

**Michigan Office of Administrative Hearings and Rules**

**Administrative Rules Division (ARD)**

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**REGULATORY IMPACT STATEMENT  
and COST-BENEFIT ANALYSIS (RIS)**

**Agency Information:**

**Department name:**

Labor and Economic Opportunity

**Bureau name:**

Workers' Compensation Agency

**Name of person filling out RIS:**

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**Rule Set Information:**

**ARD assigned rule set number:**

2024-22 LE

**Title of proposed rule set:**

Workers' Compensation Health Care Services

**Comparison of Rule(s) to Federal/State/Association Standard**

**1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.**

The Health Care Services (HCS) rules are consistent with Medicare and standard industry practices. The HCS rules must be updated regularly to maintain consistency with the most recent medical indexes, billing codes, and fee schedules published by Medicare and other entities, in a timely fashion.

**A. Are these rules required by state law or federal mandate?**

Yes. They are required by state law. Annual review mandated by state statute and recurring state budget language. Sections 205 and 315 of 1969 PA 317, Section 33 of 1969 PA 306, Executive Reorganization Order Nos. 1982-2, 1986-3, 1990-1, 1996-2, 2003-1, 2011-4, 2019-3, MCL 418.205, 418.315, 24.233, 18.24, 418.1, 418.2, 445.2001, 445.2011, 445.2030, and 125.1998.

**B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.**

These rules do not exceed federal standards.

**2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.**

Each state creates their own set of rules and statutes governing workers' compensation including for healthcare services. According to Workers Compensation Research Institute, since 2017 total costs per claim with more than 7 days of lost time in Michigan have been mostly stable - increasing 1/2 to 3% per year on average for claims at 12, 24, 36 and 48 months of experience. Indemnity benefits per claim for claims with more than 7 days of lost time have increased an average of 2-4% per year, depending on claim maturity, since 2017 in Michigan. Michigan was lower than typical of the study states on all key cost components (indemnity benefits, medical payments, and benefit delivery expenses) for 2020/2023 claims with more than 7 days of lost time. Medical payments per claim for claims with more than 7 days of lost time in Michigan were lower compared with the other 16 study states. The lower medical payments per claim in Michigan resulted from lower-than-typical prices paid for medical services. The lower prices paid in Michigan reflect price regulation.

Workers' Compensation Research Institute (WCRI) study CompScope™ Medical Benchmarks for Michigan, 24th edition, October 2023.

WCRI study states include Arkansas, California, Florida, Illinois, Indiana, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Tennessee, Texas, Virginia, and Wisconsin.

**A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.**

The rules do not exceed standards in other states. As noted above, each state addresses workers' compensation differently.

**3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.**

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

**A. Explain how the rules have 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.**

The rules proposed in this package make technical changes to existing language, add new rule language to address changes in the medical field, and update reimbursement fees in order to maintain consistency with CMS (Medicare) guidelines used by health care providers throughout the country.

## **Purpose and Objectives of the Rule(s)**

**4. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.**

Michigan's HCS rules are updated annually to provide cost containment for medical services within the workers' compensation arena, and to clarify billing and reimbursement procedures where necessary for all involved parties, especially payers and providers. Many of the fees are based on Medicare rates plus a percentage above. The approach taken has resulted in Michigan workers' compensation medical costs per case, and subsequent overall total claim costs, being lower compared to regional study states. These rules are not designed to alter behavior as much as they are meant to provide ongoing guidance and consistency to providers and payers, as the rules have done for more than 30 years.

**A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.**

Workers' Compensation HCS rules use standardized coding methods; the agency has found that both providers and payers alike benefit from annual updates and having current information available for their use. We expect behavior to remain consistent with previous years as providers and payers alike are very familiar with the Health Care Service rule update process.

**B. Describe the difference between current behavior/practice and desired behavior/practice.**

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 HCS rule updates.

The proposed rule updates will allow providers and payers to use current coding and billing source documents as opposed to continuing to utilize reference materials from 2023. Medical coding and billing reference materials are updated yearly by the American Medical Association and the Centers for Medicare and Medicaid Services.

**C. What is the desired outcome?**

The overall desired outcome with these specific rule changes is to provide for standardized billing and payment practices within the Michigan workers' compensation arena. Ultimately, by creating a standardized fee schedule at reasonable reimbursement rates for practitioners near 140% of Medicare payments, the rules strive to maintain or improve injured workers' access to appropriate medical care, while keeping costs to businesses as low as possible.

