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### **The Impact of Physician Fee Schedules in Workers Compensation**

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National Council on Compensation Insurance

### **The Impact of Physician Fee Schedule Introductions in Workers Compensation: An Event Study**

By Frank Schmid and Nathan Lord

Although the vast majority of U.S. states have physician fee schedules in place, a small number of jurisdictions operate without such a legal provision. Several studies have attempted to measure the impact of fee schedule introductions on the price and utilization of medical services provided by physicians. None of these analyses delivered evidence of an aggregate utilization increase in response to fee schedule introductions, although some point to changes in utilization for isolated procedures. Further, this prior research established overwhelming evidence that fee schedules contribute to lower price levels and lower rates of price level increases. This study analyzes the introduction of workers compensation physician fee schedules in two states: Tennessee (which adopted a fee schedule in July 2005) and Illinois (February 2006).

### **The Impact of Physician Fee Schedule Changes in Workers Compensation: Evidence From 31 States**

By Frank Schmid and Nathan Lord

This study measures the impact of changes to physician fee schedules on the price and utilization levels of medical services consumed in the context of workers compensation. The effect of changes to the price ceilings imposed by physician fee schedules is quantified using an impulse-response time series framework. The analysis is based on data for 31 jurisdictions and 11 years (2000–2010). For the purpose of the statistical analysis, monthly price, utilization, and severity indexes are developed, from which rates of inflation and rates of utilization and severity increases are computed. When gauging the response, state-specific characteristics are considered using the concept of price departure and, alternatively, the differential in the price level (at reimbursed amounts) relative to neighboring jurisdictions. The price departure measures the percentage difference between the price level at reimbursed amounts and the price level implied by the MAR (maximum allowable reimbursement) specified in the fee schedule.

View the complete reports:

- [The Impact of Physician Fee Schedule Introductions in Workers Compensation: An Event Study](#)  
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