

Michigan Department of Licensing and Regulatory Affairs
Office of Regulatory Reinvention
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**REGULATORY IMPACT STATEMENT
and
COST-BENEFIT ANALYSIS**

PART 1: INTRODUCTION

In accordance with the Administrative Procedures Act (APA) [1969 PA 306], the department/agency responsible for promulgating the administrative rules must complete and submit this form electronically to the Office of Regulatory Reinvention (ORR) no less than (28) days before the public hearing [MCL 24.245(3)-(4)]. Submissions should be made by the departmental Regulatory Affairs Officer (RAO) to **orr@michigan.gov**. The ORR will review the form and send its response to the RAO (see last page). Upon review by the ORR, the agency shall make copies available to the public at the public hearing [MCL 24.245(4)].

Please place your cursor in each box, and answer the question completely.

ORR-assigned rule set number:

2014-029 LR

ORR rule set title:

Workers' Compensation Health Care Services (HCS)

Department:

LARA

Agency or Bureau/Division

Workers' Compensation Agency (WCA)

Name and title of person completing this form; telephone number:

David Campbell
Manager, Resolutions/Rehabilitation/Rules
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Reviewed by Department Regulatory Affairs Officer:

Liz Arasim
Office of Policy and Legislative Affairs
Department of Licensing and Regulatory Affairs

PART 2: APPLICABLE SECTIONS OF THE APA

MCL 24.207a “Small business” defined.

Sec. 7a.

“Small business” means a business concern incorporated or doing business in this state, including the affiliates of the business concern, which is independently owned and operated and which employs fewer than 250 full-time employees or which has gross annual sales of less than \$6,000,000.00.”

MCL 24.240 Reducing disproportionate economic impact of rule on small business; applicability of section and MCL 24.245(3).

Sec. 40.

(1) When an agency proposes to adopt a rule that will apply to a small business and the rule will have a disproportionate impact on small businesses because of the size of those businesses, the agency shall consider exempting small businesses and, if not exempted, the agency proposing to adopt the rule shall reduce the economic impact of the rule on small businesses by doing all of the following when it is lawful and feasible in meeting the objectives of the act authorizing the promulgation of the rule:

(a) Identify and estimate the number of small businesses affected by the proposed rule and its probable effect on small businesses.

(b) Establish differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.

(c) Consolidate, simplify, or eliminate the compliance and reporting requirements for small businesses under the rule and identify the skills necessary to comply with the reporting requirements.

(d) Establish performance standards to replace design or operational standards required in the proposed rule.

(2) The factors described in subsection (1)(a) to (d) shall be specifically addressed in the small business impact statement required under section 45.

(3) In reducing the disproportionate economic impact on small business of a rule as provided in subsection (1), an agency shall use the following classifications of small business:

(a) 0-9 full-time employees.

(b) 10-49 full-time employees.

(c) 50-249 full-time employees.

(4) For purposes of subsection (3), an agency may include a small business with a greater number of full-time employees in a classification that applies to a business with fewer full-time employees.

(5) This section and section 45(3) do not apply to a rule that is required by federal law and that an agency promulgates without imposing standards more stringent than those required by the federal law.

MCL 24.245 (3) “Except for a rule promulgated under sections 33, 44, and 48, the agency shall prepare and include with the notice of transmittal a **regulatory impact statement** containing...” (information requested on the following pages).

[**Note:** Additional questions have been added to these statutorily-required questions to satisfy the **cost-benefit analysis** requirements of Executive Order 2011-5.]

MCL 24.245b Information to be posted on office of regulatory reinvention website.

Sec. 45b. (1) The office of regulatory reinvention shall post the following on its website within 2 business days after transmittal pursuant to section 45:

- (a) The regulatory impact statement required under section 45(3).
 - (b) Instructions on any existing administrative remedies or appeals available to the public.
 - (c) Instructions regarding the method of complying with the rules, if available.
 - (d) Any rules filed with the secretary of state and the effective date of those rules.
- (2) The office of regulatory reinvention shall facilitate linking the information posted under subsection (1) to the department or agency website.

PART 3: DEPARTMENT/AGENCY RESPONSE

Please place your cursor in each box, and provide the required information, using complete sentences. Please do not answer the question with “N/A” or “none.”