**5. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.**

The HCS rules are revised annually (MCL 418.315(2)) to maintain consistency with the determinations made each year by the Center for Medicare & Medicaid Services (CMS). Harm could come from not updating the current rules, as we would then not maintain consistency with national reimbursement rates set by CMS. This could impact reimbursement rates for providers, negatively impact access to care for injured workers, and increase costs to businesses. Being consistent with CMS rates allows the Workers' Compensation Health Care Services division to avoid the costs of independently researching and compiling the statistical data necessary for developing reimbursement figures. As a direct result of the Health Care Services approach taken here in Michigan, workers' compensation medical costs are highly competitive compared to surrounding states.

**A. What is the rationale for changing the rules instead of leaving them as currently written?**

The HCS rules must be updated to maintain consistency with the determinations made each year by the Center for Medicare & Medicaid Services (CMS). All of the involved entities within the workers' compensation medical benefit community anticipate HCS rule updates.

**6. Describe how the proposed rules 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 unchecked inflation of reimbursement for medical services provided to injured workers, adversely affecting business due to increased costs for workers' compensation. If the healthcare industry were to render services without government-mandated, maximum allowable fees, there would be very little, if any, motivation for providers to contain costs. Without cost-containment, the fees charged for services would escalate.

Updating the rules to use the most current CMS Relative Value Units (RVU) will result in a 3% increase in the conversion factor resulting in a 4% increase in reimbursements for the Top 50 most frequently utilized Current Procedure Technology (CPT) codes. Overall, though, the proposed changes maintain reimbursement rate levels for the most frequent CPT codes near 140% of Medicare rates. This balances between the interests of businesses/payers who prefer lower medical costs, with the interests of medical professionals who favor increased reimbursement rates. Ultimately, the Agency's goal is a balanced system that ensures reasonable reimbursement rates, cost containment, and above all, access to appropriate care for Michigan's injured workers.

**7. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.**

- R 418.10201 - Rescinding due to redundancy.
- R 418.10206 - Rescinding due to redundancy.

**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, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for 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 for the agency promulgating the rule).**

The proposed rule changes are expected to be 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.

Agency customers can access fee schedule information without charge.

**9. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.**

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

**10. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.**

As stated above, the Workers' Compensation Agency HCS rules are revised annually to maintain consistency with the determinations made each year by the Center for Medicare & Medicaid Services (CMS). Creating a system for Michigan that would be significantly different than the national CMS standards would increase costs for billing, payment, and could impose more burden on Agency staff. By being consistent with CMS, Workers' Compensation Health Care Services avoids the cost of researching and compiling this data. Transitioning to a new process for reimbursement would create implementation and financial burdens on insurance carriers and medical providers who are the primary users of the fee schedule created by the Agency. Ultimately their ability to process medical payments in a timely fashion would limit access to care for injured workers.

**A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.**

There are no identified burdens.

## **Impact on Other State or Local Governmental Units**

**11. 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 for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. 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 for any of the entities outlined in Question 11. 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 budgets by maintaining or reducing claim costs. There are no anticipated increased revenues resulting from these rules.

**12. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.**

There are no anticipated programs, services, duties, or 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.

**A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.**

There are no anticipated changes to existing programs, services, duties, or responsibilities imposed upon governmental units.

**13. 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 rules.**

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

## **Rural Impact**

**14. In general, what impact will the rules have on rural areas?**

This rule set does not specifically impact or target rural areas.

**A. Describe the types of public or private interests in rural areas that will be affected by the rules.**

There is no anticipated impact on public or private interests in rural areas.

## **Environmental Impact**

**15. Do the proposed rules have any impact on the environment? If yes, please explain.**

The proposed rules do not have any environmental impact.

## **Small Business Impact Statement**

**16. Describe whether and how the agency considered exempting small businesses from the proposed rules.**

Once an employer meets the requirements for coverage under the Act, there are no exemptions related to the size of the business. Workers' compensation insurance premiums are based in significant part on claims experience and payroll so keeping overall premium costs down through medical cost containment benefits businesses 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.

