



Oregon

Theodore R. Kulongoski, Governor

Department of Consumer and Business Services
Workers' Compensation Division
350 Winter St. NE
PO Box 14480
Salem, OR 97309-0405
1-800-452-0288 or 503-947-7810
www.wcd.oregon.gov

April 17, 2008

Proposed Changes to Workers' Compensation Rules

The Department of Consumer and Business Services, Workers' Compensation Division proposes changes to OAR chapter 436, affecting hearings before the director, medical services and fee schedules, managed care organizations, workers' compensation insurance coverage, insurers' record keeping and reporting, the Preferred Worker Program, and electronic data interchange of medical bill payment records.

Please review the attached documents for more information about proposed changes and possible fiscal impacts.

The department welcomes public comment on proposed changes and has scheduled a public hearing.

- When is the hearing?** May 19, 2008, 9:00 a.m.
- Where is the hearing?** Labor & Industries Building
350 Winter Street NE, Room 260 (2nd Floor),
Salem, Oregon 97301
- How can I make a comment?** Come to the hearing and speak, send written comments, or do both. Send written comments to:
Fred Bruyns, rules coordinator
Workers' Compensation Division
350 Winter Street NE (for courier or in-person delivery)
PO Box 14480, Salem, OR 97309-0405
Email - fred.h.bruyns@state.or.us
Phone - (503) 947-7717; Fax - (503) 947-7581

The closing date for written comments is May 22, 2008.

How can I get copies of the proposed rules?

On the Workers' Compensation Division's Web site –
<http://www.cbs.state.or.us/external/wcd/policy/rules/rules.html#proporules>
Or call (503) 947-7627 to get free paper copies

Questions?

Contact Fred Bruyns, (503) 947-7717.

Secretary of State
NOTICE OF PROPOSED RULEMAKING HEARING
A Statement of Need and Fiscal Impact accompanies this form.

Department of Consumer and Business Services,
Workers' Compensation Division

OAR CHAPTER 436

Agency and Division

Administrative Rules Chapter Number

Fred Bruyns^{FB}
Rules Coordinator

PO Box 14480, Salem, OR 97309-0405;
350 Winter Street NE, Rm 27, Salem, OR 97301-3879

(503) 947- 7717
Fax (503) 947-7581

Rules Coordinator

Address

Telephone

RULE CAPTION

Proposed rules affecting workers' compensation insurance, claims processing, medical treatment, and return-to-work assistance.

Hearing date	Time	Location	Hearings Officer
May 19, 2008	9:00 a.m.*	Room 260 (2 nd Floor, Labor & Industries Building) 350 Winter Street NE, Salem, Oregon	Fred Bruyns

***NOTE: The hearing will begin at 9:00 a.m. and end when all present who wish to testify have done so. Written testimony will be accepted through May 22, 2008.**

The site of the hearing is accessible for individuals with mobility impairments. Auxiliary aids for persons with disabilities are available upon advance request.

RULEMAKING ACTION

ADOPT: OAR 436-050-0025

AMEND: OAR 436-001, 436-009, 436-010, 436-015, 436-050, 436-160 and 436-030-0003, 436-040-0003, 436-045-0003, 436-110-0320, 436-110-0330, 436-110-0240^{FB}

REPEAL: OAR 436-040-0100

ORS 656.726(4)

Stat. Auth.

Other Authority

ORS chapter 656

Stats. Implemented

RULE SUMMARY

General changes to OAR chapter 436: The agency proposes to correct typographical and citation errors, delete duplicate requirements, clarify or relocate some provisions, and streamline processes. To the extent that these changes may substantially affect the meaning of the rules, they are described below.

The agency proposes to amend OAR chapter 436, division 001, "Procedural Rules Governing Rulemaking and Hearings." These proposed rules address: The applicability of the rules; notice of rulemaking; distribution of exhibits; content of exceptions; stay of director review; time limits for attorneys to submit statements of services; and administrative law judge authority to approve settlements and dismiss cases.

The agency proposes to amend OAR chapter 436, division 009, "Oregon Medical Fee and Payment Rules." These proposed rules address: Adoption of updated medical fee schedules and resources for the payment of health care providers; time frames for refunds of overpaid medical bills and related appeal rights; compensability of lumbar artificial disc replacements; electronic data interchange medical reporting requirements; adjustment of the conversion factors for evaluation/management (increase) and surgery (decrease); reduction of the maximum allowable fee for brand and generic drugs from 88% to 83.5% of the average wholesale price; and reduction of the dispensing fee from \$8.70 to \$2.00.