Comparison of Rule(s) to Federal/State/Association Standards:

(1) Compare the proposed rule(s) to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist. Are these rule(s) required by state law or federal mandate? If these rule(s) exceed a federal standard, please identify the federal standard or citation, and describe why it is necessary that the proposed rule(s) exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.

The HCS Rules are neither more nor less restrictive than Medicare, Medicaid, or other commercial payers in terms of reimbursement to health care providers for medical services but are consistent with standard industry practices. The HCS rules must be updated periodically to maintain consistency with the most recent medical indexes, billing codes and fee schedules published by Medicare and other entities, in a timely fashion.

(2) Compare the proposed rule(s) to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities. If the rule(s) exceed standards in those states, please explain why, and specify the costs and benefits arising out of the deviation.

Michigan Workers' Compensation medical costs compare very favorably to the other states in the Great Lakes region and across the country, as demonstrated below in an excerpt from the Workers' Compensation Research Institute (WCRI) study *CompScope™ Medical Benchmarks for Michigan*, 14th Edition, published in February 2014:

The average medical payment per claim with more than seven days of lost time in Michigan was lower compared with the median study state for claims with 12 months of experience. Medical payments per all paid claims were also lower in Michigan compared with the median of the 16 study states¹ at both 12 and 36 months of claim maturity.²

The rules are annually adjusted, Michigan business cost-based modifications to the existing nation-wide payment schedules created by Medicare and used by health care providers throughout the country.

¹ *CompScope™ Medical Benchmarks for Michigan, 14th Edition* study states include Michigan, Massachusetts, California, Texas, Minnesota, Arizona, Florida, Pennsylvania, North Carolina, Louisiana, New Jersey, Iowa, Virginia, Illinois, Wisconsin, Indiana.

² This publication is available upon request.

(3) Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rule(s). Explain how the rule has been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.

These rules do not duplicate, overlap, or conflict with any other Michigan laws. The Health Care Service Rules were written per the Workers' Compensation Act MCL 418.315 subsection (2) and (3). The Health Care Services Advisory Committee reviews the rules annually to make certain that there is no duplication or overlap with other federal, state or laws. The committee is comprised of 16 members: one chair; five payer representatives; five provider representatives; and five employee representatives.

Purpose and Objectives of the Rule(s):

(4) Identify the behavior and frequency of behavior that the proposed rule(s) are designed to alter. Estimate the change in the frequency of the targeted behavior expected from the proposed rule(s). Describe the difference between current behavior/practice and desired behavior/practice. What is the desired outcome?

Michigan's HSC Rules are updated annually to provide cost containment for medical services within the workers' compensation arena. Many of the fees are based on Medicare plus a percentage above. The approach taken has resulted in Michigan Workers' Compensation medical costs per case being lower than the states in the region and in comparison to national averages as noted in the WCRI study cited above.

The annual rate adjustments impact every medical services bill for injured workers' medical care. The frequency and amount of impact cannot be readily determined since the agency does not collect line-item billing on each claim. Medical costs per case are highly individualized depending on nature and severity of injury. This rule set impacts payer communities, medical providers, medical practitioners, service companies, bill review companies, and injured workers, which total more than 200,000 entities. All of these entities anticipate the update of the HCS Rules. Because Workers' Compensation Health Care Services uses standardized coding methods, the agency has found that both providers and payers alike benefit from annual updates and having current information available. One desired outcome is standardized billing and payment practices within the Michigan workers' compensation arena. Ultimately by creating a standardized fee schedule at reasonable reimbursement rates for practitioners at more than 30% above Medicare payouts, the desired outcome is to maintain or improve injured workers' access to appropriate medical care.

(5) Identify the harm resulting from the behavior that the proposed rule(s) are designed to alter and the likelihood that the harm will occur in the absence of the rule. What is the rationale for changing the rule(s) and not leaving them as currently written?

