RESEARCH BRIEF

The Source You Trust

June 2024

By Jon Sinclair and Katherine Norris

Medicare Fee Schedules and Workers Compensation in 2024

The Centers for Medicare and Medicaid Services (CMS) updates its reimbursement rules and rates for medical services each year. This report highlights the most relevant changes in the 2024 update and the potential impact on workers compensation (WC) medical costs.

INTRODUCTION

The National Council on Compensation Insurance (NCCI) monitors changes in CMS reimbursement rules and rates that impact WC medical costs. The impacts of these changes on WC medical costs vary by state. The medical service categories covered by medical fee schedules, the extent to which each fee schedule incorporates the CMS rules and rates, and the distribution of medical costs all influence how each state is impacted. NCCI's report, "Medicare Fee Schedules and Workers Compensation in 2023," highlighted noteworthy aspects of the 2023 update.

This report highlights the 2024 changes to CMS fee schedules for the following service categories:

- Physician
- Facility
- Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS)

KEY FINDINGS

- Effective January 1, 2024, CMS initially published the physician conversion factor of 32.7442, which was a 3.4% decrease from 2023. Subsequently, Congress passed the Consolidated Appropriations Act, 2024, which included a temporary payment increase of 1.7%, effective March 9, 2024. This change increased the conversion factor to 33.2875, a 1.8% decrease from 2023, from March 9 through the end of 2024.
- CMS added a new code to the physician fee schedule in 2024. This code, G2211, is an evaluation and management add-on code. The extent to which this code will impact physician costs will depend on how commonly physicians utilize the code in WC.
- Facility base rates saw moderate increases that were in line with the increases seen in prior years.
- The 2.6% increase to the CMS DMEPOS update factor in 2024 is significantly lower than the increases seen in 2022 and 2023 of 5.1% and 8.7%, respectively.

Updated 6/17/24

Physician Fee Schedule Changes

Physician costs account for about 40% of countrywide[1] WC medical expenditures. Physician fee schedules in WC are often based on factors published in the annual CMS Physician Fee Schedule (PFS).

There are two general components involved in the calculation of the maximum allowable reimbursement (MAR) for a given physician service: a Relative Value Unit (RVU) and a conversion factor. RVUs are procedure-specific weights that represent the relative expense to perform the procedure. The physician conversion factor is a constant factor applied to all non-anesthesia physician procedures that converts RVUs into dollars.

CMS publishes the physician conversion factor annually. CMS determines the conversion factor by beginning with the prior year's conversion factor and adjusting it with respect to multiple factors, including statutory requirements and compliance with budget neutrality.

Of note, there is currently no inflationary adjustment to account for changes to the prices of goods and services reflected in the annual update to the physician conversion factor.

The table below shows the conversion factors for physician services for the latest four calendar years:

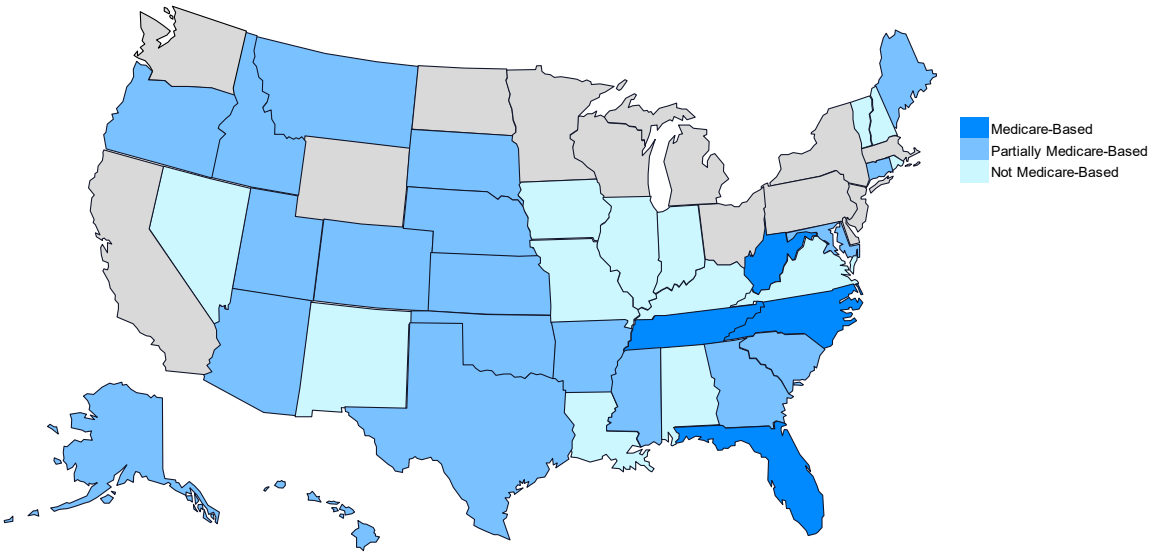
	Effective Date				
	1/1/2021	1/1/2022	1/1/2023	1/1/2024	3/9/2024
Conversion Factor	34.8931	34.6062	33.8872	32.7442	33.2875
Percentage Change From Prior Year	–3.3%	–0.8%	–2.1%	–3.4%	–1.8%

