

Facility Costs

Comparison of Workers' Compensation Spending in Arizona to Commercial Claims and Workers' Compensation Fee Schedules

FAIR Health Report to the
Industrial Commission of Arizona



Contents

Introduction	2
Data Sources	3
Analysis	5
Outpatient Hospital.....	5
Ambulatory Surgery Center (ASC).....	18
Inpatient Hospital.....	29
Recap	42
Appendices	43
Appendix 1 – Urban and Rural Areas	43
Appendix 2 – Glossary	43
Appendix 3 – State Workers’ Compensation Fee Schedules	44

Introduction

Arizona currently maintains physicians' and pharmaceutical workers' compensation fee schedules that are updated on an annual basis. However, the state does not have a fee schedule that governs payments to facilities. Fee schedules are used to control how much will be paid for services, typically setting maximum allowable reimbursement at the lesser of the provider/facility's charge or the fee schedule amount. Establishing a fee schedule can result in more predictable spending patterns under the workers' compensation system and may reduce the number of disputes by clearly defining fees and establishing guidelines for workers' compensation payments.

According to a study of outpatient hospital facilities by the Workers Compensation Research Institute (WCRI), states with no fee schedules for hospital outpatient reimbursement experienced higher hospital outpatient payments per episode compared with states with fixed-amount fee schedules. Additionally, states with percent-of-charge-based fee schedules had substantially higher hospital outpatient payments per surgical episode than states with fixed-amount fee schedules.¹ The study included 36 states, 31 of which have some type of outpatient facility fee schedule. Most states included in the study (21) maintain a fixed-amount fee schedule that sets specific rates per procedure code. Another four states have cost-to-charge-ratio fee schedules and three states set fees based on a percentage of the amount charged. WCRI reports that three additional states have other types of facility fee schedules that are not defined.

The Industrial Commission of Arizona (ICA) engaged FAIR Health to conduct a study of payments to hospitals and ambulatory surgery centers (ASCs) for workers' compensation patients in Arizona in comparison to costs for similar services provided under private, commercial health insurance. To accomplish this goal, FAIR Health reviewed the 25 services that had the greatest impact on workers' compensation spending in Arizona in 2021 for services provided in an outpatient hospital and separately in an ASC setting. Inpatient hospital costs for the top 25 services were evaluated based on discharge dates in 2020 or 2021. Note: A glossary of the terms used in this report is included in the [appendix](#).

Arizona workers' compensation facility payments also were compared to workers' compensation fee schedules from Colorado and Georgia, two states that have fee schedules for inpatient and outpatient facility services and a separate ASC fee schedule.

Colorado and Georgia were chosen for comparison for several reasons:

- The scope of the study was limited to Arizona and commercial data from two states.
- The FAIR Health database contains a large amount of commercial data for Colorado and Georgia, enabling robust comparisons to Arizona commercial data.
- FAIR Health worked with Colorado and Georgia on their workers' compensation fee schedules and is familiar with the structure of those fee schedules.
- Colorado and Georgia both have separate workers' compensation reimbursement formulas for outpatient hospitals, ASCs and inpatient hospitals.
- Colorado and Georgia represent different parts of the country.

¹ Rebecca Yang and Olesya Fomenko, *Hospital Outpatient Payment Index: Interstate Variations and Policy Analysis, 11th Edition*, WCRI, May 31, 2022, <https://www.wcrinet.org/reports/hospital-outpatient-payment-index-interstate-variations-and-policy-analysis-11th-edition>.

Additional comparisons were made to workers' compensation fee schedules from Mississippi, North Dakota and Oklahoma that include rates for outpatient, ASC and inpatient facility services. These states were chosen because they offer facility fee schedules that can be compared to Arizona's workers' compensation data.

Data Sources

Procedures included in the study

To determine the services and procedures that have the largest impact on facility costs in the Arizona workers' compensation program, FAIR Health used data provided by the National Council on Compensation Insurance (NCCI). NCCI manages an annual data call of procedures performed for patients with injuries and illnesses covered by workers' compensation.

