ANALYSIS OF OKLAHOMA MEDICAL FEE SCHEDULE CHANGES
EFFECTIVE JULY 1, 2024

NCCI estimates that the changes to the medical fee schedule in Oklahoma, effective July 1, 2024, will result in an impact of +1.7% on overall workers compensation system costs.

SUMMARY OF CHANGES

The current Oklahoma Schedule of Medical and Hospital Fees, published by the Oklahoma Workers' Compensation Commission (OWCC), has been in effect since July 1, 2022. The OWCC has enacted various revisions to be effective July 1, 2024. The following is a summary of the enacted 2024 fee schedule changes that are explicitly quantified in this analysis:

Physician Services:

- Currently, the maximum allowable reimbursements (MARs) for physician services are based on the 2022 Relative Value Units (RVUs) and the 2022 Clinical Laboratory fee schedule published by the Centers for Medicare and Medicaid Services (CMS).
- The enacted fee schedule updates the MARs to be based on 2024 RVUs and the 2024 Clinical Laboratory fee schedule as published by the CMS.

Anesthesia Services:

- Currently, the MARs calculated under the 2022 fee schedule are based on the 2022 CMS base rates and a state specific conversion factor of $54.00.
- The MARs calculated under the 2024 fee schedule are based on the 2024 CMS base rates and a state-specific conversion factor of $56.48.

Hospital Inpatient Services:

- Currently, MARs for hospital inpatient services are based on the 2022 Medicare Severity Diagnosis-Related Group (MS-DRG) weights as published by CMS and a state-specific base rate of $5,773.84.
- The enacted fee schedule updates the hospital inpatient MARs to be based on the 2024 MS-DRG weights as published by CMS and a state-specific base rate of $6,287.71.

Hospital Outpatient and Ambulatory Surgical Center (ASC) Services:

- Currently, MARs for hospital outpatient and ASC services are based on CMS's 2022 Hospital Outpatient Prospective Payment System (OPPS).
- The enacted fee schedule updates the MARs to be based on CMS's 2024 OPPS.

Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Services:

- Currently, MARs for DMEPOS services are based on CMS's 2022 DMEPOS Fee Schedule.
- The enacted fee schedule updates the MARs to be based on CMS's 2024 DMEPOS Fee Schedule.

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ACTUARIAL ANALYSIS

NCCI's methodology to evaluate the impact of medical fee schedule changes includes three major steps:

1. Calculate the percentage change in maximum reimbursements
    - Compare the prior and revised maximum reimbursements by procedure code to determine the percentage change by procedure code. For hospital inpatient services, the prior and revised maximum reimbursements are compared by episode.
    - Calculate the weighted-average percentage change in maximum reimbursements for the fee schedule using observed payments by procedure code as weights. For hospital inpatient services, the observed payments by episode are used as weights. For hospital outpatient and ASC services, observed payments are aggregated according to packaging rules, where applicable.

2. Determine the share of costs that are subject to the fee schedule
    - The share is based on a combination of fields, such as procedure code, provider type, and place of service, as reported on the NCCI Medical Data Call, to categorize payments that are subject to the fee schedule.
    - Any potential impact from the share of costs not subject to the fee schedule will be realized in future claim experience and reflected in subsequent NCCI loss cost filings, as appropriate.

3. Estimate the price level change as a result of the revised fee schedule
    - NCCI research by David Colón and Paul Hendrick, "The Impact of Fee Schedule Updates on Physician Payments" (2018), suggests that approximately 80% of the change in maximum reimbursements for physician fee schedules is realized on payments impacted by the change.
    - For facility fee schedule changes, a price realization factor of 80% is assumed.

Note that the values presented in the document are rounded and may not be displayed to full precision.

In this analysis, NCCI relies primarily on two data sources:

- Detailed medical data underlying the calculations in this analysis are based on NCCI's Medical Data Call for Oklahoma for Service Year 2022. Reported medical experience for COVID-19 claims as reported in NCCI Call 31 for Large Loss and Catastrophe have been excluded from the data on which this analysis is based.
- The share of benefit costs attributed to medical benefits is based on NCCI's Financial Call data for Oklahoma from Policy Years 2020 and 2021 projected to the effective date of the benefit changes.

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Summary of Impacts

The impacts from the fee schedule changes in Oklahoma, effective July 1, 2024, are summarized below.

Type of Service	(A) Impact on Type of Service	(B) Share of Medical Costs	(C) = (A) x (B) Impact on Medical Costs
Physician	+6.1%	35.8%	+2.2%
Hospital Inpatient	+1.5%	22.3%	+0.3%
Hospital Outpatient	+3.9%	18.5%	+0.7%
ASC	+3.0%	1.3%	Negligible Increase[1]
DMEPOS	+1.0%	10.5%	+0.1%
Combined Impact on Medical Costs (D) = Total of (C)			**+3.3%**
Medical Costs as a Share of Overall Costs (E)			52%
Combined Impact on Overall Costs (F) = (D) x (E)			**+1.7%**

Refer to the appendix for the weighted-average changes in MARs by physician practice category, the share of costs subject to the fee schedule by type of service, and the weighted-average change in MAR by type of service.

Non-Quantified Changes

- Maximum reimbursement for dental services and ambulance services are also governed by the fee schedule in Oklahoma. The share of these payments with a MAR makes up a minor portion of medical costs. Therefore, the impact on overall costs due to updating the fee schedule for these services is not anticipated to be material. As such, any potential impact from this change will be realized in future claim experience and reflected in subsequent NCCI loss cost filings in Oklahoma, as appropriate.

- Changes to Oklahoma's medical fee schedule also included a new definition and reimbursement rules for Rural Hospitals. Due to limited ability to accurately identify hospitals that meet this definition, this component of the fee schedule change was not included in the analysis. As such, any potential impact from this change will be realized in future claim experience and reflected in subsequent NCCI loss cost filings in Oklahoma, as appropriate.

[1] Negligible is defined to be an impact on system costs of less than +0.1%.

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APPENDIX

Weighted-Average Percentage Change in MARs Prior to Price Realization by Physician Practice Category

Physician Practice Category	Share of Physician Costs	Percentage Change in MARs
Anesthesia	4.0%	+4.6%
Surgery	23.6%	+9.2%
Radiology	9.2%	-3.7%
Pathology & Laboratory	0.8%	+5.3%
Evaluation & Management	25.4%	+9.1%
General Medicine	3.3%	+6.8%
Physical Medicine	28.9%	+9.9%
Other HCPCS*	1.1%	+10.0%
Subject to the Fee Schedule	**96.3%**	**+7.9%**
Payments with no specific MAR	3.7%	–
Total	**100.0%**	**+7.6%**

*Healthcare Common Procedure Coding System

Share of Costs Subject to the Fee Schedule (FS) and Weighted-Average Percentage Change in MARs by Type of Service

Type of Service	(A) Change in MARs for Costs Subject to the FS	(B) Share of Costs Subject to the FS	(C) = (A) x (B) Change in MARs by Type of Service	(D) = (C) x 80% Impact after Price Realization
Physician	+7.9%	96.3%	+7.6%	+6.1%
Hospital Inpatient	+2.4%	79.2%	+1.9%	+1.5%
Hospital Outpatient	+5.4%	90.2%	+4.9%	+3.9%
ASC	+4.8%	76.5%	+3.7%	+3.0%
DMEPOS	+7.6%	17.8%	+1.3%	+1.0%

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