

**Conversion factor changes for October 1, 2024
in the Minnesota workers' compensation
Hospital Outpatient Fee Schedule (HOFS)**

	Minnesota conversion factor as of Oct. 1, 2023 [1]	Payment-neutrality adjustment [a]			3% reduction to 2024 HOFS conversion factor [e] [5]	Overall conversion factor change [f] [6]	Minnesota conversion factor as of Oct. 1, 2024 [g] [7]
		Computed from Minnesota Hospital Association data [b] [2]	Computed from large-insurer data [c] [3]	Average of results from the two data sources [d] [4]			
Large hospitals [h]	\$203.33	-4.46%	-3.52%	-3.99%	-3.00%	-6.87%	\$189.36
Small hospitals [i]	\$384.01	-5.40%	-4.96%	-5.18%	-3.00%	-8.02%	\$353.19

- a. Under Minnesota Statutes § 176.1364, subd. 3(e), DLI must update the HOFS at least every three years by incorporating the current services with a J1 or J2 status indicator under Medicare. When it does so, it must adjust the Minnesota conversion factors separately for large and small hospitals so that total payments are the same for services in both the old HOFS and the new one. DLI is updating the HOFS under this requirement effective October, 1, 2024; the payment neutrality adjustments shown here are pursuant to this requirement.
- b. These payment-neutrality adjustments were computed with data from the Minnesota Hospital Association for Minnesota workers' compensation outpatient visits at Minnesota Non-Critical-Access Hospitals that occurred from January 1, 2022 through December 31, 2023. The adjustments were computed for cases whose services had the same J1 and J2 status indicators under the Medicare provisions incorporated in the 2021 HOFS and those being newly incorporated (most recently in effect as of July 1, 2024). All HOFS payment rules were applied in the computation.
- c. These payment-neutrality adjustments were computed with data from a large insurer for Minnesota workers' compensation outpatient visits at Minnesota Non-Critical-Access Hospitals that occurred from January 1, 2022 through December 31, 2023. The adjustments were computed for cases whose services had the same J1 and J2 status indicators under the Medicare provisions incorporated in the 2021 HOFS and those being newly incorporated (most recently in effect as of July 1, 2024). All HOFS payment rules were applied in the computation.
- d. This is the average of columns 2 and 3.
- e. Under Minnesota Statutes § 176.1364, subd. 3(g), DLI must reduce the HOFS conversion factors by 3 percent in 2024. This reduction is applied to the conversion factors along with the payment neutrality adjustment in column 4 to produce an overall conversion factor change in shown in column 6.
- f. This percentage is obtained by combining those in the prior two columns. $Column\ 6 = ((column\ 4 + 1) \times (column\ 5 + 1)) - 1$.
- g. This new conversion factor is obtained by applying the percent change in column 6 to the prior conversion factor in column 1.
- h. These are Minnesota hospitals with more than 100 licensed beds.
- i. These are Minnesota Non-Critical-Access Hospitals with 100 or fewer licensed beds.

**Explanation of Minnesota workers' compensation
Hospital Outpatient Fee Schedule (HOFS)
conversion factor changes for October 1, 2024**

The Department of Labor and Industry (DLI) is required to update the hospital outpatient fee schedule (HOFS) at least once every three years by incorporating the current services with a J1 or J2 status indicator under Medicare. When the HOFS is updated, DLI must adjust the Minnesota conversion factors separately for large and small hospitals so that total payments are the same for those services in both the old HOFS and the new one. DLI has updated the HOFS, effective October 1, 2024, under this requirement.

Using data from the Minnesota Hospital Association (MHA) and from a large insurer, DLI derived the payment neutrality adjustments following the statutory requirement; the payment-neutrality adjustments are shown in columns 2-4 of the "Conversion factor changes for October 1, 2024 in the Minnesota workers' compensation Hospital Outpatient Fee Schedule (HOFS)" table. DLI used the average of the results from the two data sources (column 4), in combination with the required 3% reduction to the conversion factors (column 5), to derive the overall conversion factor changes (column 6) and the new conversion factors, effective October 1, 2024 (column 7).¹

For each J1 and J2 service in the HOFS, the Minnesota payment rate in the HOFS table is calculated as follows:

$$\text{Payment} = \text{Medicare payment weight} \times \text{Minnesota conversion factor.}^2$$

Each service has its own payment weight, but the conversion factor is the same for all services provided by the hospital. When the HOFS is updated to include current J1 and J2 services, as DLI is doing this year, the payment weights of services previously included in the HOFS are likely to change. If the weights increase on average, the conversion factor must decrease to hold payments constant. If the weights decrease on average, the conversion factor must increase to hold payments constant.

As shown in columns 2 and 3 in the table, the conversion factor changes computed with both the MHA and large-insurer data show about a 3.99% decrease for large hospitals, and a 5.18% decrease for small hospitals. This decrease occurred because the Medicare payment weights increased on average by roughly 3.99% for large hospitals and 5.18% for small hospitals. That is, the new payment weights are roughly 3.99% and 5.18% greater than the old payment weights on average for large and small hospitals respectively, and so, the conversion factors must be adjusted to achieve the same total payment amount.

All of these calculations are before the 3% reduction shown in column 5. The reduction, along with the adjustments in column 4, produce the overall change shown in column 6, which brings about the new HOFS conversion factors in column 7 that are effective October 1, 2024.

¹ Minn.Stat. §176.1364, subd. 3(g).

² Other payment provisions apply, such as modifications for units of service and multiple procedure discounts, but those provisions do not change the point of this discussion.