A list of the procedures included in the study are presented at the beginning of each section for outpatient hospital, ASC and inpatient hospital.

Cost information included in the study

- **Workers' Compensation**

- NCCI data call – paid amounts and utilization for the top 25 codes performed in outpatient hospital, ASC and inpatient hospital settings. NCCI provided average paid amounts for services performed in a hospital outpatient setting and ASC. The inpatient hospital paid data was reported as the median paid amount for services performed.
- Workers' compensation fee schedules for the following states:

Outpatient Hospital	ASC*	Inpatient Hospital
Colorado	Colorado	Colorado
Georgia	Georgia	Georgia
Mississippi	North Dakota	Mississippi
North Dakota		North Dakota
Oklahoma		Oklahoma

* Note that Mississippi and Oklahoma pay outpatient hospitals and ASCs at the same rate for facility services. Because these states do not make any differentiation for ASCs, they were not included in the comparisons in the ASC section of this study.

- Fee schedule data are presented at the state level and not broken down into urban and rural aggregations. The fee schedules listed here include a single state rate in their fee schedule and do not differentiate between hospitals and ASCs located in urban or rural areas.
- For more information about the fee schedules used in this report, please see the [appendix](#).

- **Commercial Health Insurance**

- FAIR Health data – data collected from more than 70 participants in FAIR Health's data contribution program. Contributors range from large, national insurers to regional health plans and administrators that process claims on behalf of insured and self-insured employers.

- FAIR Health data represent claims for facility services for approximately 95% of individuals covered by commercial health insurance in Arizona.
- FAIR Health's repository of commercial health insurance claims contains approximately 780 million claim records for services provided in Arizona since 2002.
- More than 68 million new claim records for the state are added each year.
- In addition to Arizona, data on commercial insurance costs are included for Colorado and Georgia at the state level.
 - The scope of work for this study provided for the comparison of Arizona data to commercial data for two additional states.
 - Colorado and Arizona were chosen because they have separate workers' compensation fee schedules for services performed in a hospital outpatient department and ASC, enabling comparisons for all areas of study: inpatient, outpatient and ASC.
- The commercial data used in this study are FAIR Health allowed benchmarks²:
 - Allowed amounts represent values negotiated between payors and facilities for payment to in-network facilities.

The allowed data are used in the comparisons presented below as they represent amounts contracted for payment to providers, which are more analogous to fee schedule values and Arizona workers' compensation paid data.
- Arizona commercial data are aggregated separately based on urban and rural areas of the state.
 - In some cases, the FAIR Health database does not include sufficient data for facility services provided in rural hospitals to provide a value. In many cases, patients will be referred to urban areas for these surgeries and treatments.
- FAIR Health used data from the United States Census Bureau to determine urban and rural geographic levels. For more information, please see the [appendix](#).

- **Medicare**

- National Medicare reimbursement rates.

² FAIR Health also offers a suite of charge benchmark products. Charge benchmarks were not included in this study as they represent the full, non-discounted fees charged by providers before network or other insurance adjustments or discounts were applied.

Analysis

In all cases in the outpatient hospital and ASC setting, the Arizona average workers' compensation paid amounts exceeded the 2021 urban and rural Arizona commercial allowed amount averages. For 56% of the 27 services reviewed in an outpatient hospital, the workers' compensation amounts also exceeded the providers' non-discounted charges in urban areas with an even higher percentage exceeding the amounts charged by rural facilities. In the ASC setting, 20% of the workers' compensation paid values exceeded the average charge amounts billed by the facilities.

In the inpatient hospital setting, the median paid amounts under Arizona workers' compensation were less than the Arizona commercial average allowed amounts in urban hospitals in 40% of the 25 diagnosis-related groups (DRGs) reviewed. The Arizona paid amounts were less than the average provider non-discounted billed charges in all but three of the DRGs included in the study. The Arizona median workers' compensation paid amount exceeded the other state workers' compensation fee schedules for 24 out of the 25 DRGs included in the study.