The agency proposes to amend OAR chapter 436, division 010, "Medical Services." These proposed rules address: Treatment and time-loss authority time limits applicable to several health care provider types; how the enrollment of a nonsubject worker in an MCO affects the worker's maximum number of choices of attending physician; contraindications to lumbar artificial disc replacement; and requirements for the worker's social security number on Form 827.

Secretary of State
STATEMENT OF NEED AND FISCAL IMPACT

A Notice of Proposed Rulemaking Hearing or a Notice of Proposed Rulemaking accompanies this form.

Department of Consumer and Business Services,
Workers' Compensation Division

OAR CHAPTER 436

Agency and Division

Administrative Rules Chapter Number

In the Matter of)
The Amendment of OAR:)
436-001, Procedural Rules Governing Rulemaking and Hearings)
436-009, Oregon Medical Fee and Payment Rules)
436-010, Medical Services)
436-015, Managed Care Organizations)
436-030, Claim Closure and Reconsideration)
436-040, Workers with Disabilities Program)
436-045, Reopened Claims Program)
436-050, Employer/Insurer Coverage Responsibility)
436-110, Preferred Worker Program)
436-160, Electronic Data Interchange)

Rule Caption:

Proposed rules affecting workers' compensation insurance, claims processing, medical treatment, and return-to-work assistance.

Statutory Authority: ORS 656.726(4)

Other Authority:

Statutes Implemented: ORS chapter 656

Need for the Rule(s): The agency is proposing changes: to update the medical fee schedules as required by ORS 656.248; to implement House Bill 2007 affecting domestic partners; to begin to implement Senate Bill 559 affecting how insurers report proof of workers' compensation insurance coverage to the agency; to establish standards for electronic data interchange of medical and coverage data; to ensure insurers and self-insured employers keep sufficient records in Oregon for agency audits; to streamline certain procedures affecting the Preferred Worker Program; and to make other changes consistent with the director's responsibilities under ORS 656.726(4).

Documents Relied Upon, and where they are available: "Issues" documents presented to stakeholder advisory committees; advisory committee meeting minutes; written advice from advisory committee members and other interested parties. These records are available for public inspection in the Administrator's Office, Workers' Compensation Division of the Department of Consumer and Business Services, 350 Winter Street NE, Salem, Oregon 97301-3879, upon request and between the hours of 8:00 a.m. and 5:00 p.m., Monday through Friday. Please call (503) 947-7717 to request copies.

Fiscal and Economic Impact, including Statement of Cost of Compliance: Unless stated otherwise, references to "insurers" (below) include "self-insured employers." The following is a list of significant estimated fiscal/economic impacts on persons and organizations affected by OAR chapter 436:

OAR chapter 436, division 009, "Oregon Medical Fee and Payment Rules"

- Adoption by reference of Centers for Medicare & Medicaid Services (CMS) 2008 Medicare Resource-Based Relative Value Scale (RBRVS), Addendum B and Addendum C, 72 Federal Register No. 227, Nov. 27, 2007, as the fee schedule for payment of medical service providers, except as otherwise provided in the rules

The agency projects, due to some changes in the CMS relative value units for 2008, that adoption of the RBRVS would decrease overall medical payments that are subject to the RBRVS by approximately \$350,000, or -0.18%.

- Increasing the conversion factor for the service category "Evaluation/Management" (E&M) from \$59.79 to \$64.79 and decreasing the conversion factor for Surgery from \$93.66 to \$86.44

The agency projects an annual increase in E&M reimbursements of approximately \$2 million and a decrease in Surgery reimbursements of approximately \$2 million. Data available to the agency shows payments for E&M services average 9% above the maximums allowed during calendar year 2007, while payments for surgery average 26% below the maximums allowed. The purpose of these changes is to better align these components of the fee schedule with reimbursement generally received for the services provided, as required under ORS 656.248(1); in addition, access to high quality E&M services is critical in promoting early, effective treatment, improving long-term outcomes, and promoting early return to work.

- Maintaining the other conversion factors at 2007 levels

Overall, the agency projects that keeping the conversion factors at 2007 levels will result in reduced net income for some medical providers, because providers' business costs are rising. Between 2006 and 2007, the Physicians' Services Component of the Consumer Price Index increased by 4.04%. Relative to increasing the conversion factors by the 2006-2007 CPI increase, 4.04% is the approximate, potential, maximum effect on Oregon medical providers as a whole; effects on individual providers may be more or less depending on the types of services provided. However, available medical billing data shows that average payments in the following service categories are below the maximums allowed during calendar year 2007: Surgery, Radiology, Lab & Pathology, Medicine, Physical Medicine and Rehabilitation, and Multidisciplinary/Other Oregon-Specific Codes. For those medical providers that bill below the maximums, maintaining the 2007 levels will have no direct fiscal impact.

