

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 the 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.

- ii. Duplicate, irrelevant, and blank pages: Irrelevant pages are probably most associated with hospital records, which may include notes, and consent forms which are irrelevant to the QME review.

III. Refinements

The estimates in this report are based on quick calculations, in some cases using data that is not public, anecdotal, and has not been verified. In addition, there are several factors which could impact the costs and savings which have not been incorporated. The following is a discussion of some of these key factors:

1. Assumptions provided by CPP: As discussed earlier, CPP provided the basis for several assumptions that are key to findings in this analysis. These include the number of copy records per QME report, the percentage duplication between applicant and defense submissions to QMEs, and the percentage of duplicate/blank/irrelevant pages within each copy record.
2. Represented vs. Unrepresented Claims: It is clear that the issue of duplicate pages is very different for represented versus unrepresented claims, with unrepresented claims having almost no duplication. While we were able to find the percentage of QME requests split between represented and unrepresented, we were not able to adjust other assumptions for this split. We have assumed that the assumptions in this report are appropriate for all claims in total, even though they are likely very different for represented vs. unrepresented claims.
3. Treating Physicians vs. Subpoenaed Files: Given that claims adjusters regularly provide treating physician files to applicant attorneys, it is likely that the percentage of pages that are duplicates relating to treating physician files are quite high. Since treatment physician files can be provided to applicant attorneys over time rather than all at once, it may be difficult to verify exactly which pages are duplicates. We have assumed that the percentage of duplication between applicant and defense files applies to all files in aggregate, though it may be different for treating physicians. Similarly, we have assumed that the assumption regarding the number of records per QME includes records from treating physicians.
4. Distribution of pages per record: In the proposed QME fee schedule, a specific number of pages reviewed by the QME is included in the flat fee for specific ML Codes. Similarly, the number of pages reviewed above a certain threshold are proposed by be paid at \$2 per page rather than \$3 per page. As a result, the actual distribution of pages per ML report can be an important factor. For example, the distribution of ML reports with 50 pages, 100 pages, 500 pages, etc. can determine the actual fees paid to QMEs. In this report we have utilized estimates of average or mean pages per ML report and have not applied a full distribution. However, this is a refinement worth considering.

IV. References

The following are key sources we utilized in this analysis:

1. CHSWC Annual Report 2020 – DRAFT
(<https://www.dir.ca.gov/chswc/Meetings/2020/CHSWC-2020-Annual-Report-DRAFT.pdf>)
2. Copy Fee Schedule (<https://www.dir.ca.gov/dwc/DWCWCABForum/1.asp>)
3. Nachtwey, Gregory J., et al “Formulating a Copy Service Fee Schedule for the CA DWC”, Berkeley Research Group, 10/17/13
(https://www.dir.ca.gov/chswc/Reports/2013/Copy_Services_2013.pdf)
4. Neuhauser, Frank “Qualified Medical Evaluators: Updating Trends in Evaluations, Availability, and Equity”, UC Berkeley, October 2017
(https://www.dir.ca.gov/chswc/reports/2017/QME_2017_Trends.pdf)
5. QME Fee Schedule (Current): <https://www.dir.ca.gov/t8/9795.html>
6. QME Fee Schedule (Proposed): <https://www.dir.ca.gov/DIRNews/2020/2020-56.html>
7. Wynn, Barbara “California Workers’ Compensation Medical-Legal Fee Schedule”, RAND, October 2018
(https://www.rand.org/content/dam/rand/pubs/working_papers/WR1200/WR1279/RAND_WR1279.pdf)

V. Limitations

Although we have done our best to objectively measure the potential impact of fee schedule changes, as we have noted throughout this analysis we are clearly hampered by the lack of public information on key statistics. We have relied on CPP and other anecdotal information, and our estimates are only accurate to the extent that these assumptions are also accurate.