**17. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules 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 rules 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 corresponding charges. 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 rules and the probable effect on small businesses.**

There are over 285,000 businesses in Michigan privately covered by workers' compensation insurance. An additional approximately 6,500 employers are classified as self-insured. Also affected are approximately 350 insurance carriers, 375 individual and group self-insured carriers, 26 service companies and 50 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, but health care is often delivered in complicated business structures such as hospitals, where the emergency physicians are 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. However, as mentioned in question (2), the latest CompScope Medical Benchmarks for Michigan 24th edition (William Monnin-Browder, October 2023) indicates that medical payments per claim for claims with more than 7 days of lost time in Michigan were lower compared with the other 16 study states. There is no doubt that Michigan's reimbursement fee schedule has a definite impact on these figures.

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

The Workers' Compensation 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 for small businesses 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). The reporting system also notifies all affected parties via email as report deadlines near, which simplifies compliance. This will serve to reduce business cost for all reporting entities. The agency's data system is undergoing major upgrading that will facilitate lower cost electronic reporting.

**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 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. The Agency continues to look for ways to enhance usability for its customers as we design a new workers' compensation data management system, which will integrate the current online system and allow a portal for easier reporting.

**18. Identify any disproportionate impact the proposed rules 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.

**19. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.**

There are only two required forms/reports, which are primarily handled by the payers, not small businesses:

1. The Professional Health Care Review Program certification (WC590) that requires carriers to identify the name of the company that handles the bill review process.
2. The Annual Medical Payment Report (WC406) that requires carriers to provide total dollar figures for medical payments on claims.

There is no expected increase or decrease in estimated cost associated with the submission of this form for small businesses, as insurance carriers are currently performing this activity.

**20. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.**

The rule changes do not specifically require any additional reports, equipment, labor, or increased administrative cost.

Overall, the HCS rules, fee schedule, manual, and online reporting system are available at no charge on the Workers' Disability Compensation Agency's website. The Agency provides ongoing information for providers, carriers, and employees.

The Health Care Services Division distributes informational materials and conducts periodic training sessions. By containing and managing medical reimbursement rates, overall business costs are reduced.

**21. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.**

There are no anticipated legal, consulting, accounting or administrative costs associated with these rules.

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

Almost all Michigan businesses are required to carry workers' compensation insurance through a licensed insurance company or be approved for individual or group self-insurance depending on statutorily defined criteria. 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.

**23. 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 while maintaining access to care. 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.

**24. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.**

These rules do not directly affect small businesses. 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 would serve only to impair the availability of medical services to injured workers mainly because medical professionals would decline workers' comp cases from smaller businesses. Many of these businesses might also be in rural areas. Subsequently, we would see longer claim duration and increased employee work absence, 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.

**25. Describe whether and how the agency has involved small businesses in the development of the proposed rules.**

The HCS rules are established per the Workers' Disability 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. Several of the medical providers are small business owners 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 holds periodic informational sessions with small groups upon invitation or request.

**A. If small businesses were involved in the development of the rules, please identify the business(es).**

- Rapaport, Pollack, Farrell and Waldron, P.C.
- J. Trucks and Associates, P.C.
- Waverly Chiropractic Center
- Benchmark Health
- Select Medical Outpatient
- Michigan Assn. of Chiropractors
- Operating Engineers 324
- UAW
- Concentra

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

**26. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.**

There are no changes to the billing process, so the only cost related to the rule updates is the cost of reference materials outlined in the rules if a provider or carrier were to purchase them, much like the renewal cost of any periodical. Most providers bill other entities as well as workers' compensation and already have the reference materials, so would incur no additional costs.

**A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.**

The rules impact all 350 carriers, 375 individual and group self-insured employers, 26 service companies and 50 bill review entities.

**B. 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.**

There are no additional costs identified.

**27. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.**

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.

**A. How many and what category of individuals will be affected by the rules?**

The WDCA does not collect or compile the number of payers and medical providers. The agency only receives reports of workplace injuries that result in the injured worker being off work for more than 7 days. Over the last ten years, the number of such reports has ranged from 19,933 to 23,306 (not including the outlier COVID Pandemic year of 2021). It is possible that an injured worker may have more than one reported injury per year. There are over 200 insurance carriers licensed to write WDC insurance in Michigan and we do not compile data regarding the number of claims per carrier.