- Reducing the maximum allowable fee for brand and generic drugs from 88% to 83.5% of the average wholesale price (AWP); reducing the dispensing fee from \$8.70 to \$2.00

Under ORS 656.248(1), the director must adopt fee schedules that “* * * represent reimbursement generally received for the services provided.” The proposed rates are more consistent with rates paid for brand name drugs in other parts of the health care system, while generic drug fees would remain above fees under some widely accepted benefit plans. The agency projects that proposed rule changes would reduce annual drug payments by approximately \$3.6 million, or 21.8% of total pharmacy payments.

- Restricting compensability of lumbar artificial disc replacements

Under ORS 656.245(3), the director may exclude from compensability any medical treatment the director finds to be unscientific, unproven, outmoded, or experimental. Based on the advice of the Medical Advisory Committee, the director proposes to exclude artificial disc replacements from compensability unless the devices and the patients meet specific conditions – with the goal to improve patient outcomes. Improved patient outcomes should lower overall medical costs paid by insurers. Restrictions affecting artificial disc replacement could have a slight negative fiscal impact on surgeons who perform disc replacements, though surgeons may perform other procedures on patients that do not meet the criteria for disc replacement. Artificial disc replacement is not a commonly used procedure, so the overall fiscal impact should be small.

OAR chapter 436, division 010, “Medical Services”

- Contraindications to lumbar artificial disc replacement

See analysis under OAR 436-009 regarding “Restricting compensability of lumbar artificial disc replacements”

OAR chapter 436, division 015, “Managed Care Organizations” (MCOs)

- Reduced documentation requirements for prospective MCOs (applicants)

The agency projects a small savings for applicant MCOs.

OAR chapter 436, division 050, “Employer/Insurer Coverage Responsibility”

- Required record-keeping for supplemental disability benefits (SDB)

The agency projects that insurers that have elected to process SDB will incur small initial costs to establish record-keeping procedures, plus some on-going costs to track eligibility and payments. The majority of insurers have elected to refer affected claims to the agency's contracted agent for processing;

for these companies there would be no fiscal impact. The few companies that process their own SDB claims are reimbursed by the agency for SDB claims costs from the Workers' Benefit Fund. Included in these reimbursements is an administrative cost factor, most recently 17.15%, which is intended to cover the costs to process claims, including associated record-keeping.

OAR chapter 436-110, "Preferred Worker Program"

- Issuance of Preferred Worker cards to workers determined eligible before claim closure
The agency projects a small positive fiscal impact on affected workers - those who can receive Preferred Worker cards earlier and use them to obtain employment.
 - Expanded time frames for insurers to request claim cost reimbursement from the Workers' Benefit Fund
The agency projects a small positive fiscal impact on employers whose insurers can obtain reimbursement of claims costs even if the insurer is informed about eligibility late – after existing deadlines for requesting reimbursement would have expired. Affected insurers would reimburse their insured employers for any premiums and premium assessments paid during the premium exemption period.
-

Regarding additional proposed changes to chapter 436, including amendments to OAR 436-001, 030, 040, 045, and 160

The agency estimates that additional changes will not have a significant economic impact on any persons or businesses, including small businesses.

How were small businesses involved in the development of this rule?

Representatives of small businesses participated in the stakeholder advisory committee. Small businesses affected by these rules are primarily medical providers and pharmacies.

Cost of compliance effect on small businesses:

Estimated number of small businesses subject to the proposed rule:

Based on available data, we estimate approximately 12,000 medical providers and 110 pharmacies are small businesses, as defined in ORS 183.310(10).

Identify the types of businesses and industries with small businesses subject to the proposed rule:

- Oregon medical providers
- Oregon pharmacies

Describe the projected reporting, record-keeping and other administrative activities required for compliance with the proposed rule, including costs of professional services:

Reporting: The proposed changes do not require increased reporting for small businesses.

Record-keeping: The proposed changes do not require increased record-keeping for small businesses.

Other administrative activities and costs of professional services:

The agency projects that, due to some changes in the Centers for Medicare & Medicaid Services (CMS) relative value units for 2008, adoption of the CMS schedule would decrease overall medical payments that are subject to the schedule by approximately \$350,000, or -0.18%.

The agency projects that increasing the conversion factor for the service category Evaluation/Management (E&M) from \$59.79 to \$64.79 will increase reimbursements for E&M services by approximately \$2 million.

The agency projects that decreasing the conversion factor for Surgery from \$93.66 to \$86.44 will decrease reimbursements for surgical services by approximately \$2 million.

