

# Industrial Commission of Arizona



Staff Proposal and Request for Public Comment  
for  
2018/2019 Arizona Physicians' and Pharmaceutical Fee Schedule

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The accompanying Excel file contains the following tables, which are referenced in this report:

Anesthesia Codes and Anesthesia Conversion Factor (00100–01999)

Surgery Codes (10021–69990)

Radiology Codes (70010–79999)

Pathology/Laboratory Codes (80047–89398)

Medicine Codes (90281–96999)

Physical Medicine Codes (97010–98969)

Special Services Codes (99000-99607)

Evaluation and Management Codes (99201–99499)

Category III Codes (0019T–0436T)

## I. INTRODUCTION.

The information contained in this report is based on a review of the following: (1) *CY 2018 Medicare Physician Fee Schedule* (“MPFS”), a RBRVS-based reimbursement fee schedule used by Centers of Medicare & Medicaid Services (“CMS”); (2) OPTUM 360’s 2018 publication *The Essential RBRVS*; (3) Office of Workers’ Compensation Programs (“OWCP”) Fee Schedule Effective September 30, 2017; (4) *2018 Anesthesia Base Units as listed in CPT®-4*, a schedule of base units used by CMS to compute allowable amounts for anesthesia services; (5) *2018 Clinical Diagnostic Laboratory Fee Schedule*, a fee schedule maintained by CMS that identifies state-specific rates for pathology and laboratory services; and, (6) *Physicians as Assistants at Surgery: 2018 Update*.

This document includes the methodology for setting values of new codes and existing codes for Anesthesia, Surgery, Radiology, Pathology/Laboratory, Medicine, Physical Medicine, Special Services, Evaluation and Management, and Category III.

It is important to note that this report is preliminary and intended to serve as a proposal for public comment and future discussion during the public hearing process. Following the public hearing process, staff of the Industrial Commission of Arizona (“Commission”) will provide supplemental information to the Commission, including a summary of public comments received and staff recommendations. The Commission, at a later duly-noticed public meeting, will take formal action to adopt a 2018/2019 Physicians’ and Pharmaceutical Fee Schedule (“2018/2019 Fee Schedule”).

Note: The Commission is not permitted to include descriptors associated with five-digit *CPT®* codes in its Fee Schedule.

## II. PROPOSALS AND REQUEST FOR PUBLIC COMMENT REGARDING THE 2018/2019 PHYSICIANS' AND PHARMACEUTICAL FEE SCHEDULE.

### A. Adoption of Updates to Relative Value Units and Reimbursement Values.

Staff proposes adoption of the service codes, RVUs and reimbursement values contained in Tables 1 through 3, found in the accompanying Excel file.

The proposal is based upon continued use of a RBRVS reimbursement system, in which reimbursement values are calculated by multiplying “resources required to perform a service or RVUs” by a dollar value conversion factor (CF). The proposed 2018/2019 Fee Schedule is based upon the following two-step methodology to compute reimbursement values for all applicable service codes:

**STEP 1:** RVUs or Anesthesia Base Units (“BUs”) to each service code. This was done using one of the five methods below:

- a. Utilize applicable RVUs from the 2018 MPFS or BUs from the *2018 Anesthesia Base Units from 2018 CPT®-4*. The 2018 MPFS was the preliminary source for assigning and updating RVUs for all service codes.
- b. Utilize applicable RVUs from OPTUM 360’s 2018 publication *The Essential RBRVS*. This method was used to assign and update RVUs for all “gap” codes not included in the 2018 MPFS.
- c. Utilize applicable RVUs from OWCP’s *Fee Schedule Effective September 30, 2017*. This method was used to assign and update RVUs for codes that could not be assigned using the first two methods.
- d. Utilize applicable RVUs from the *2018 Clinical Diagnostic Laboratory Fee Schedule*. This method was used to update RVUs for most pathology and laboratory service codes.
- e. Utilize a back-filling approach to assign RVUs for any service codes that have a current rate but could not be assigned RVUs using the above methods. This method involved backing into overall RVUs by dividing the current rate for a service code by the applicable current conversion factor.