The Workers' Compensation Agency HCS Rules are revised yearly to maintain consistency with the determinations made annually by the Center for Medicare Services (CMS). Creating a system for Michigan Workers' Compensation that would be significantly different than the national CMS standards would significantly increase costs for billing and payment. Each year, CMS determines the amount that Medicare/Medicaid will pay to providers for covered medical services. Their determinations take into account geographic statistical data, wages, malpractice, and other medical practice expenses. By being consistent with CMS, Workers' Compensation Health Care Services avoids the cost of researching and compiling this data. As a direct result of the Health Care Services approach taken here in Michigan, workers' compensation medical cost in Michigan is highly competitive. The WCRI study indicates that Michigan's workers compensation reimbursement rates are among the lowest in the studied states. This information demonstrates the success that Michigan has in the control of workers' compensation costs.

(6) Describe how the proposed rule(s) protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.

There are no viable alternatives to the HCS Rules. If the rules were not in place, there would be no checks on inflation of medical services provided to injured workers, and business would be adversely affected with increased costs for workers' compensation.

If the industry were to operate without government-mandated, maximum allowable fees, there would be little, if any, motivation to contain costs among providers. Without cost-containment, the fees charged for services would escalate.

(7) Describe any rules in the affected rule set that are obsolete, unnecessary, and can be rescinded.

R 418.101002a Conversion factor for practitioner services. The rule will be rescinded to eliminate a redundant rule. This rule language covers the conversion factor for medical, surgical, and radiology procedures, which will now be covered solely by R 418.101002.

Fiscal Impact on the Agency:

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, an increase in the cost of a contract, programming costs, changes in reimbursement rates, etc. over and above what is currently expended for that function. It would not include more intangible costs or benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

(8) Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings on the agency promulgating the rule).

The proposed rule changes are expected to be relatively cost neutral to the agency. Since the rules and fee charts are available through the Internet, there is no publication cost other than routine web posting which is done by existing staff. The Agency may need to purchase a subscription to Red Book Online, which is outlined in the source document rule R 418.10107, at a cost of \$2,000 for use by staff. Most external users of the HCS fee schedule are already using Red Book or MediSpan as drug pricing resources. Agency customers access fee schedule information without charge.

This rule set allows the conversion factor to be set at \$47.19 for practitioner services. The updating of the rules to use the most current year of Centers of Medicare and Medicaid Services Relative Value Units (RVU), will actually facilitate a slight decrease (1.6%) in medical payment costs for the Top 10 most frequently utilized Current Procedure Terminology (CPT) codes. Based on the Bureau of Labor Statistics, the overall national inflation figure in 2012, the year of the last rule update, was 2.1%, and 1.5% in 2013. These changes in medical cost payment rates are well below that rate of increase.

In addition, Agency costs are difficult to determine. Assuming the same numbers of claims that have been occurring over the last several years, it is not expected that there will be any increase in costs to the Agency

(9) Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rule(s).

There are no expenditures specifically associated with these proposed rules. Existing staff is sufficient to handle the changes.

Impact on Other State or Local Governmental Units:

(10) Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions on other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Please include the cost of equipment, supplies, labor, and increased administrative costs, in both the initial imposition of the rule and any ongoing monitoring.

The rules themselves provide no additional operational costs. Impact on specific claims is a case by case analysis. Since the cost containment rules have historically kept claim medical costs low, the continued updating and application of the rules will benefit government unit budget by maintaining or reducing claim costs. No anticipated increased revenues resulting from these rules.

(11) Discuss any program, service, duty or responsibility imposed upon any city, county, town, village, or school district by the rule(s). Describe any actions that governmental units must take to be in compliance with the rule(s). This section should include items such as record keeping and reporting requirements or changing operational practices.

There are no anticipated program, service, or duty responsibilities imposed upon these types of entities, other than what is expected from any carrier or self-insured employer when managing workers' compensation claims. All providers, carriers and self-insured employers are to follow the HCS rules when billing and paying medical claims, and report annual medical claim costs online, as they have for years prior.

(12) Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rule(s).

There is no appropriation needed for additional expenditures for this rule set.

Rural Impact:

(13) In general, what impact will the rules have on rural areas? Describe the types of public or private interests in rural areas that will be affected by the rule(s).

This rule set does not specifically impact rural areas, and hence has no impact on public or private interests in those areas.

Environmental Impact:

(14) Do the proposed rule(s) have any impact on the environment? If yes, please explain.

No.

