Medical Payments in the Oregon Workers' Compensation System, 2006

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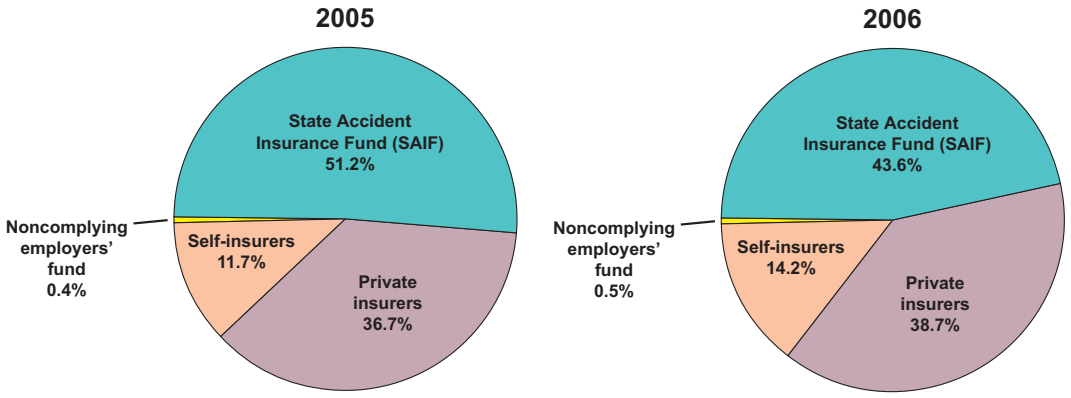
Workers' compensation medical payments represent a significant portion of workers' compensation claim costs. Medical payments consist of reimbursements to medical providers for medical services and medical supplies provided to workers with on-the-job injuries and illnesses, including both accepted disabling and nondisabling claims. In 2006, workers' compensation medical payments accounted for $313,742,500, or 54.5 percent of total workers' compensation claim costs. Medical payments in 2006 were nearly $26.1 million, or 9.1 percent, higher than in 2005. This report examines how medical payments in the Oregon workers' compensation system were distributed in 2006.

Insurer category

Workers' compensation medical expenses in Oregon are covered by one of the following insurer categories: state accident insurance fund (SAIF), private insurers, self-insured employers, and the noncomplying employers' fund[1] (Figure 1). In 2006, the share of SAIF's medical payments decreased by 4.6 percent, the share of private insurers increased by 2 percent, the share of self-insurers increased by 2.5 percent, and the share paid by the noncomplying employers' fund increased by 0.1 percent compared to 2005.

Figure 1. Medical payments by insurer category



Provider type

Medical doctors, hospital outpatient providers, and hospital inpatient providers are the top three provider types by payments in Oregon's workers' compensation system (Table 1). Together they accounted for 64.8 percent of total medical payments in 2006, 1.2 percent lower than in 2005.

Table 1. Medical payments by provider type

Provider type	2005		2006	
	Payments	Percent of total	Payments	Percent of total
Medical doctor	$88,251,850	30.7%	$95,529,600	30.4%
Hospital outpatient	$66,917,800	23.3%	$73,373,000	23.4%
Hospital inpatient	$34,575,850	12.0%	$34,462,900	11.0%
Physical therapist	$21,881,050	7.6%	$25,675,600	8.2%
Pharmacy	$14,750,300	5.1%	$15,375,950	4.9%
Radiologist	$9,064,350	3.2%	$9,056,200	2.9%
Chiropractor	$6,375,300	2.2%	$7,058,650	2.2%
Medical supplies	$5,249,100	1.8%	$5,723,850	1.8%
Other medical providers	$40,603,350	14.1%	$47,486,750	12.9%
Total	**$287,668,950**	**100.0%**	**$313,742,500**	**100.0%**

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

Service category

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). Based on these rules, services provided to WC patients can be grouped into the following service categories, each of which has a unique method of determining the payment (Table 2).