Outpatient Hospital

The codes selected for analysis were chosen based on the average paid amounts per stay multiplied by the number of visits in 2021 as reported by NCCI. These codes represent the services that have the largest impact on payments to outpatient hospitals for workers' compensation patients in Arizona. Certain codes for which high costs and/or utilization in Arizona workers' compensation were reported were excluded from the analysis because the quantity of data from commercial insurance was insufficient to provide a meaningful comparison. The procedure codes listed below are included in the analysis of hospital outpatient costs. Comparisons for the services shaded in light blue are included in this report.

Surgical procedures that involve an implant or other device are noted by the Centers for Medicare & Medicaid Services (CMS) with a status indicator of J1. CMS includes the cost of the implant/device in the reimbursement for the primary surgery code in the outpatient fee schedule. However, implants and devices may be handled differently and reimbursed separately from the surgical service by commercial insurers and some workers' compensation fee schedules. The services included in the analysis that have implants are noted in the table below.

In some cases, the analysis may compare services that include the cost of the implant to fee schedules and commercial insurance amounts that do not include the implant. Because implant costs can vary widely based on the actual implant used, it is impossible to remove the implant cost to facilitate an apples-to-apples comparison. However, when this situation exists in the comparisons below, it will be called out.

CPT® Code ³	Description	Implants
11042	DEBRIDEMENT SUBCUTANEOUS TISSUE 20 SQ CM/<	
12001	SIMPLE REPAIR SCALP/NECK/AX/GENIT/TRUNK 2.5CM/<	
20680	REMOVAL IMPLANT DEEP	
22551	ARTHRD ANT INTERBODY DECOMPRESS CERVICAL BELW C2	Yes
27447	ARTHRP KNE CONDYLE&PLATU MEDIAL&LAT COMPARTMENTS	Yes
29826	SURGICAL ARTHROSCOPY SHO W/CORACOACRM LIGM RLS	
29827	SURGICAL ARTHROSCOPY SHOULDER W/ROTATOR CUFF RPR	Yes

³ CPT © 2022 American Medical Association (AMA). All rights reserved.