Small Business Impact Statement:

[Please refer to the discussion of "small business" on page 2 of this form.]

(15) Describe whether and how the agency considered exempting small businesses from the proposed rules.

Once an employer is deemed to be covered under the Act, there are no distinctions related to the size of the business. Workers' compensation insurance premiums are based in significant part upon the amount of payroll so keeping overall premium costs down through medical cost containment benefits business of all sizes. There is no disproportionate impact on small businesses. It is not feasible to mandate the exemption for small businesses since the rates for medical costs are determined by the Current Procedural Terminology Code (CPT Code) for the treatment in question, not by the size of the business where the injury occurred.

(16) If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rule(s) on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rule(s) upon small

businesses as described below (in accordance with MCL 24.240(1)(A-D)), or (b) the reasons such a reduction was not lawful or feasible.

The rules apply to medical procedures and their cost. There is no way to vary the payment for such services in relation to the size of the employer. This would be unfair to the medical provider since the cost of treating an injury or illness does not vary in relation to the size of the business where the injury/illness occurred.

(A) Identify and estimate the number of small businesses affected by the proposed rule(s) and the probable effect on small business.

There are over 230,000 businesses in Michigan privately covered by workers' compensation insurance. An additional 10,000 employers are classified as self-insured. Also affected are 200 plus insurance carriers, 456 individual and group self-insured carriers, 35 service companies and 31 bill review entities. The rules will also impact medical providers, medical practitioners, and facilities, which include over 200,000 entities. The size of the health care providers from a business perspective cannot be readily determined. Not only does the agency not have any information about the size of medical providers, health care is often delivered in complicated business structures such as hospitals where the emergency physicians might have an independent small business corporate structure separate from the large business structure of the hospital in which they practice. There is also no identifiable direct cost impact on small businesses as a result of these rule updates. In fact, as mentioned in question (5), the WCRI study indicates that Michigan's workers compensation reimbursement rates are among the lowest in the studied states, which has a positive impact on Michigan businesses.

(B) Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rule after projecting the required reporting, record-keeping, and other administrative costs.

The Agency did not and cannot establish differing compliance or reporting requirements for small businesses. There is neither statutory authority, nor any practical way, to make such a distinction.

(C) Describe how the agency consolidated or simplified the compliance and reporting requirements and identify the skills necessary to comply with the reporting requirements.

The Workers' Compensation Agency has made available to carriers, including individual and group self-insured employers, service companies and bill review entities, an online reporting system for the Annual Medical Reporting System (WC406) and the Professional Review Company certification (WC590). This will serve to reduce business cost for all reporting entities.

(D) Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.

The standards for annual reporting of medical payments did not change but the reporting system has been made available online saving significant paper handling. The Agency established the new online reporting system and required the carriers, providers, and service companies use this system to replace the antiquated hard copy reporting system for the WC590 and the WC406. We continue to look for ways to enhance usability for our customers as we design a new workers' compensation data management system (a.k.a. HAWCS), which will integrate the current online system.

(17) Identify any disproportionate impact the proposed rule(s) may have on small businesses because of their size or geographic location.

The Workers' Compensation Fee Schedule has no disproportionate impact on small businesses due to the size or location of the business.

(18) Identify the nature of any report and the estimated cost of its preparation by small business required to comply with the proposed rule(s).

There are only 2 required forms:

1) The Annual Medical Reporting System Report (WC406) that enables payers to report the total number of medical only claims; the total amount of medical paid on medical only claims; the total number of lost time claims and the total paid out for lost time claims.

2) The Professional Health Care Review Program certification (WC590) that requires payers to identify the name of the company that handles the bill review process.

(19) Analyze the costs of compliance for all small businesses affected by the proposed rule(s), including costs of equipment, supplies, labor, and increased administrative costs.

The rule change does not specifically require any additional reports, equipment, labor or increase administrative cost. The rules do require the use of certain tools to standardize medical billing and reimbursement, such as Red Book, which are outlined in the source document rule R 418.10107. The cost of this resource has increased as Red Book only offers an online version subscription at this time for \$2,000. As noted earlier, resources noted in the source document rule are not new, are common to this industry, and have been required in previous HCS rule sets.

