

December 31, 2020

Stephen Schneider
Coalition of Professional Copy Services

RE: Savings and Costs of Potential Fee Schedule Reforms

Dear Mr. Schneider:

As you have requested, the following is a draft analysis of the potential impact of potential reforms to the California workers' compensation fee schedules related to copy services and Qualified Medical Exams (QMEs). In particular we focused on the savings associated with removing duplicate pages provided to QMEs and increased costs associated with increasing copy service fees.

We appreciate the opportunity to be of service to the Coalition of Professional Copy Services (CPP) in preparing this report. Please feel free to call Mark Priven at (916) 244-1161 with any questions you may have concerning this report.

Respectfully Submitted,



Mark Priven, FCAS, MAAA
Principal, Specialty Actuarial, Bickmore Actuarial
Fellow, Casualty Actuarial Society; Member, American Academy of Actuaries

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I. Executive Summary

This report estimates the financial impact of two potential changes to California workers' compensation fee schedules:

1. Increasing copy service fees from a flat fee of \$180 per record to \$250 per record.
2. Reducing pages reviewed by QMEs by eliminating duplicative, blank, and irrelevant pages submitted to QMEs. While the current QME fee schedule does not pay QMEs on a per page basis, the California Department of Industrial Relations Division of Workers' Compensation (DWC) has proposed regulations under which QMEs are paid for reviewing pages under certain circumstances. Therefore, the savings estimated in this report relate to the proposed as opposed to the current fee schedule.

Table 1
Estimated Annual Systemwide Savings and Additional Costs
(\$Millions)

	Scenario		
	Low	Middle	High
Added Cost (increased copier fees) ¹	\$32	\$40	\$48
Savings (removal of duplicates, etc.) ²	(27)	(69)	(132)
Net Impact	5	(29)	(84)

¹ Exhibit 3

² Exhibit 1

The costs and savings displayed in the previous table are built on a variety of estimates and assumptions. While we made every effort to base these estimates on publicly available industry data, some of our assumptions were based on anecdotal information. The following is a table of key assumptions as well as the source of these assumptions.

Table 2
Key Assumptions

Description	Low	Middle	High	Source
# Pages per Copy Record				
Applicant	75	100	125	BRG Report
Defense	75	100	175	BRG Report
# of Copy Records per QME ¹	2.0	2.5	3.0	CPP
% Duplication Between Records ²	50%	75%	75%	CPP
% Irrelevant Within Records	5%	10%	15%	CPP

¹ Average # of records separately submitted by applicant or defense. Total number of records submitted to QME is twice this figure.

² Pages that are submitted by both the applicant and defense.

A description of the assumptions and sources utilized in this report is in next section.

II. Methodology and Assumptions

This section discusses the methods and assumptions we utilized to arrive at our results:

1. Additional Costs (Exhibit 3): The additional costs are based on estimates of the number of copy service records times the increase in copy service fee per record.
 - a. The number of copy records produced is based on the number of QMEs times the number of records per QME (Exhibit 8). The number of QME reports is based on historical data from the Commission on Health Safety and Workers' Compensation (CHSWC) 2020 Annual Report, which is a draft (Exhibit 6). The number of copy reports per QME is based on information provided by the CPP.
 - b. This estimated increase in cost per copy report is \$70, based on an increase to the copy service fee schedule from \$180 to \$250.
2. Savings (Exhibit 1): Savings are estimated based on the removal of duplicate, irrelevant, and blank pages submitted to QMEs. This is based on the number of QMEs by code (because only certain types of QMEs are subject to per page charges), the number of pages per QME, and the percentage of pages that can be removed.
 - a. Proposed QME Fees: Exhibit 12 provides an overview of the QME fee schedule proposed by the DWC. Note that medical-legal (ML) Codes 201 – 203 include fees per page reviewed when the number of pages exceed a specified threshold. As a result, potential savings only relate to those types of ML reports.
 - b. The projected distribution of QMEs by Code is based on the historical distribution of QMEs, with the old codes (ML 100 - 106) mapped to the new codes (ML 200-206) in Exhibit 4.
 - c. The projected total number of QMEs is based on the historical number of QMEs as reported by CHSWC (Exhibit 6).
 - d. The number of QMEs for the new codes (Exhibit 2) is based on the projected total number of QMEs (Exhibit 6) times the distribution of QMEs (Exhibit 4).
 - e. The number of pages per QME (Exhibit 7) is based on the number of pages per report times the number of reports per QME. The number of pages per report is based on the Berkeley Research Group "Formulating a Copy Service Fee Schedule for the CA DWC" (10/17/13). The number of reports per QME is based on an estimate from CPP.
 - f. Percentage Reduction in Pages Provided to QMEs: There are two potential sources of reductions related to pages provided to QMEs. Our assumptions are based on estimates provided by CPP.
 - i. Duplication Between Applicant and Defense: Both the Applicant and Defense submit the same records to the QME.