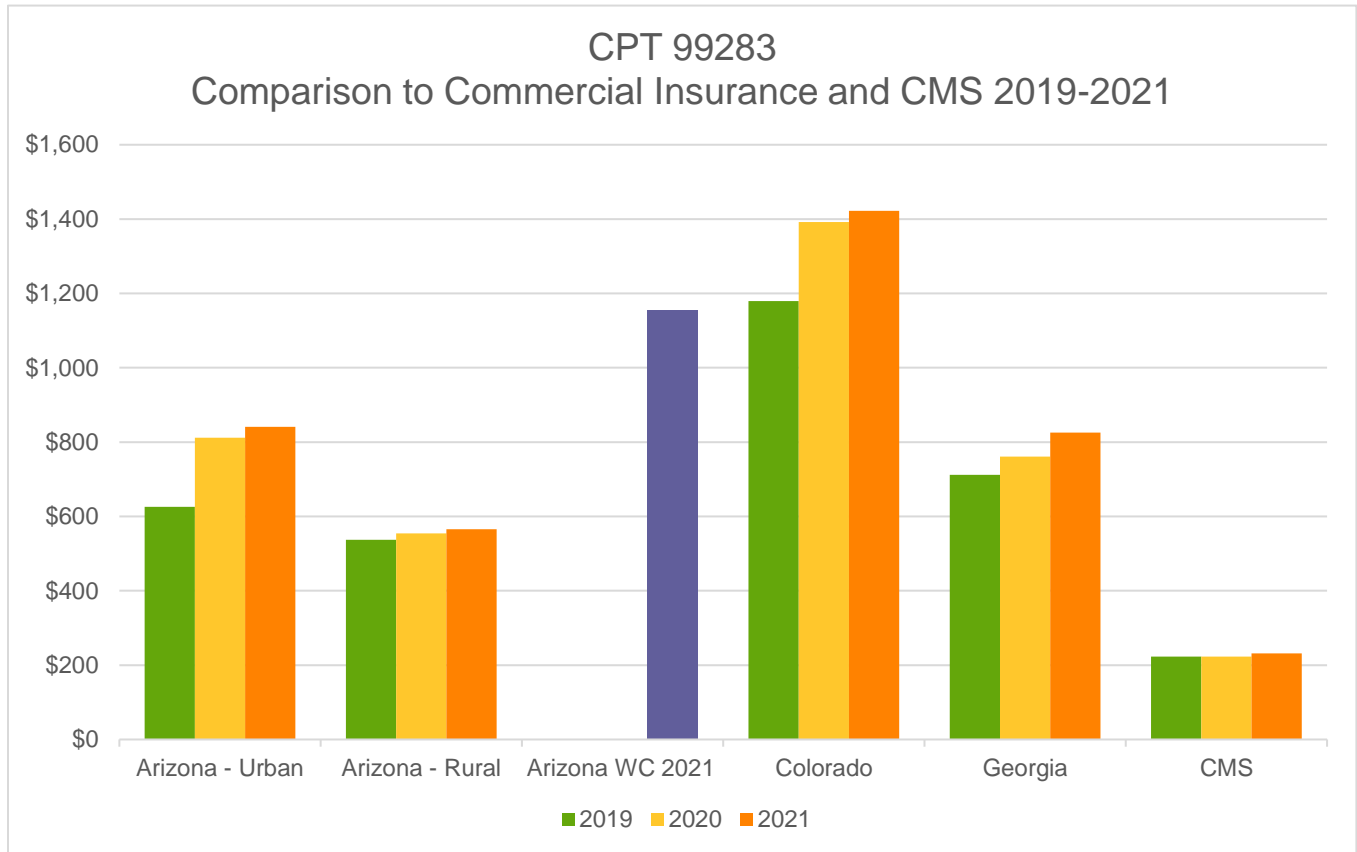
CPT® Code ³	Description	Implants
29881	ARTHRS KNE SURG W/MENISCECTOMY MED/LAT W/SHVG	Yes
29888	ARTHRS AIDED ANT CRUCIATE LIGM RPR/AGMNTJ/RCNSTJ	Yes
49650	LAPAROSCOPY SURG RPR INITIAL INGUINAL HERNIA	Yes
63030	LAMNOTMY INCL W/DCMPRSN NRV ROOT 1 INTRSPC LUMBR	Yes
63047	LAM FACETECTOMY & FORAMOTOMY 1 VRT SGM LUMBAR	Yes
70450	CT HEAD/BRAIN W/O CONTRAST MATERIAL	
72125	CT CERVICAL SPINE W/O CONTRAST MATERIAL	
72131	CT LUMBAR SPINE W/O CONTRAST MATERIAL	
72148	MRI SPINAL CANAL LUMBAR W/O CONTRAST MATERIAL	
73221	MRI ANY JT UPPER EXTREMITY W/O CONTRAST MATRL	
73721	MRI ANY JT LOWER EXTREM W/O CONTRAST MATRL	
74176	CT ABDOMEN & PELVIS W/O CONTRAST MATERIAL	
74177	CT ABDOMEN & PELVIS W/CONTRAST MATERIAL	
97110	THERAPEUTIC PX 1/> AREAS EACH 15 MIN EXERCISES	
97140	MANUAL THERAPY TQS 1/> REGIONS EACH 15 MINUTES	
99282	EMERGENCY DEPARTMENT VISIT LOW/MODER SEVERITY	
99283	EMERGENCY DEPARTMENT VISIT MODERATE SEVERITY	
99284	EMERGENCY DEPARTMENT VISIT HIGH/URGENT SEVERITY	
99285	EMERGENCY DEPARTMENT VISIT HIGH SEVERITY & THREAT FUNCJ	
G0378	HOSPITAL OBSERVATION SERVICE PER HR	

The following chart summarizes when implant costs are included or paid in addition.

