

June 8, 2022

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Mr. Carpenter:

Please let this letter serve as Concentra's public comments related to the proposed changes to Arizona's Physician and Pharmaceutical Fee Schedule.

In general, we are in support of the proposed changes to the Fee Schedule. However, as presented at the 2019 public hearing and previous written comments, we again request a change in the annual update process.

When the Industrial Commission of Arizona (ICA) first began work reviewing the process to update the fee schedule in 2013, they convened a working group of stakeholders, of which I was one, to propose a path forward to update the fee schedule in a fair, timely and accurate way while mitigating large impacts upon providers fees as a result of that change. In the 2014 Committee Summary of Findings, one of our key discussion items was assuring that the fees were updated annually to account for the increases in the cost of doing business in a providers practice.

As outlined in that summary of findings document:

*The Committee debated certain key caveats to this recommended change, with one being paramount as it relates to assuring this change mitigates any significant increases or decreases. This approach would dictate the use of Arizona specific conversion factors (multiple) and an annual inflationary adjustment to those conversion factors using the Medicare Economic Index (MEI) or other key Arizona specific indicators as identified by the Commission. Many states use this exact approach today (Texas, California, Georgia and Maryland as examples). The Committee agreed this new Arizona system should not be tied to the Medicare system in any other way than the use of their relative values and the potential use of the MEI.*

In addition, in the April 2016 RBRVS Fiscal Impact Study by PCG Health, on page 25, it states:

*Under an RBRVS-based fee schedule the Commission would be able to update all codes by simply adopting the RVUs published that year in the PFS and updating the conversion factor as needed based on economic and market indicators.*

By not updating the conversion factor annually, Arizona fails to address one of the key issues with the prior fee schedule update process which was fees were not updated timely (sets of CT codes were updated every four years). From the 2014 Committee Report:



*All agree that this present protracted delay in updating reimbursement amounts for large sets of codes results in significant swings in fees (and setting claim reserves). The process also results in uncertainty on the level of fees within the payer community and delays in providers being paid appropriately and in line with potential cost increases each year.*

RBRVS was designed to work with a conversion that was updated each year. Using an update process for the conversion factor was viewed as a positive for the move to an RBRVS based system in Arizona given the prior 4-year update process. That is exactly why Medicare, and other states, use the MEI to adjust their conversion factor annually. Given my involvement in this process from the start, I know that it was never the intent to move to a fee schedule that does not adjust for a physicians' cost of doing business.

Our recommendation is for Arizona to adjust the 2022/2023 conversion factors by the latest published quarterly increase of the Medicare Economic Index<sup>1</sup> (2021 3<sup>rd</sup> Quarter @ 1.357) and to consider an annual MEI adjustment for future fee schedule updates.

Thank you for your consideration of our recommendations. Please let me know if you have any questions related to our proposal.

Regards,

Greg Gilbert  
Chief Reimbursement and Government Relations Officer

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<sup>1</sup> MEI Table found at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/MedicareProgramRatesStats/MarketBasketData>