Copy Services
Proposed Analysis of Fee Changes

Exhibit 1

Savings from Removing Duplicates

Evaluation Type	% of ML	# of ML	# of Reduced Pages per Copy Record			Savings per Copy Record \$3 per Page			Total Savings ML201, ML202, ML203		
	% of Reports (1)	# of Reports (2)	Low (3)	Middle (4)	High (5)	Low (6)	Middle (7)	High (8)	Low (9)	Middle (10)	High (11)
ML200	4.0%	4,560	86	219	422	n/a	n/a	n/a	n/a	n/a	n/a
ML201	51.2%	58,368	86	219	422	259	656	1,266	15,102,720	38,304,000	73,872,000
ML202	7.0%	7,980	86	219	422	259	656	1,266	2,064,825	5,236,875	10,099,688
ML203	33.5%	38,167	86	219	422	259	656	1,266	9,875,763	25,047,225	48,305,363
ML204	0.3%	342	86	219	422	n/a	n/a	n/a	n/a	n/a	n/a
ML205	0.3%	342	86	219	422	n/a	n/a	n/a	n/a	n/a	n/a
ML206	3.7%	4,241	86	219	422	n/a	n/a	n/a	n/a	n/a	n/a
Total		114,000							27,043,308	68,588,100	132,277,050

(1) Exhibit 4

(2) Total :Exhibit 6

By ML Type : (1) x Total (2)

(3)-(5) Exhibit 7

(6) = 3 x (3)

(7) = 3 x (4)

(8) = 3 x (5)

(9) = (2) x (6)

(10) = (2) x (7)

(11) = (2) x (8)

Copy Services

Exhibit 2

Proposed Analysis of Fee Changes

Cost of Reviewing Pages (Proposed by DIR, includes cost of duplications)

Evaluation Type	% of ML	# of ML	# of Pages per Copy Record			Page Threshold	# of Pages above Threshold per Copy Record			Cost per Copy Record \$3 per Page			Total Cost ML201, ML202, ML203		
	% of Reports	# of Reports	Low	Middle	High		Low	Middle	High	Low	Middle	High	Low	Middle	High
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ML200	4.0%	4,560	300	500	900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ML201	51.2%	58,368	300	500	900	200	100	300	700	300	900	2,100	17,510,400	52,531,200	122,572,800
ML202	7.0%	7,980	300	500	900	200	100	300	700	300	900	2,100	2,394,000	7,182,000	16,758,000
ML203	33.5%	38,167	300	500	900	50	250	450	850	750	1,350	2,550	28,625,400	51,525,720	97,326,360
ML204	0.3%	342	300	500	900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ML205	0.3%	342	300	500	900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
ML206	3.7%	4,241	300	500	900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total		114,000											48,529,800	111,238,920	236,657,160

- (1) Exhibit 4
- (2) Total :Exhibit 6
By ML Type : (1) x Total (2)
- (3)-(5) Exhibit 7
- (6) Exhibit 12
- (7) = (3) - (6)
- (8) = (4) - (6)
- (9) = (5) - (6)
- (10) = 3 x (7)
- (11) = 3 x (8)
- (12) = 3 x (9)
- (13) = (2) x (10)
- (14) = (2) x (11)
- (15) = (2) x (12)

Copy Services
Proposed Analysis of Fee Changes

Exhibit 3

Added Costs

	Scenario		
	Low	Middle	High
(1) # of Copy Records Produced	456,000	570,000	684,000
Current Costs			
(2) Cost per Copy Record	180	180	180
(3) Total Cost	82,080,000	102,600,000	123,120,000
Proposed Costs			
(4) Cost per Copy Record	250	250	250
(5) Total Cost	114,000,000	142,500,000	171,000,000
Proposed minus Current Costs			
(6) Cost per Copy Record	70	70	70
(7) Total Cost	31,920,000	39,900,000	47,880,000

- (1) Exhibit 8
- (2) Current Fee Schedule
- (3) = (1) x (2)
- (4) Proposed by Coalition of Professional Photocopiers
- (5) = (1) x (4)
- (6) = (4) - (2)
- (7) = (5) - (3)

Copy Services
Proposed Analysis of Fee Changes

Exhibit 4

Distribution of ML Reports for PD Claims (CA Total): Proposed ML Codes¹

Current								
Code	ML 100	ML 101	ML 102	ML 103	ML 104	ML 105	ML 106	Total
Description	Missed Appointment	Follow-Up	Basic	Complex	Extraordinary	Testimony	Supplemental	
% of Reports	4.0%	7.0%	17.1%	9.0%	25.1%	0.6%	37.2%	100.0%
Proposed								
Proposed Code	ML 200	ML 201	ML 202	ML 203	ML 204	ML 205	ML 206	Total
Description	Missed Appointment	Comprehensive	Follow Up	Supplemental	Testimony	Sub Rosa Recordings	Remedial Supplemental	
Prior Code Equivalent	ML100	ML102, ML103, ML104	ML101	ML106	ML105	ML105	ML106	
% of Reports	4.0%	51.2%	7.0%	33.5%	0.3%	0.3%	3.7%	100.0%