Data Type	Implant Cost Included	Implant Cost <i>Not</i> Included
Commercial Data		X
CMS	X	
Arizona WC Paid Data	X	
WC Fee Schedule – Colorado	X	
WC Fee Schedule – Georgia		X
WC Fee Schedule – Mississippi	X	
WC Fee Schedule – North Dakota	X	
WC Fee Schedule – Oklahoma		X

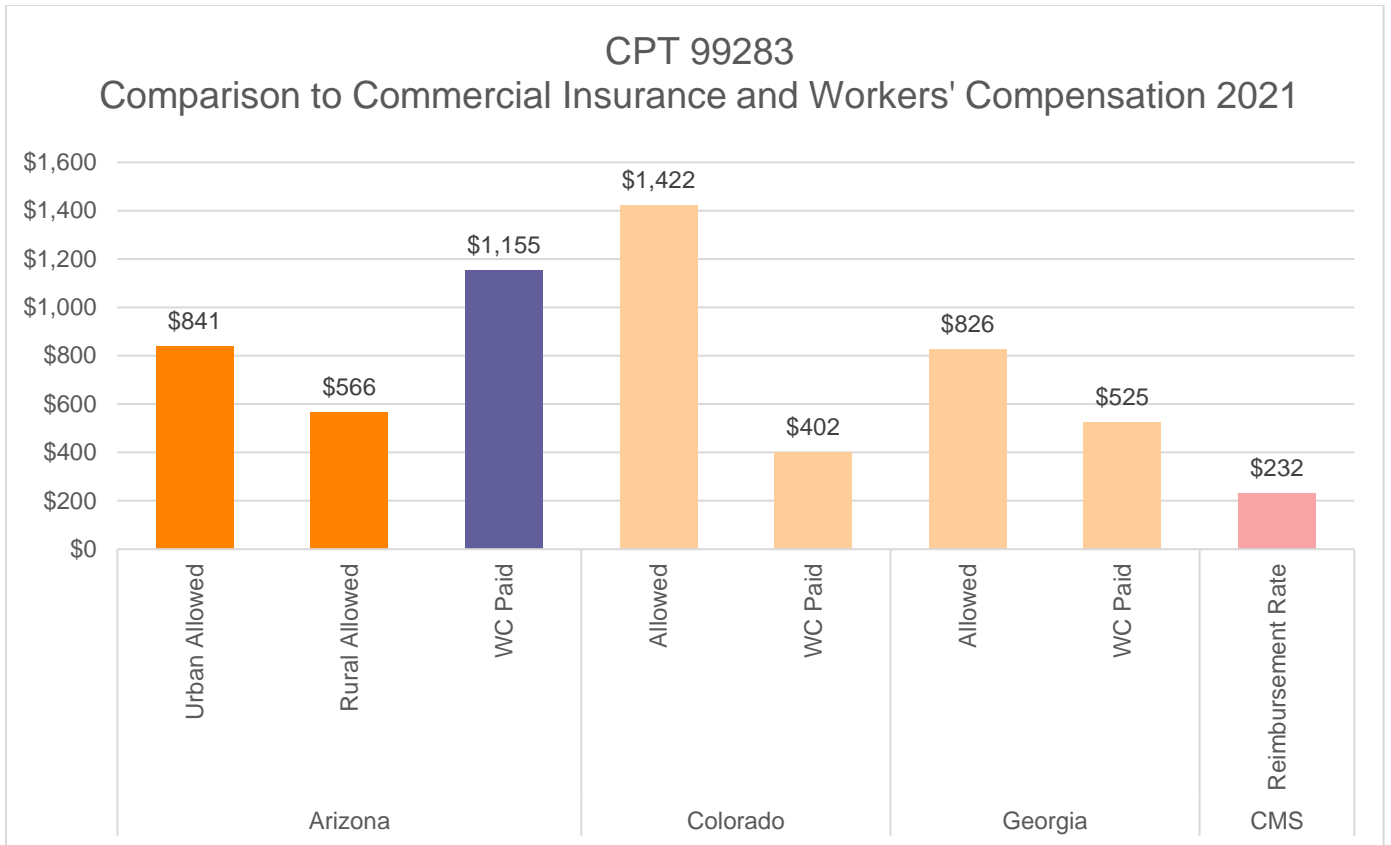
CPT 99283 – EMERGENCY DEPARTMENT VISIT MODERATE SEVERITY

This emergency department visit is the service that has the highest outpatient hospital expenditures in the Arizona workers' compensation program.



