



July 2, 2013

Circular 2013-05

To: ICRB Members

HEA 1320 – Additional Information

[House Enrolled Act 1320](#), (Public Law 275), was signed by Governor Pence on May 11, 2013. In addition to [ICRB Circular 2013-04](#) issued June 19, 2013, this circular provides more information on the workers compensation medical fee schedule and benefit provisions in the bill, as well as a summary of the actuarial analysis of the impact on workers compensation system costs.

Quick Summary

- Medical Fee Schedule - reimbursement at 200% of Medicare, effective July 1, 2014
- Repackaged Drugs - prices limited to average wholesale price, effective July 1, 2013
- Benefit increases phased in over 3 years
- Legislative “interim study committee on insurance” will review:
 - Setting a floor below the 200% of Medicare
 - Reimbursement for hospital employed physicians
 - Clean claims and electronic payment of claims
 - Reimbursement rate of implants not covered by Medicare
 - Establishing an advisory committee to work with the WC Board on future issues
- Impact on WC System Costs - between -2.3% (-\$16 million) and -0.7% (-\$5 million).

The following paragraphs provide a more in-depth explanation of the bullet items shown above.

Medical Fee Schedule

Effective July 1, 2014, the bill caps hospital reimbursements at 200% of Medicare rates. Or stated another way, the Medicare reimbursement amount plus 100%. Note on terminology: a medical fee schedule may also be referred to as “pecuniary liability” or “reimbursement rate”. The bill also provides that amounts may be negotiated [reference Section 5 of the bill, IC 22-3-3-5.2(b)].

There is a provision on implants in the bill that State Representative Matt Lehman has informed us should have been deleted but was not. Reference Section 5 of the bill, IC 22-3-3-5.2(c): “The payment to a medical service provider for an implant furnished to an employee under IC 22-3-2 through IC 22-3-6 may not exceed the invoice amount plus twenty-five percent (25%).” At issue is that the cost plus 25% provision for implants is different than the 200% of Medicare provision for other products and services.

The legislative “interim study committee on insurance” will review the implants provision before the next session and may recommend a different amount. In the interim, the Workers Compensation Board of Indiana (“WC Board”) issued a [guidelines letter](#) dated June 14, 2013 for the fee schedule provisions on implants that are effective July 1, 2013.

Repackaged Legend Drugs

A “repackaged legend drug” means any drug that is repackaged (modified) from the original manufacturer. Effective July 1, 2013, whenever a prescription is filled by a health care provider (except retail and mail-order pharmacies) using repackaged legend drugs, the maximum reimbursement amount is computed using the average wholesale price set by the original manufacturer. If the [National Drug Code](#) for a legend drug cannot be determined, then the maximum reimbursement amount is the lowest cost generic for that legend drug [reference Section 3 of the bill, new section IC 22-3-3-4.5].

Benefit Increases

Average Weekly Wages (AWW): The bill increases the maximum weekly wages used in the determination of benefits from \$975 to \$1,170 (20%) and also increases the maximum aggregate benefit payable from \$325,000 to \$390,000 (exclusive of medical benefits), phased in over three years beginning July 1, 2014. Here’s a table summarizing the amounts:

AWW Benefit Summary Table

Date	Min	Max	2/3 Max	500 Weeks Max
07/01/09	\$75	\$975	\$650	\$325,000
07/01/14	\$75	\$1,040	\$693	\$347,000
07/01/15	\$75	\$1,105	\$737	\$368,000
07/01/16	\$75	\$1,170	\$780	\$390,000

Permanent Partial Impairment (PPI): The bill increases the amount payable for permanent partial impairment (in dollars) per degree of impairment by 16-25%, phased in over three years beginning July 1, 2014. Here’s a table summarizing the amounts:

PPI Benefit Summary Table

Degrees	Current	HEA 1320			% Total Change
	07/01/10	07/01/14	07/01/15	07/01/16	
01- 10	\$1,400	\$1,517	\$1,633	\$1,750	25%
11- 35	\$1,600	\$1,717	\$1,835	\$1,952	22%
36- 50	\$2,700	\$2,862	\$3,024	\$3,186	18%
51-100	\$3,500	\$3,687	\$3,873	\$4,060	16%

Impact on WC System Costs

The actuarial analysis estimates the bill’s overall impact on WC system costs between -2.3% (-\$16 million) and -0.7% (-\$5 million).

Actuarial Impact Analysis Summary

Item	Value	Impact %	Impact \$
Med & Drug Fee Schedule	200% of Medicare or 125% of facility costs	-5.3	-38m
AWW max \$975 to 1,170	20% increase	+0.8 to +1.2	+6 to +8m
PPI Table	16-25% increase	+2.2 to +3.4	+15 to +24m
Net Impact	Med Fee, AWW, PPI	-2.3 to -0.7	-16 to -5m

Sincerely,



Ronald W. Cooper, CWCP
 President