Statutory changes influenced the 2024 conversion factor. Effective January 1, 2024, CMS initially published the physician conversion factor of 32.7442, which was a 3.4% decrease from 2023. Subsequently, Congress passed the Consolidated Appropriations Act, 2024, which included a temporary payment increase of 1.7%, effective March 9, 2024. This change increased the conversion factor to 33.2875, a 1.8% decrease from 2023, from March 9 through the end of 2024.

For states that incorporate the physician conversion factor from CMS, the conversion factor applies to all non-anesthesia physician services on the fee schedule. Therefore, a decrease to the physician conversion factor will impact the majority of physician services in those Medicare-based states.

[1]Based on NCCI's Medical Data Call. Includes data from the following jurisdictions: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NC, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, and WV. Unless stated otherwise, statistics are for Service Year 2022 WC data.

The map below displays each state's level of reliance on the physician payment rates that are published annually by the CMS.



*NCCI does not provide ratemaking services to the states in gray.
As of 1/1/2024.

- **Medicare-Based:** These states incorporate both the CMS-published conversion factor and RVUs into their fee schedules
- **Partially Medicare-Based:** These states use state-specific conversion factors in combination with CMS-published RVUs
- **Not Medicare-Based:** These states do not incorporate the CMS-published conversion factor or RVUs

The second key piece of the physician MAR formula is the RVUs. CMS has not made significant changes to physician service RVUs since the 2021 update, which implemented large increases to evaluation and management codes. In the 2022, 2023, and 2024 CMS updates, RVUs have remained relatively stable. The 2024 update resulted in a moderate increase to RVUs across physician service categories.

In addition to the changing conversion factor and RVUs, CMS added a new code in 2024. This code, G2211, is an evaluation and management add-on code. It is described as a code that's meant to better recognize the resource costs associated with establishing meaningful patient relationships and addressing most of their healthcare needs with consistency and continuity. Payments for evaluation and management services make up a quarter of physician WC costs. The extent to which this code will impact physician costs will depend on how commonly physicians utilize the code in WC.

The impact of these changes on WC medical costs will vary by state depending on the state's reliance on CMS values when setting MARs. The interaction between the decrease in the conversion factor and increase in RVUs may result in a small decrease in physician costs for states that incorporate the CMS conversion factor.

Facility Fee Schedule Changes

In WC, facility costs also account for about 40% of countrywide WC medical expenditures.

CMS publishes annual updates to the payment systems that govern payment rates for services performed at the following facility types: hospital outpatient, ambulatory surgical centers (ASC), and hospital inpatient.

The table below displays the CMS payment system associated with each facility type:

Facility Type	CMS Payment System
Hospital Outpatient	Outpatient Prospective Payment System (OPPS)
ASC	ASC Payment System
Hospital Inpatient	Inpatient Prospective Payment System (IPPS)

As is the case with physician services, for each facility type, CMS determines the payment rate for any given service by considering two main factors: the base rate and the relative weight.

The base rate change is analogous to the change in the physician conversion factor; it applies to all facility procedures and serves to convert relative weights for each procedure into a dollar amount.

Unlike physician services, each year, CMS updates the base rates for facility services to account for changes in the prices of goods and services used by hospitals in treating Medicare patients. This is referred to as the market basket update.

In 2024, the market basket update is a 3.3% increase.

The base rates are additionally adjusted for productivity and budget neutrality, among other changes.