¹ Historical Figures from
 CHSWC 2020 Annual Report (Draft): November 2020, Page 74

Copy Services

Proposed Analysis of Fee Changes

Exhibit 5

Distribution of ML Reports for PD Claims (CA Total): Current ML Codes¹

Service Year	ML 100	ML 101	ML 102	ML 103	ML 104	ML 105	ML 106	Total
2015	4%	6%	14%	10%	33%	0.5%	33%	101%
2016	4%	6%	14%	9%	30%	0.4%	36%	99%
2017	4%	7%	17%	10%	25%	0.6%	37%	101%
2018	4%	7%	17%	9%	25%	0.6%	37%	100%
2019	4%	7%	17%	9%	25%	0.6%	37%	100%
Selected	4.0%	7.0%	17.1%	9.0%	25.1%	0.6%	37.2%	100.0%

¹ Historical Figures from

CHSWC 2020 Annual Report (Draft): November 2020, Page 74

Copy Services

Proposed Analysis of Fee Changes

Exhibit 6

Medical-Legal (ML) Historical Costs & Frequency

Year	# of ML Reports by Service Year		Total ML Cost All Claims		ML Cost per Claim by Service Year	
	All Claims ¹ (Thousand)	PD Claims ¹ (Thousand)	By Calendar Year ² (\$Million)	By Service Year ² (\$Million)	All Claims ³	PD Claims ³
2014	108.1	58.2	337	177	1,636	1,675
2015	109.5	56.7	343	178	1,624	1,664
2016	119.5	63.5	340	196	1,643	1,668
2017	115.1	75.8	322	169	1,467	1,495
2018	113.4	71.1	290	161	1,423	1,456
2019	114.0	71.3	291	165	1,447	1,479
Selected	114.0	71.3				

Notes for historical Figures

¹ CHSWC 2020 Annual Report (Draft): November 2020, Page 68

² CHSWC 2020 Annual Report (Draft): November 2020, Page 69

³ CHSWC 2020 Annual Report (Draft): November 2020, Page 71

Copy Services

Proposed Analysis of Fee Changes

Exhibit 7

Duplicate Pages per Report

	Scenario		
	Low	Middle	High
Total # of Pages			
(1) Applicant: Pages per Copy Record	75	100	125
(2) Defense: Pages per Copy Record	75	100	175
(3) Total: Pages per Copy Record	150	200	300
(4) Records per ML Report	2.0	2.5	3.0
(5) Total Pages per ML Report	300	500	900
Reduction			
(6) % Duplication of Pages in both applicant & defense per Record	50%	75%	75%
(7) % reduction for duplication per Copy Record	25%	37.5%	37.5%
(8) # Duplicated Pages per Report	38	75	113
(9) Records per ML Report	2.0	2.5	3.0
(10) Pages reduced due to duplication between applic./defense reports	75	188	338
(11) % reduction for duplicate, irrelevant, & blank pages w/in reports	5%	10%	15%
(12) Pages reduced for duplicate, irrelevant, & blank pages w/in reports	11	31	84
(13) Total Pages reduced per ML Report	86	219	422

(1) Based on Berkeley Research Group: Formulating a Copy Service Fee Schedule for the CA DWC, 10/17/13

Exhibit 2(e) shows mean of 94.19 based on sample of 592,927

(2) Based on Berkeley Research Group: Formulating a Copy Service Fee Schedule for the CA DWC, 10/17/13

Exhibit 3(a) shows mean of 170 based on sample of 1,177

(3) = (1) + (2)

(4) Provided by Coalition of Professional Photocopiers

(5) = (3) x (4)

(6) Estimated

(7) = (4) / 2

(8) = (5) x (3)

(9) Provided by Coalition of Professional Photocopiers

(10) = (8) x (9)

(11) Provided by Coalition of Professional Photocopiers

(12) = [(5) - (10)] x (11)

(13) = (10) + (12)

