



Industrial Commission of Arizona
c/o Charles Carpenter, Manager
Medical Resource Office
P.O. Box 19070
800 W. Washington Street
Phoenix, AZ 85005-9070

Re: 2021-2022 Physicians' and Pharmaceutical Fee Schedule Public Hearing

Dear Members of the Industrial Commission of Arizona:

The American Property Casualty Insurance Association is writing to provide written comments in anticipation of the Annual Fee Schedule Public Hearing on July 29, 2021, at which you will conduct your annual review of the Physicians' and Pharmaceutical Fee Schedule.

Representing nearly 60 percent of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe. Several APCIA members are located in Arizona and many more do business here. Together, APCIA members write about 80 percent of the workers' compensation insurance sold in Arizona.

APCIA supports the preliminary proposal for adjustments to the workers' compensation fee schedule prepared by Commission staff and appreciates the Commission's efforts to address the critical issue of medical cost containment. Continually increasing medical costs and inflationary pressures inevitably pose challenges to the health and balance of a state workers' compensation system. The ICA's proposed changes to Arizona's fee schedule reflect innovative thinking regarding one of the more significant costs of providing effective care to injured workers in Arizona – the cost of prescription medications.

Adoption of National Average Drug Acquisition Cost ("NADAC") as the benchmark for determining pharmaceutical reimbursement is accurate, reasonable and increases transparency, and NADAC appears preferable to other commonly used standards such as Average Wholesale Price ("AWP"). NADAC reflects actual pharmacy acquisition cost in contrast to AWP, which is potentially subject to inflationary billing pressure. NADAC is easily available and transparent as it is used in most state Medicaid programs and is updated weekly by the Centers for Medicare

and Medicaid Services (“CMS”). The information accurately reflects pharmaceutical costs and is easily accessible to the public.

APCIA believes the proposal’s focus on transparency strikes the right balance between fair and appropriate reimbursement for prescription medication, quality care for injured workers, and influences costs in a way that allows the market for workers compensation insurance coverage to remain robust in Arizona.

APCIA applauds the Industrial Commission for its commitment to maintaining an effective workers compensation system in Arizona. We look forward to the discussion of the proposal and the Pharmaceutical Fee Schedule guidelines and offer our services as a resource to the Commission as you continue to grapple with the complex challenges before you.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink that reads "Jeremy Merz". The signature is written in a cursive, slightly slanted style.

Jeremy Merz
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