The changes in base rates for the most recent five calendar years are shown below:

		Base Rate				
Facility Type	**Payment System**	**2020**	**2021**	**2022**	**2023**	**2024**
Hospital Outpatient	**OPPS**	$80.78	$82.80	$84.18	$85.59	$87.38
ASC	**ASC Payment Systen**	$47.75	$48.95	$49.92	$51.85	$53.51
Hospital Inpatient	**IPPS**	$6,258.96	$6,427.52	$6,594.24	$6,859.53	$7,001.60

		Change From Prior Year				
Facility Type	**Payment System**	**2020**	**2021**	**2022**	**2023**	**2024**
Hospital Outpatient	**OPPS**	—	+2.5%	+1.7%	+1.7%	+2.1%
ASC	**ASC Payment Systen**	—	+2.5%	+2.0%	+3.9%	+3.2%
Hospital Inpatient	**IPPS**	—	+2.7%	+2.6%	+4.0%	+2.1%

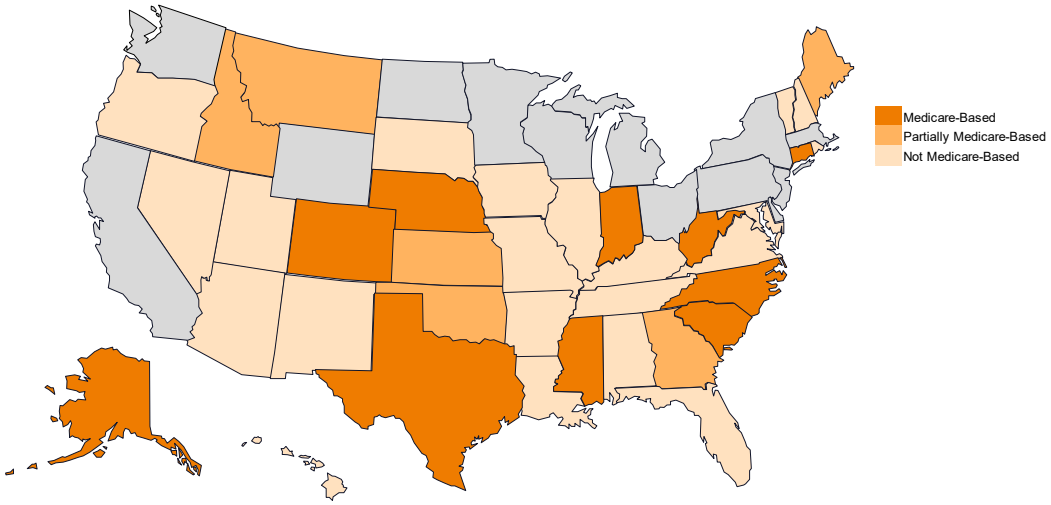
The ASC final change in base rate is close to the market basket update level of 3.3%. The inpatient and outpatient final changes in base rates, however, are slightly lower. This is due to a budget neutrality adjustment for changes to wage indices.

Changes to the CMS relative weights across all facility types are minor in 2024.

The impact of the 2024 CMS facility payment rate changes on WC medical costs will vary by state depending on the state's reliance on CMS values when setting rates. The interaction between the increase in the base rates and minor changes in relative weights may result in a moderate increase in facility costs for states that incorporate the CMS base rates.

The maps below display each state's level of reliance on the facility payment rates that are published annually by the CMS.

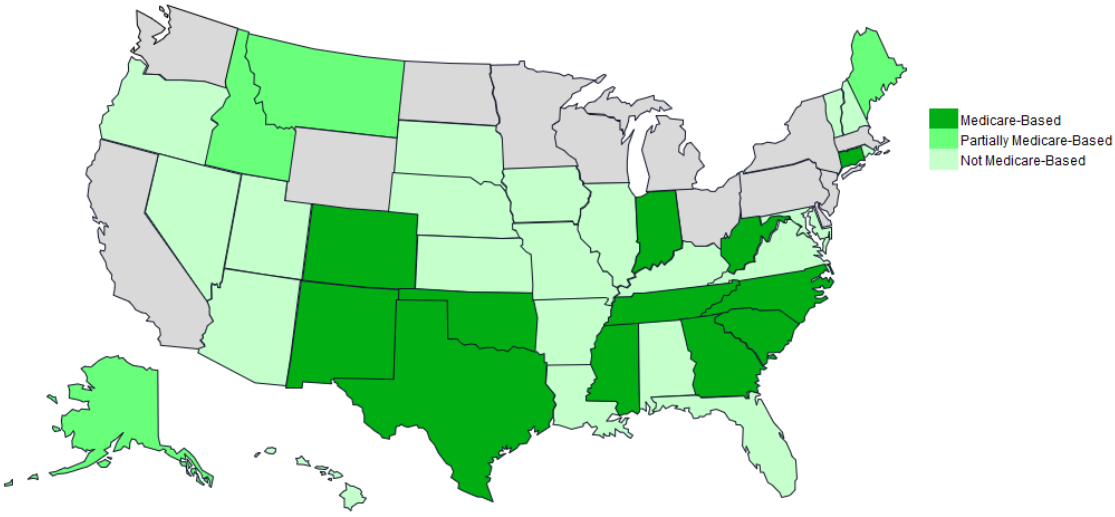
Inpatient:



*NCCI does not provide ratemaking services to the states in gray.
As of 1/1/2024.

- **Medicare-Based:** These states incorporate both the CMS-published IPPS base rates and relative weights into their fee schedules
- **Partially Medicare-Based:** These states use state-specific base rates in combination with CMS-published IPPS relative weights
- **Not Medicare-Based:** These states do not incorporate the CMS-published base rates or relative weights

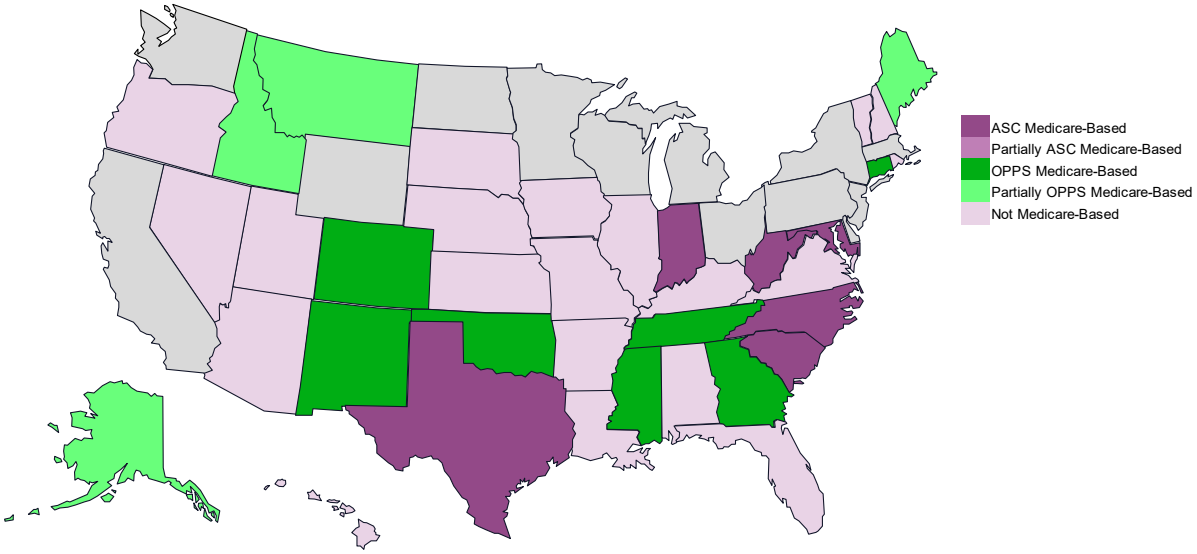
Outpatient:



*NCCI does not provide ratemaking services to the states in gray.
As of 1/1/2024.

- **Medicare-Based:** These states incorporate both the CMS-published OPPS base rates and relative weights into their fee schedules
- **Partially Medicare-Based:** These states use state-specific base rates in combination with CMS-published OPPS relative weights
- **Not Medicare-Based:** These states do not incorporate the CMS-published base rates or relative weights

ASC:



*NCCI does not provide ratemaking services to the states in gray.
As of 1/1/2024.

- **ASC Medicare-Based:** These states incorporate both the CMS-published ASC Payment System base rates and relative weights into their fee schedules
- **Partially ASC Medicare-Based:** These states use state-specific base rates in combination with the CMS-published ASC Payment System relative weights
- **OPPS Medicare-Based:** These states incorporate both the CMS-published OPPS base rates and relative weights into their fee schedules
- **Partially OPPS Medicare-Based:** These states use state-specific base rates in combination with the CMS-published OPPS relative weights
- **Not Medicare-Based:** These states do not incorporate the CMS-published base rates or relative weights

Durable Medical Equipment, Prosthetics, Orthotics, and Supplies

The share of costs that DMEPOS represents varies by state, ranging between 4% and 13% of WC medical costs.