**B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?**

The Agency's mission is to effectively administer the Act and provide prompt, courteous and impartial service to all customers. Its ongoing goal is to provide a fair payment and reimbursement system for payers and providers and maintain or enhance access to quality healthcare for injured workers. The Agency strives to fulfill this mission and goal each time it updates the HCS ruleset. In another WCRI study by Savych and Thumula (2017), Comparing Outcomes for Injured Workers in Michigan, 2016 Interviews, Michigan results were similar to other study states on satisfaction with overall medical care, and access to desired medical services and providers. And of the reasons surveyed, less than 5% of those polled indicated that access to care was due to a medical professional not taking workers' compensation patients. Michigan has also experienced a combined decrease in the "pure premium" rate of 49% over the last 8 years, saving Michigan employers approximately \$492 million.

**28. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.**

There are no expected direct cost reductions as a result of this proposed rule set. Employers typically see their savings on the insurance side based on experience ratings and lower premiums, as well as through enhanced safety and ergonomic measures, thereby decreasing claims and associated costs. Insurers may be able to reduce costs depending on the variances in the fee schedule percentages, and through development of provider networks. Overall, utilizing a medical care fee schedule allows providers and insurers the ability to maintain balance in the reimbursement process.

**29. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.**

The proposed rules support business competitiveness, and worker safety, since these rules will continue to control the workers' compensation health care costs for injured Michigan workers while maintaining reasonable reimbursement rates for practitioners near 140% of Medicare payments 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' Disability 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.

**30. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.**

The Workers' Disability Compensation Agency Health Care Services regulates the cost of medical treatment rendered to injured workers under the Workers' Disability Compensation Act. The cost containment rules serve a valuable function in managing health care costs while maintaining access to care. The HCS fee schedule helps to promote business growth and ultimately job creation by reducing overall Workers' Compensation costs and insurance premiums. Again, Michigan has also experienced a combined decrease in the "pure premium" rate of 49% over the last 8 years, saving Michigan employers approximately \$492 million.

**31. 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.

**32. 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 the proposed rules and a cost-benefit analysis of the proposed rules.**



The Michigan Workers' Compensation fee schedule uses the Center for Medicaid and Medicare Services (CMS) methodology as the foundation for determining the State's workers' compensation medical service fees. The Agency also relies upon The Health Care Services Advisory Committee which includes external members representing payers, providers and injured workers, and external research from sources such as the Workers' Compensation Research Institute (WCRI). For example, comparative studies from WCRI demonstrate that benefit delivery expenses per claim in Michigan were 26% lower than the 18-state median for 2020/2023 claims. Lower benefit delivery expenses were driven by lower medical cost containment expenses and less frequent attorney involvement. Studies from WCRI also show medical payments per claim for claims with more than 7 days of lost time in Michigan were lower compared with the other 16 study states.

**A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.**

The Health Care Services Advisory Committee provides unput into the conversion factor percentage, utilizing statistical data obtained from various sources including Amerisure, and one of the largest carriers in this state, The Accident Fund Insurance Company of America. Medical payment data is also obtained from two of the largest self-insured employers, General Motors and Ford Motor Company. The statistical data is from the top 50 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 ensure we meet the needs of Michigan employers, carriers and injured workers. The purpose of the conversion factor is to adjust the rates so that the providers are compensated at a satisfactory level, and the injured worker maintains access to care at a reasonable cost to the employer/carrier.

## **Alternative to Regulation**

**33. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.**

There are no other reasonable alternatives to this proposed rule set. The State of Michigan uses CMS methodology because it provides a long-established fair and standardized method of reimbursement for Michigan providers.

Implementing a new system would place undue burdens due to budgetary restraints on the Agency, and potentially require higher staffing levels. The Michigan approach has served as a model for other states.

**A. Please include any statutory amendments that may be necessary to achieve such alternatives.**

There are no reasonable alternatives to the proposed rules. The Michigan cost containment system has been used in at least one other state as a template to build their system.

**34. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.**

There is minimal cost to the State of Michigan for the system now in place. Health Care Services has one health care specialist. 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.

We are not aware of any private market-based systems. It is important to note that WDCA operates the cost-containment rule system by statutory mandate and without any charge to injured workers, payors or providers. We provide a dispute resolution system that operates without cost to any parties. Providers already use various billing services and bill review vendors, and these rule changes do not impact on that situation.

**35. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. 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 the Health Care Services Rules. The Michigan system is already a model for other state fee systems due to consistently maintaining reasonable medical costs while maintaining access to care. These proposed changes provide technical language changes, update/enhance existing rule language based on changes in the medical field or provide for consistency with federal guidelines.

### **Additional Information**

**36. 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's website at <https://www.michigan.gov/leo/bureaus-agencies/wdca>.