Table 2. Medical payments by service category

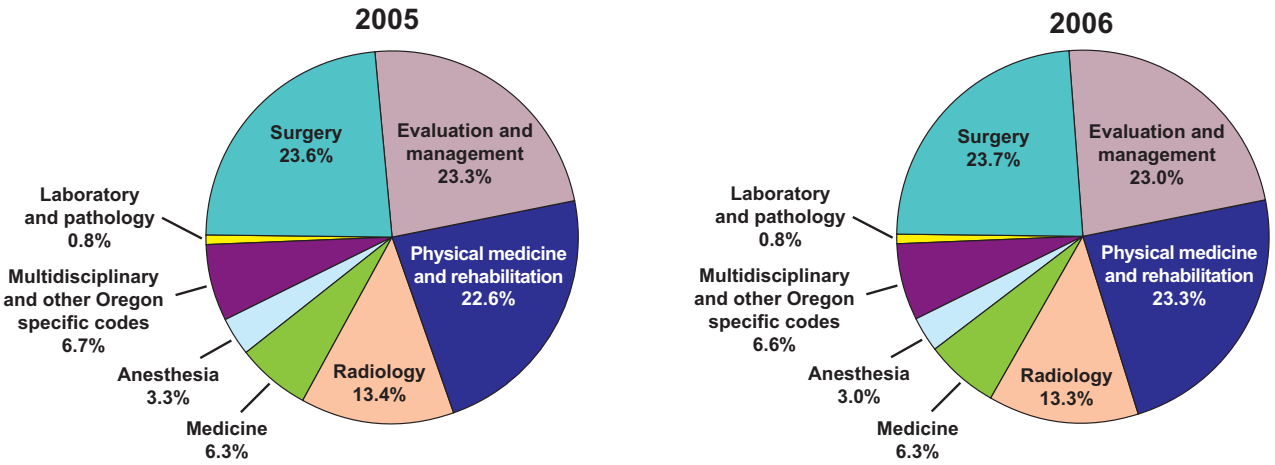
Service category	2005		2006	
	Payments	Percent of total	Payments	Percent of total
Medical fee-schedule services	**$184,686,700**	**64.2%**	**$202,372,400**	**64.5%**
-Surgery	$43,537,600	15.1%	$47,895,900	15.3%
-Evaluation and management	$43,098,700	15.0%	$46,462,850	14.8%
-Physical medicine and rehabilitation	$41,751,300	14.5%	$47,245,300	15.1%
-Radiology	$24,686,550	8.6%	$26,881,550	8.6%
-Medicine	$11,623,350	4.0%	$12,764,950	4.1%
-Anesthesia	$6,082,400	2.1%	$6,109,550	1.9%
-Multidisciplinary and other Oregon specific codes	$12,411,750	4.3%	$13,361,100	4.3%
-Laboratory and pathology	$1,495,050	0.5%	$1,651,150	0.5%
Hospital services	**$63,432,950**	**22.1%**	**$65,586,050**	**20.9%**
Pharmaceuticals	**$14,831,250**	**5.2%**	**$16,896,850**	**5.4%**
DME and medical supplies	**$4,888,000**	**1.7%**	**$5,647,150**	**1.8%**
Non-fee-schedule services	**$19,830,050**	**6.9%**	**$23,240,100**	**7.4%**
Total medical payments	**$287,668,950**	**100.0%**	**$313,742,500**	**100.0%**

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

Medical fee-schedule services are reimbursed according to a resource-based relative value unit system established by Medicare and conversion factors developed by the Oregon Department of Consumer and Business Services (DCBS). Medical fee-schedule services accounted for 64.5 percent of all medical payments, a 0.3 percent increase compared to 2005.

Among fee-schedule services, Surgery, Evaluation & Management, and Physical Medicine & Rehabilitation service categories accounted for 70 percent of all medical fee-schedule payments in 2006 (Figure 2). This is an increase of 0.5 percent from 2005. The remaining payments were distributed among the other five service categories.

Figure 2. Medical fee-schedule payments by type of service



Hospital services[2] are reimbursed according to each hospital's cost-to-charge ratio, which is derived by DCBS based on the hospital's financial standing and geographic location. Hospital service payments decreased by 1.2 percent to 20.9 percent of total medical payments.

Pharmaceuticals[3] are paid according to the pharmacy fee schedule, which in 2006 included an $8.70 dispensing fee plus 88 percent of the average wholesale price of each drug. Payments for pharmaceuticals increased 0.2 percent in 2006.

Durable medical equipment (DME) and medical supplies are paid at 85 percent of the manufacturer's suggested retail price or at 140 percent of the actual cost, whichever is greater. The share of payments for DME and medical supplies increased by 0.1 percent.

Non-fee-schedule services do not have an established maximum payment. These services are reimbursed at providers' usual and customary rates. Non-fee-schedule service payments increased by 0.5 percent. This category consists of payments made for some medical procedures and insurer payments not otherwise classifiable.

Data sources and methodology

This report utilizes workers' compensation insurer medical payment data reported to the department under Bulletin 220 to calculate annual total workers' compensation medical payments. To better represent total workers' compensation medical payments, insurer-reported medical payments are adjusted to account for the following two factors:

- *Unreported pharmacy payments.* DCBS surveys SAIF, several large private insurers, and self-insured employers to obtain their total annual workers' compensation pharmacy payments, including any cash reimbursements to workers. The results of the survey are used to improve the estimate of total pharmacy payments.
- *Non-reporting insurer payments.* Under Bulletin 220, private insurers and self-insured employers with fewer than 100 accepted disabling claims in the previous calendar year are not required to report their medical billing data. Using historical data, DCBS estimates medical payments for these insurers.

Estimated pharmacy payments and estimated medical payments for non-reporting insurers are added to payments reported under Bulletin 220 to arrive at estimated total workers' compensation medical payments for the calendar year.

Endnotes

[1] The noncomplying employers' fund, administered by Department of Consumer and Business Services (DCBS), pays for medical expenses of workers whose employers did not have a mandatory workers' compensation insurance policy at the time they were injured.

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

[3] Payments under the Pharmaceuticals service category are not the same as payments to Pharmacies as a provider type in Table 1. Not all pharmaceuticals are dispensed by pharmacists and not all services provided by pharmacists are dispensations of prescription drugs.

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