Overall, the HCS Rules and fee manual are available at no charge on the Internet. The agency provides ongoing information for providers, carriers and employees. The Health Care Services Division distributes informational materials and conducts periodic information sessions. By containing and managing medical reimbursement rates, overall business costs are reduced.

(20) Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rule(s).

There are no anticipated legal, consulting, accounting or administrative costs associated with this rule.

(21) Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.

All Michigan businesses are required to carry workers' compensation insurance through an insurance company or be approved for individual or group self-insurance. The insurance carrier has the responsibility to apply the rules to its handling of claims. Small businesses have no additional costs for administration. Based upon the information available, the agency believes that the workers' compensation insurance rates are competitive for small businesses.

(22) Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.

The rules provide a cost containment system to decrease workers' compensation costs for businesses. Creation and implementation of a multi-tier fee schedule based upon employer business size would be costly to create and administer thereby increasing agency costs.

(23) Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.

This rule does not directly affect small business. This cost containment system helps to reduce premiums for workers' compensation insurance, which ultimately helps small businesses. Setting lower medical payment rates based on the size of the employer where the injury occurred would serve only to impair the availability of medical services to injured workers resulting in longer claim duration and absence of key employees resulting in adverse impact on business operations.

Furthermore, there is no compelling reason to set lesser standards or exempt small businesses because there are no additional costs associated with these rule changes.

(24) Describe whether and how the agency has involved small businesses in the development of the proposed rule(s). If small business was involved in the development of the rule(s), please identify the business(es).

The Health Care Service Rules were established per the Workers' Compensation Act MCL 418.315 subsection (2) and (3). The Health Care Services Advisory Committee reviews the rules and advises the agency on industry issues and potential need for rule updating or rescission. The committee is comprised of 16 members: one chair; five payer representatives; five provider representatives; and five employee representatives. The payer representatives include a representative from one of the major group funds which is composed of different retail hardware stores of varying business size. Several of the medical providers are small businessmen themselves. Since small businesses are insured through insurance companies and insurance companies are represented on the Workers' Compensation Advisory Committee, small businesses are indirectly represented on the committee by their insurance companies. Finally, Workers' Compensation Advisory Committee meetings are open to the public, and agency staff hold periodic informational sessions with small groups upon invitation or request.

See below list of small business(es) that were specifically represented by the advisory committee members, or during sub-committee meetings:

- Michigan Retail Hardware Association
- Rapaport, Pollack, Farrell, and Waldron P.C.
- Waverly Chiropractic Center
- Benchmark Health

Cost-Benefit Analysis of Rules (independent of statutory impact):

(25) Estimate the actual statewide compliance costs of the rule amendments on businesses or groups. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rule(s). What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.

The rules impact all 200 plus carriers, 456 individual and group self-insured employers, 35 service companies and 31 bill review entities. There are no significant, additional costs for compliance with the rule amendments above what businesses and groups are accustomed to from previous amendments, such as updating source documents and tools. One potential increase in cost with the Red Book source document online program has been identified above. It is difficult to quantify the cost impact statewide as it is uncertain which business entity already has the necessary tools as outlined in the rules based on their book of business (within the state or nationwide).

(26) Estimate the actual statewide compliance costs of the proposed rule(s) on individuals (regulated individuals or the public). Please include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping). How many and what category of individuals will be affected by the rules? What qualitative and quantitative impact does the proposed change in rule(s) have on these individuals?

The rules are not expected to impose increased costs on individuals, including the costs of education, training, application and examination fees, license fees, new equipment, increased labor, or require ongoing monitoring.

(27) Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rule(s).

Due to a change in the conversion factor under R 418.101002, it is expected that reimbursement rates

for medical, surgical, and radiology procedures for the Top 100 procedure codes will decrease by 9%, which in turn positively impacts businesses in the state.

(28) Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rule(s). Please provide both quantitative and qualitative information, as well as your assumptions.

The proposed rules will benefit business competitiveness, and worker safety, since these rules will continue to control the workers' compensation health care costs for Michigan workers while maintaining reasonable reimbursement rates for practitioners at more than 30% above Medicare payouts and maintaining or improving an injured worker's access to medical care.