The graph above compares the trend in average allowed amounts in Arizona broken down by urban and rural locations to statewide averages for Colorado and Georgia. In Arizona urban locations, the commercial allowed amount increased from \$626 to \$841 between 2019 and 2021, a 34% increase, which is the largest increase among the four commercial datasets. The Georgia values had a lower percentage of increase and 2021 average allowed amounts are similar for urban Arizona locations in 2021. However, Colorado facilities have higher allowed amounts for this emergency service, starting at \$1,179 in 2019 and increasing to \$1,422 in 2021. The Colorado 2021 allowed amount is 69% higher than the Arizona average for commercial insurance in urban locations and 151% higher than the rural average.

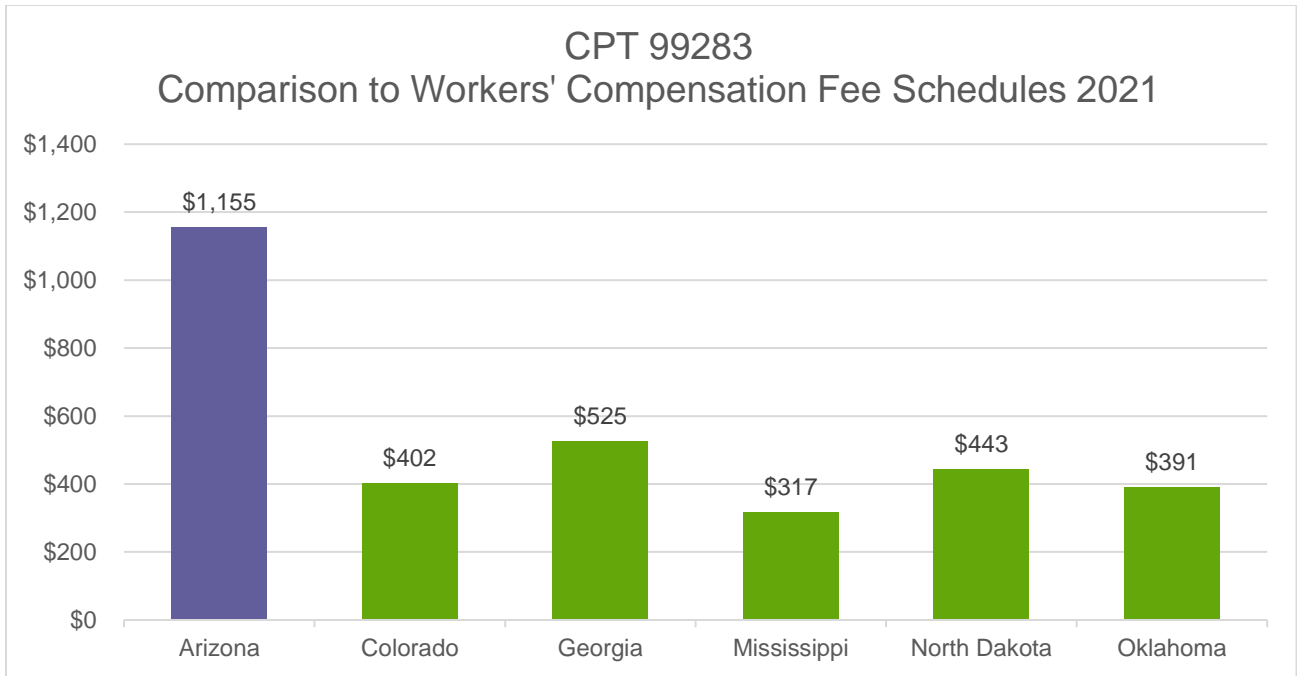
The average Medicare (CMS) rate increased by 3.9% from \$223 in 2019 to \$232 in 2021.