Copy Services
Proposed Analysis of Fee Changes

Exhibit 8

Copy Records Produced

Year	% of ML	# of ML	# of Copy Records per ML Report per applicant or defense			# of Copy Records Produced per applicant or defense			# of Copy Records Produced Total applicant & defense		
	Reports (1)	Reports (2)	Low (3)	Middle (4)	High (5)	Low (6)	Middle (7)	High (8)	Low (9)	Middle (10)	High (11)
ML200	4.0%	4,560	2.0	2.5	3.0	9,120	11,400	13,680	18,240	22,800	27,360
ML201	51.2%	58,368	2.0	2.5	3.0	116,736	145,920	175,104	233,472	291,840	350,208
ML202	7.0%	7,980	2.0	2.5	3.0	15,960	19,950	23,940	31,920	39,900	47,880
ML203	33.5%	38,167	2.0	2.5	3.0	76,334	95,418	114,502	152,669	190,836	229,003
ML204	0.3%	342	2.0	2.5	3.0	684	855	1,026	1,368	1,710	2,052
ML205	0.3%	342	2.0	2.5	3.0	684	855	1,026	1,368	1,710	2,052
ML206	3.7%	4,241	2.0	2.5	3.0	8,482	10,602	12,722	16,963	21,204	25,445
Total	100.0%	114,000				228,000	285,000	342,000	456,000	570,000	684,000

(1) Exhibit 5

(2) Total :Exhibit 6

By ML Type : (1) x Total (2)

(3)-(5) Provided by Coalition of Professional Photocopiers

(6) = (2) x (3)

(7) = (2) x (4)

(8) = (2) x (5)

(9) = 2 x (6)

(10) = 2 x (7)

(11) = 2 x (8)

Copy Services

Proposed Analysis of Fee Changes

Exhibit 9

Average Cost of ML Reports for PD Claims (CA total)¹

Service Year	ML 100	ML 101	ML 102	ML 103	ML 104	ML 105	ML 106
2014	312	1,269	657	978	3,401	547	709
2015	312	1,389	647	988	3,445	502	736
2016	296	1,553	659	1,005	3,610	426	790
2017	335	1,512	621	960	3,594	492	737
2018	327	1,492	607	944	3,532	484	719
2019	333	1,516	620	959	3,580	494	739

¹ CHSWC 2020 Annual Report (Draft): November 2020, Page 75

Copy Services
Proposed Analysis of Fee Changes

Exhibit 10

Number of QME Requests

Year	Online		Mailed		Total	
	Submitted ¹	Assigned ¹	Submitted ²	Assigned ²	Submitted	Assigned
2016	89,101	67,285	96,100	65,000	185,201	132,285
2017	91,882	69,362	99,800	68,500	191,682	137,862
2018	97,193	72,409	106,100	75,100	203,293	147,509
2019	100,878	75,306	106,100	76,200	206,978	151,506

¹ CHSWC 2020 Annual Report (Draft): November 2020, Page 99

² CHSWC 2020 Annual Report (Draft): November 2020, Page 101

Copy Services

Proposed Analysis of Fee Changes

Exhibit 11

Current Fee Schedule¹

Evaluation Type Code	Evaluation Type Description	Amount Presumed to be Reasonable
ML 100	Missed Appointment	Some claims administrators will not pay
ML 101	Follow-Up	\$62.50/15 minutes or \$250/hour
ML 102	Basic	\$625 (flat)
ML 103	Complex	\$937.50 (flat)
ML 104	Extraordinary	\$62.50/15 minutes or \$250/hour
ML 105	Testimony	\$62.50/15 minutes or \$250/hour
ML 106	Supplemental	\$62.50/15 minutes or \$250/hour

¹ CHSWC 2020 Annual Report (Draft): November 2020, Page 73

Copy Services

Proposed Analysis of Fee Changes

Exhibit 12

Proposed Fee Schedule¹

Proposed Evaluation Type Code	Evaluation Type Description	Proposed Evaluation Type Code	Amount Presumed to be Reasonable	Pages Included in Rate	Additional Pages at \$3.00/page	Other Pages at \$2.00/page
ML200	Missed Appointment	ML100	\$503.75 Flat	n/a	n/a	n/a
ML201	Comprehensive	ML102, ML103, ML104	\$2,015 Flat	200	1,800	unlimited
ML202	Follow Up	ML101	\$1,316.25 Flat	200	1,800	unlimited
ML203	Supplemental	ML106	\$650.00 Flat	50	1,950	unlimited
ML204	Testimony	ML105	\$113.75/15 minutes or \$455/hour	n/a	n/a	n/a
ML205	Sub Rosa Recordings	ML105	\$81.25/15 minutes or \$325/hour	n/a	n/a	n/a
ML206	Remedial Supplemental	ML106	None	n/a	n/a	n/a

¹ Proposed Regulations