Because the proposed rules update practitioner reimbursement rates, they will not adversely impact the business community. By annually updating the relative value information and conversion factors, the provider and payer community can be assured that the fee structure is following standards that reimburse at a reasonable rate for the services while containing medical costs.

The Workers' Compensation Agency understands the importance of keeping medical costs affordable for Michigan employers, but must also balance that against access to quality care for the injured worker.

(29) Explain how the proposed rule(s) will impact business growth and job creation (or elimination) in Michigan.

The Workers' Compensation Agency Health Care Services regulates the cost of medical treatment rendered to injured workers under the Workers' Compensation Act. The cost containment rules serve a valuable function in keeping health care cost down which promotes business growth and jobs through reduced Workers' Compensation costs and premiums.

(30) Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.

Medical costs per case are dictated by the individual needs of the injured worker after the injury occurs. None of the factors raised in this question impact on the treatment needs of a given injured worker.

(31) Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of a proposed rule(s) and a cost-benefit analysis of the proposed rule(s). How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., which demonstrate a need for the proposed rule(s).

The Michigan Workers' Compensation fees schedule uses the Center for Medicaid and Medicare Services (CMS) methodology to determine the State's workers compensation medical service fees. The Health Care Services Advisory Committee determines the percentage above CMS by obtaining statistical data obtained from various sources including the State's two largest workers' compensation carriers, Citizen's Insurance Company and The Accident Fund Insurance Company of America. Data is also obtained from two of the largest self-insured employers, General Motors and Ford Motor Company. The statistical data is for the top 100 most used Current Procedure Terminology Codes (CPT Codes). The Advisory Committee determines a modifier, called a conversion factor, so the fee schedule rate can be adjusted by a percentage over CMS to better meet the needs of Michigan employers, carriers and injured workers. The purpose of the conversion factor is to adjust the rates so the injured worker will have ready access to care at a reasonable cost to the employer/carrier. Information is also obtained from the Bureau of Labor Statistics for annual national inflation rates. Comparative studies from WCRI demonstrate that Michigan has the lowest workers' compensation costs among the 16 states in the study entitled *CompScope™ Medical Benchmarks for Michigan, 14th Edition*, published in February 2014.

Alternatives to Regulation:

(32) Identify any reasonable alternatives to the proposed rule(s) that would achieve the same or similar goals. In enumerating your alternatives, please include any statutory amendments that may be necessary to achieve such alternatives.

There are no other reasonable alternatives to this proposed rule set. The State of Michigan uses CMS methodology due to budgetary restraints and low staffing.

(33) Discuss the feasibility of establishing a regulatory program similar to that proposed in the rule(s) that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.

There is minimum cost to the State of Michigan for the system now in place. Health Care Services has a staff of two individuals, one administrator and one medical analyst. The Advisory Committee is an unpaid committee of volunteers. The major source of the fee schedule is CMS which provides the information without charge. Creating a separate system, in any way different from the nationally accepted CMS schedule would only serve to increase costs to medical providers and payers who are familiar with the CMS and Michigan models.

Again, Michigan workers' compensation costs are among the lowest in the 2014 WCRI study. Michigan is compared to Indiana, Wisconsin, Minnesota, Tennessee, Iowa, Texas, Arizona, Florida, Pennsylvania, Massachusetts, Maryland, California, New Jersey, North Carolina, Louisiana, Illinois, and Wisconsin.

(34) Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rule(s). This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.

There are no significant alternatives to Health Care Services. The Michigan system is already a model for other state's fees systems due to consistently keeping medical cost down.

Requests were made to the Agency for procedure or provider-specific modifications to the current fee structures. Upon review by a specially convened subcommittee, it was decided that changing the fee schedule system we currently have in place would not generate enough benefit to outweigh the costs in time and funding necessary to revamp a system that, according to the HCS Advisory Committee as a whole, is working for the majority of customers.

Additional Information

(35) As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.

Detailed instructions are found on the Agency website.

PART 4: REVIEW BY THE ORR

Date Regulatory Impact Statement (RIS) received:

9-11-2014

Date RIS approved:

9-22-14

ORR assigned rule set number:

2014-029 LR

Date of disapproval:	Explain:
More information needed:	Explain:

(ORR-RIS July 2014)