insured categories and obtains their total WC pharmacy payments, including any cash payments to workers as reimbursement for worker-paid prescriptions. DCBS uses the results of the survey to estimate unreported pharmacy payments and adds them to the total reported Bulletin 220 medical payments.
- Nonreporting insurer payments. Bulletin 220 requires that insurers with 100 or more accepted disabling claims in the previous year report medical payments for the current year to DCBS. Using historical data, DCBS estimates Bulletin 220 medical payments for private insurers and self-insurers with fewer than 100 accepted disabling claims in the previous year who did not report their medical billing data. DCBS adds these payments to the total bulletin 220 medical payments.

Endnotes

¹ Noncomplying employers' fund, administered by Department of Consumer and Business Services (DCBS), pays for uninsured workers' medical expenses.

² Hospital inpatient and hospital outpatient services that do not fit under any of the medical fee-schedule service sub-categories.

³ Caution: Not all pharmaceuticals are dispensed by pharmacists and not all services provided by pharmacists are for prescription drugs, thus payments under the pharmaceuticals service category are not the same as payments under pharmacists as a provider type in Table 1.

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