Auto Casualty, Workers' Comp

Consolidated Appropriations Act, 2024: The Impact on Workers' Compensation and Auto Casualty Sectors

May 30, 2024
3 MIN READ
Author profile image

Michele Hibbert

Senior Vice President, Regulatory Compliance Management

On March 9, 2024, President Biden signed the Consolidated Appropriations Act of 2024 into law. The spending package reduced the Medicare Physician Fee Schedule (MPFS). As a result, any state that uses Medicare as its fee schedule could see significant impacts from recent Medicare adjustments. In addition, while the reduction took effect on January 1, 2024, it does not apply retroactively, and as a result will have two different conversion factors.*

States whose fee schedules mirror the Medicare Physician Fee Schedule will see auto casualty and workers' compensation reimbursement rates affected by the fee schedule changes. While states have flexibility in how closely they follow Medicare (such as paying percentages above Medicare), underlying Medicare changes will eventually flow through.

For example, changes in workers' compensation are underway in Florida, as Senate Bill 362 increases the maximum reimbursement allowances (MRA) for physicians from 110 to 175 percent and increases the MRA for surgical procedures from 140 to 210 percent of reimbursement amount allowed by Medicare. States, like Florida, who are tied to Medicare's annual updates may lag one year in adopting changes, unless they take action to incorporate updates sooner.

The factors affecting reimbursement for auto and medical claims can become complex very quickly. Medicare's influence on state fee schedules is central to understanding these dynamics. For example, litigation around Medicare adoption dates for no-fault auto claims has historically increased. As a result, Enlyte is proactively contacting state regulators to remind the industry about state-specific rules on Medicare fee schedule adoption dates, to help reduce unnecessary and costly litigation. In an outreach to the Michigan Department of Financial Services (DIFS), regulators indicated no current changes or additional guidance are planned around adoption

dates, but provided assurance this issue remains on their radar and will keep the industry informed of any changes.

Shifting provider billing and treatment practices may also occur as states incorporate Medicare fee schedules. Medical costs and third-party bills have risen substantially in recent years, following an historical pattern. The expected 34% increase by year's end is significant, meaning businesses need to prepare for higher reimbursement amounts. Continuous analysis of factors influencing fee schedules and claims costs across states can help stakeholders stay informed of reimbursement impacts and trends.

Regulatory compliance across the insurance industry is intricate; policy alterations, legislative activities, and changing data trends can all profoundly affect a company's operations and bottom line. Businesses must remain on top of legislative and regulatory shifts to effectively make informed decisions. Maintaining awareness and adapting to changes will help ensure businesses are well-positioned for future success.

**The spending package included a 1.68% reduction to the 3.37% cut to the Medicare Physician Fee Schedule (MPFS) conversion factor that took effect on January 1, 2024. This legislation is effective for Medicare starting March 9, 2024, but it does not apply retroactively to January 1, 2024. As a result, there will be two different conversion factors—$32.74 for services from January 1 to March 8, and $33.29 for services from March 9 to December 31.*



©2022 Enlyte Group, LLC.

mitchell | genex | coventry