

Background about the relative value fee schedule

– *Minnesota Statutes § 176.136, subd. 1a; Minnesota Rules chapter 5221* –

- In 1992, the Minnesota Legislature authorized the Department of Labor and Industry (DLI) to adopt a “relative value fee schedule” based on the Medicare fee schedule. Medicare assigns each of thousands of medical services a numeric value, called a relative value unit (RVU), reflecting the relative cost of providing the service in comparison to a base service. Medicare updates the RVUs annually.
- The RVU assigned to a service is then multiplied by a dollar conversion factor (CF) to establish the maximum fee. For example, currently under Minnesota workers’ compensation:
 - The CPT code 99203 (level three office visit, new patient) has an RVU of 1.82.
 - The current CF for a medical doctor is \$81.63.
 - The maximum fee is $1.82 \times \$81.63 = \148.57 .
- The payer is liable for the lower of the maximum fee or the provider’s usual and customary charge. The workers’ compensation law requires the CFs must be adjusted annually on Oct. 1 by no more than the change in the statewide average weekly wage.
- The maximum fees in the initial (1993) workers’ compensation relative value fee schedule were set so there was a 15 percent payment reduction from the previous fee schedule for each of four categories of services: 1) medical surgical services; 2) path/lab services; 3) physical therapy services; and 4) chiropractic services.
- All of the RVUs were last updated in 2001, using the 1998 Medicare RVUs. The physical medicine and chiropractic RVUs were revised in 2005 and 2006, based on 2005 legislation.
- In 2005, the law was amended to establish four separate workers’ compensation conversion factors, one for each of the four categories of service.¹ The four workers’ compensation conversion factors, as of Oct. 1, 2009 are²:
 - 1. Med/surgical services\$81.63;
 - 2. Physical medicine services\$70.77;
 - 3. Chiropractic services\$58.78; and
 - 4. Path/lab services\$68.17.
- In 2008, the law was again amended to require the commissioner to update the workers’ compensation fee schedule at least every three years, as follows.
 - Incorporate by reference the Medicare RVU tables.³
 - Amend the workers’ compensation rules to implement the Medicare RVU tables in the workers’ compensation system.⁴
 - Adjust the four workers’ compensation conversion factors so the overall payment is the same under the existing and new fee schedules for services in both schedules.
 - This adjustment must be done before the annual adjustment of the conversion factor based on the change in the statewide average weekly wage (which decreased this year by 1.14 percent).⁵

¹The 2005 law also required that the conversion factor for chiropractic services be set at 72 percent of the conversion factor for medical/surgical services as of Nov. 1, 2006.

²By comparison, the current Medicare conversion factor is \$36.87.

³The Notice of Incorporation of Medicare RVU tables was published in the July 26, 2010, edition of the *State Register*.

⁴These amendments have been approved by an administrative law judge at the Office of Administrative Hearings and will be published in the *State Register* on Aug. 16, 2010.

⁵An administrative law judge must approve both conversion factor adjustments.