The 2021 Arizona average workers' compensation paid amount for this emergency visit was \$1,155.

This chart provides a comparison of the same emergency visit focusing on 2021 values. The Arizona workers' compensation average paid amount in 2021 (\$1,155), represented by the purple bar, is significantly higher than the Arizona commercial allowed averages for 2021. Facilities are being reimbursed nearly twice as much for the service when provided through workers' compensation than through rural commercial health insurance and 37% more than reimbursements to urban hospitals.

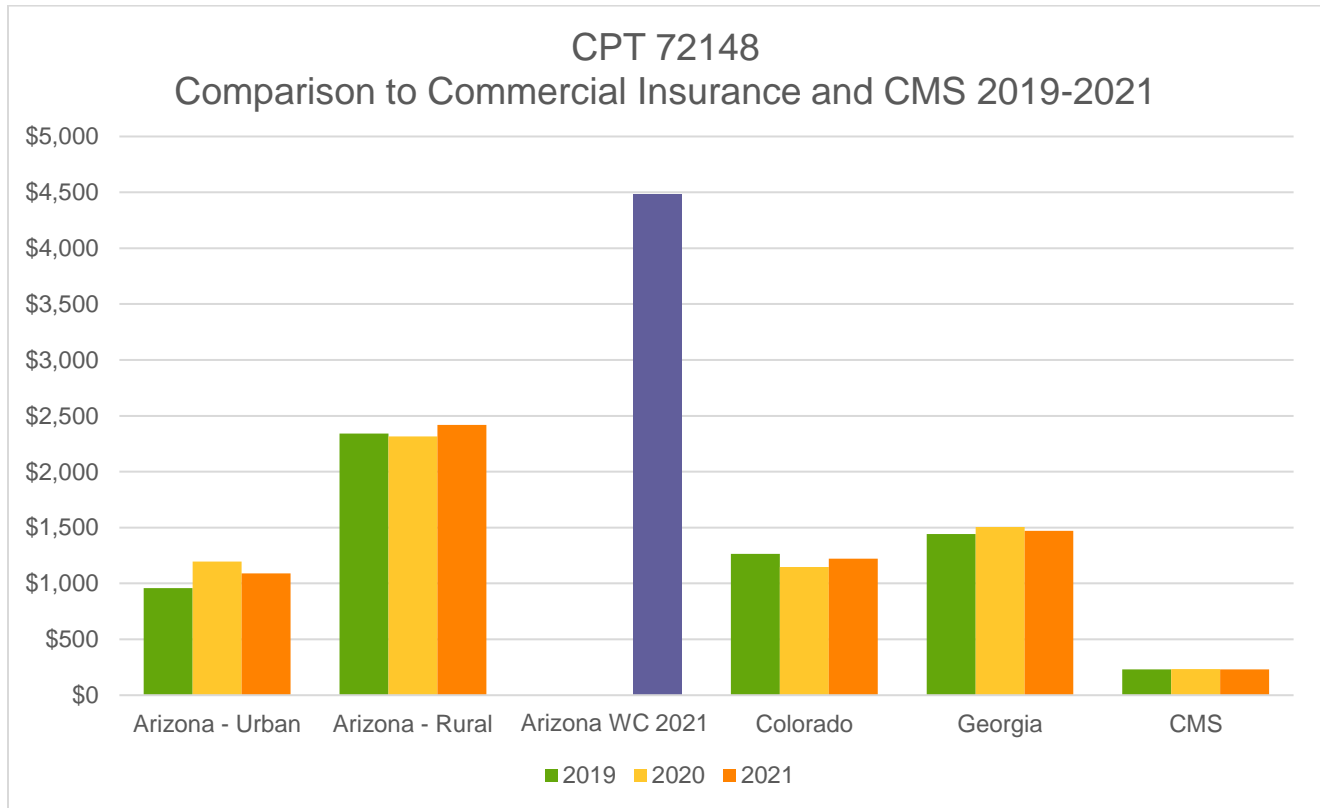
In Colorado and Georgia, the workers' compensation fee schedule amounts are less than the commercial allowed amounts, in contrast to the Arizona workers' compensation paid amount, which exceeds the Arizona commercial values.