CMS groups codes into two categories for the purpose of adjusting the DMEPOS fee schedule each year. The first group includes codes subject to the DMEPOS Competitive Bidding Program. The second group—comprising the majority of DMEPOS payments in WC—is for codes not subject to the Competitive Bidding Program. A CMS-calculated factor, composed of the Consumer Price Index for All Urban Consumers (CPI-U) and a productivity adjustment, updates the reimbursable amount for the latter group.

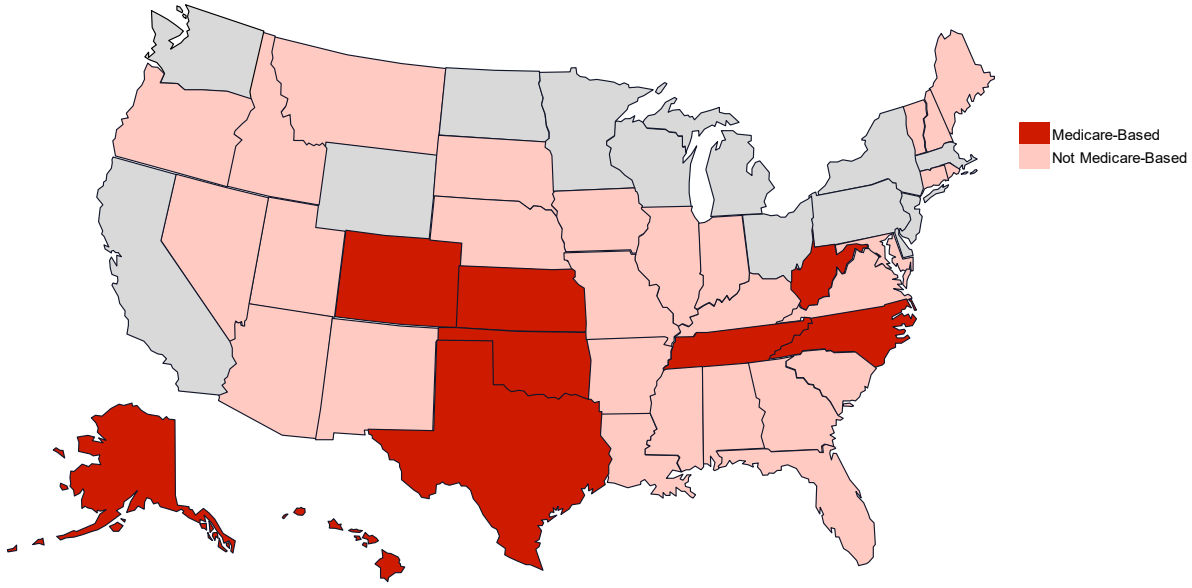
The table below shows the CMS-published fee schedule update factors for DMEPOS services for the four most recent calendar years:

2021 Fee Schedule Update Factor	2022 Fee Schedule Update Factor	2023 Fee Schedule Update Factor	2024 Fee Schedule Update Factor
+0.2%	+5.1%	+8.7%	+2.6%

As seen above, the 2.6% increase in the 2024 DMEPOS payment rates is significantly lower than the prior two years.

The impact of the 2024 CMS DMEPOS payment rate changes on WC medical costs will vary by state depending on the state's reliance on CMS values in its rate setting.

The map below displays each state's level of reliance on the DMEPOS payment rates that are published annually by the CMS.



*NCCI does not provide ratemaking services to the states in gray.
As of 1/1/2024.

- **Medicare-Based:** These states incorporate CMS-published DMEPOS payment rates into their fee schedules
- **Not Medicare-Based:** These states do not incorporate the DMEPOS payment rates published by CMS

CONCLUDING REMARKS

Following an initial physician conversion factor decrease of 3.4%, CMS published an updated 2024 conversion factor in March. The final conversion factor for 2024 is a more modest 1.8% decrease from the 2023 factor. Facility base rates saw moderate increases in line with prior years. Like 2023, the factors published by CMS continue to not be a source for significant upward pressure on workers compensation medical costs. The impacts of these changes on WC medical costs vary by state. The medical service categories covered by medical fee schedules, the extent to which each fee schedule incorporates the CMS rules and rates, and the distribution of medical costs all influence how each state is impacted.