Illinois Fee Schedule Analysis

A new workers compensation medical fee schedule became effective in Illinois on 2/1/2006. Previously, there was no fee schedule in Illinois. The fee schedule establishes maximum medical payments for 29 geographic areas. These areas are termed “geo-zips,” as they are based on the first three digits of the zip code.

The commission set these fee schedule amounts by determining 90 percent of the 80th percentile of health care billed amounts (by reviewing data from between August 1, 2002 and August 1, 2004). A minimum of 9 charges were required to be reviewed in order to derive this fee schedule amount. In cases where fewer than nine charges were available, the fee schedule maximum was set at 76% of the charged amount.

The maximum fees in the fee schedule will automatically increase or decrease each year based on the annual change in the general Consumer Price Index (CPI). WC medical prices actually paid in Illinois have been growing faster than the inflation reflected in the general CPI. This implies that indexing the fee schedule to the CPI is likely to reduce the future rate of growth from what it would have been without the fee schedule.

Overall Comparison

We estimated the effect on pricing that the new fee schedule in Illinois could be expected to have by rating the actual bills received in calendar year 2005 under the new fee schedule. Our analysis was based on reviewing professional services and did not include any hospital charges. We excluded hospital records from our comparison because the Illinois fee schedule for these fees is based upon DRG codes, and the Travelers system did not yet capture DRG codes in 2005. Based on this analysis, on an overall basis, the new fee schedule amount appears to be the same as the paid amount (prior to any preferred provider savings). Note that there were many instances of significant differences between the actual paid amount and the fee schedule amount on an individual bill level according to the different procedure code and/or geo-zip area.

This conclusion is not inconsistent with that reached by the study done by the Workers Compensation Research Institute (WCRI). The July 2006 study is entitled, “Analysis of the Workers Compensation Medical Fee Schedules in Illinois (WC-06-28).” They stated that “The savings potential for payors that are covered by networks and have relatively high network penetration might be much less than that for non-network payors, assuming networks already pay at substantial discounts from charges.”