**STEP 2:** Once RVUs were assigned to all service codes, reimbursement rates were calculated by multiplying the applicable RVU by the Arizona-specific conversion factor. Staff proposes that the 2018/2019 Fee Schedule continue using a multiple conversion factor model, consisting of one conversion factor for Anesthesia Services, one for Surgery and Radiology, and a third for all remaining service categories (including E & M, Pathology and Laboratory, Physical Medicine, General Medicine, and Special Services). The 2018 CMS MPFS, 2018 Optum’s Essential RBRVS, and the OWCP Fee Schedule dated September 2017, list RVUs for Category III service codes but they do not assign reimbursement values and instead designate these service

codes as either “C” Contractor-Priced; “N” Noncovered Service; “R” Restricted Coverage or “X” Exclusion by Law. Therefore, staff proposes that all Category III Codes be designated as Relativity Not Established (RNE)<sup>1</sup>. Staff proposes the conversion factors utilized in the 2017/2018 Fee Schedule be utilized in the 2018/2019 Fee Schedule.

The three proposed conversion factors for the 2018/2019 Fee Schedule are:

<b>RBRVS Conversion Factors</b>	
Surgery/Radiology	\$82.38
All Other	\$64.63
Anesthesia	\$61.00

Note: The above-described methodology does not apply to service codes that could not be assigned a RVU using the five methods stated earlier. Service codes of this nature are identified as RNE, By Report (BR)<sup>2</sup>, or Not Covered.

Note: Additionally:

- a. The proposed 2018/2019 Fee Schedule continues to use CMS’s surgical global periods.
- b. The proposed 2018/2019 Fee Schedule continues to assign RVUs to consultation services, recognizing the functional importance of these services. However, these consultation service codes observe the bundling principles used by CMS to avoid excessive reimbursement rates.
- c. The proposed 2018/2019 Fee Schedule does not incorporate a geographic adjustment factor (“GAF”), but instead uses the Arizona-specific conversion factor to adjust payment for the state. It should be noted that CMS utilizes one GAF for the entire State of Arizona.
- d. All *CPT*® codes that contain explanatory language specific to Arizona will continue to be preceded by Δ. Codes, however, that are unique to Arizona and not otherwise found in *CPT*®-4 are preceded by an “AZ” identifier and numbered in the following format: AZ0xx-xxx.
- e. Continue to apply a 25% Stop Loss Cap to any service code whose reimbursement value incurred a decrease of greater than 25% due to the transition to a RBRVS-based system.

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<sup>1</sup> RELATIVITY NOT ESTABLISHED (RNE) in the value column indicates a new or infrequently performed service for which sufficient data has not been collected to allow the assignment of a reimbursement value based on unit relativity. Additional information about the RNE designation is contained in the Fee Schedule introduction.

<sup>2</sup> BY REPORT (BR) in the value column indicates that the value of the service is to be determined “by report” because the service is too unusual or variable to be assigned a reimbursement value based unit relativity. Additional information about the BR designation is contained in the Fee Schedule introduction.

**B. Continued Designation of Medi-Span as the Publication for Purposes of Determining Average Wholesale Price.**

Staff proposes that Medi-Span® continue to be used for determining Average Wholesale Price (“AWP”) in the 2018/2019 Fee Schedule.

**C. Adoption of Physicians as Assistants at Surgery: 2018 Update.**

*Physicians as Assistants at Surgery: 2018 Update* addresses when and what surgical procedures typically require second and third surgical assistants. The 2018 Update is the eighth edition of *Physicians as Assistants at Surgery*, a study first undertaken in 1994 by the American College of Surgeons and other surgical specialty organizations. The study reviews all procedures listed in the “Surgery” section of the *2018 American Medical Association’s Current Procedural Terminology*. Staff proposed to adopt the 2018 Update for purposes of the 2018/2019 Fee Schedule.

Note: Last year, the Commission adopted the *Physicians as Assistants at Surgery: 2016 Update*.

**D. Adoption of Deletions, Additions, General Guidelines, and Identifiers of the CPT®-4.**

The proposed 2018/2019 Fee Schedule is based upon staff review of deletions and additions to CPT®-4. The proposed 2018/2019 Fee Schedule is intended to conform to changes that have taken place in the 2018 edition of CPT®-4.