Overall, the agency projects that keeping the remaining conversion factors at 2007 levels will result in reduced net income for some medical providers, because providers' business costs are rising. Between 2006 and 2007, the Physicians' Services Component of the Consumer Price Index increased by 4.04%. Relative to increasing the conversion factors by the 2006-2007 CPI increase, 4.04% is the approximate, potential, maximum effect on Oregon medical providers as a whole; effects on individual providers may be more or less depending on the types of services provided. However, available medical billing data shows that average payments in the following service categories are below the maximums allowed during calendar year 2007: Surgery, Radiology,

Lab & Pathology, Medicine, Physical Medicine and Rehabilitation, and Multidisciplinary/Other Oregon-Specific Codes. For those medical providers that bill below the maximums, maintaining the 2007 levels will have no direct fiscal impact.

The agency projects that reducing the maximum allowable fee for drugs from 88% to 83.5% of the average wholesale price, and reducing the dispensing fee from \$8.70 to \$2.00 would reduce annual drug payments by approximately \$3.6 million, or 21.8% of total pharmacy payments.

Extent of economic impact: The proposed changes to the conversion factors and pharmacy fees for brand name drugs would better align the medical fee schedules with reimbursement generally received for the services provided, as required under ORS 656.248(1). The proposed changes to pharmacy fees for generic drugs continue to provide a significantly higher reimbursement than some widely accepted pharmacy benefit plans. There is no basis to say that economic impacts would be “significantly adverse” (under ORS 183.540), but we invite public testimony on the probable extent of the impact.

Identify equipment, supplies, labor and increased administration required for compliance with the proposed rule:

Equipment: The proposed changes do not require the purchase of equipment to achieve compliance.

Supplies: The proposed changes do not require the purchase of supplies to achieve compliance.

Labor: The proposed changes do not require that small businesses hire additional staff to achieve compliance.

Administration: The proposed changes do not require increased administration to achieve compliance.

Extent of economic impact: There is no basis to say that any impacts would be “significantly adverse” (under ORS 183.540), but we invite public testimony on the probable extent of the impact.

Administrative Rule Advisory Committee consulted:

Yes, advisory committees met on Jan. 25, Feb 11, and Feb. 25, 2008.

The agency asked the committees for advice on the economic impacts of the discussed changes, including impacts on small businesses.

/s/ John L. Shilts

4/10/08

Signature and Date

John L. Shilts, Administrator, Workers' Compensation Division

Printed name

ORDER NO. XX-XXX

**DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
WORKERS' COMPENSATION DIVISION
CLAIM CLOSURE AND RECONSIDERATION**

**EXHIBIT "A"
OREGON ADMINISTRATIVE RULES
CHAPTER 436, DIVISION 030, RULE 0003**

Revisions are marked as follows:

Deleted text has a "strike-through" style, as in	Deleted
Added text is bold and underlined, as in	<u>Added</u>

436-030-0003 Applicability of Rules

(1) Except as provided in section (3) of this rule, these rules apply to all accepted claims for workers' compensation benefits and all requests for reconsideration received by the department on or after the effective date of these rules.

(2) All orders issued by the division to carry out the statute and these rules are considered an order of the director.

(3) These rules take the place of the rules adopted on ~~January 1, 2005~~ **January 2, 2008**, by Workers' Compensation Division Administrative Order ~~04-062~~ **07-059**, and carry out ORS 656.005, 656.214, 656.262, 656.268, 656.273, 656.277, 656.278, and 656.325.

(a) For claims in which the worker became medically stationary prior to July 2, 1990 OAR 436-030-0020, 436-030-0030, and 436-030-0050 as adopted by WCD Administrative Order 13-1987 effective January 1, 1988 will apply.

(b) OAR 436-030-0055(3)(b), (3)(d) and (4)(a) apply to all claims with dates of injury on or after January 1, 2002.

Stat. Auth.: ORS 656.268 (eh. 429, OL 2003), ORS 656.726, 1995-OR Laws Chapter 332, and 1999-OR Laws Chapter 313
Stats. Implemented: ORS 656.206, ORS 656.210, ORS 656.212, ORS 656.262, ORS 656.268 (eh. 429, OL 2003), ORS 656.273, ORS 656.277, ORS 656.325, ORS 656.726, 1995-OR Laws Chapter 332, 1999-OR Laws Chapter 313; chapters 349, 350, 377, and 865, Oregon Laws 2001
Hist: Amended 12/5/05 as WCD Admin. Order 05-073, eff. 1/1/06
Amended xx/xx/xx as WCD Admin. Order xx-xxx, eff. xx/xx/xx