The Arizona average workers' compensation paid value also exceeds all of the workers' compensation fee schedule amounts for the emergency visit service in the states included in this study: Colorado, Georgia, Mississippi, North Dakota and Oklahoma. Arizona is paying more than twice the workers' compensation fee schedule amount in Georgia and more than three times the Mississippi fee schedule amount.

CPT 72148 – MRI SPINAL CANAL LUMBAR W/O CONTRAST MATERIAL

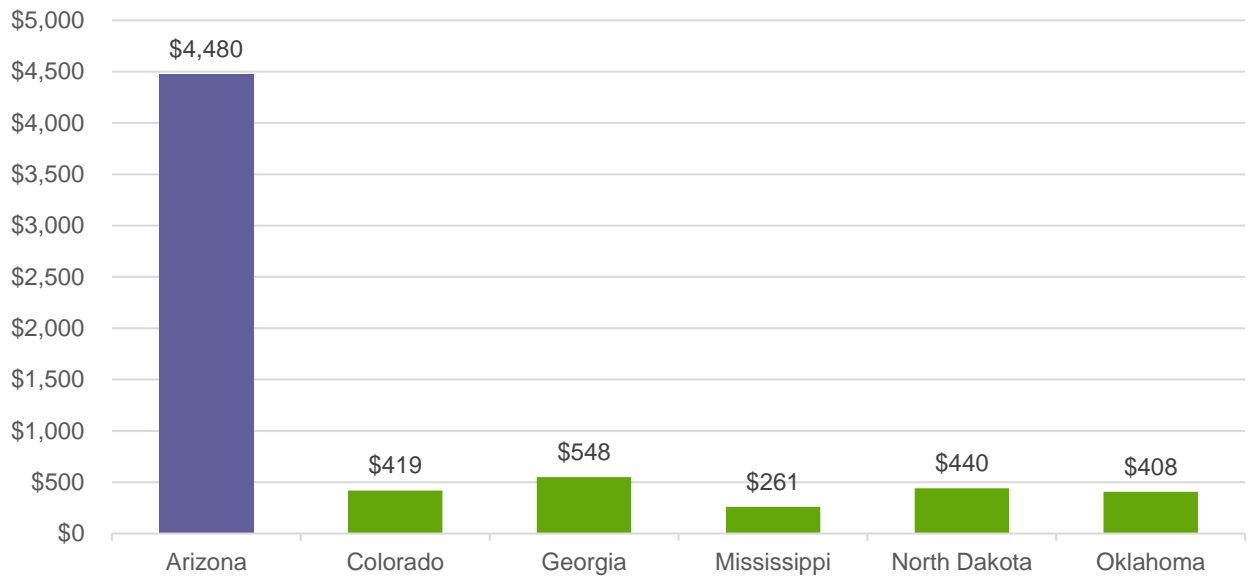
The chart below displays information about the facility cost for a spinal MRI performed in an outpatient hospital setting.



This MRI procedure is notable because the commercial average allowed values in rural Arizona exceed the urban average allowed amounts by a significant percentage. The rural values—\$2,341 (2019), \$2,316 (2020) and \$2,418 (2022)—are between two and two-and-a-half times the values in Arizona urban locations for the same code. The Arizona rural values also are significantly higher in each year than the allowed amounts for this MRI procedure in Colorado and Georgia. The national Medicare reimbursement rate is approximately \$230 with very little variation from 2019 to 2021.

The 2021 average paid amount in the Arizona workers' compensation program is \$4,480, which is 411% of the Arizona urban value for 2021 and 185% of the 2021 rural value.

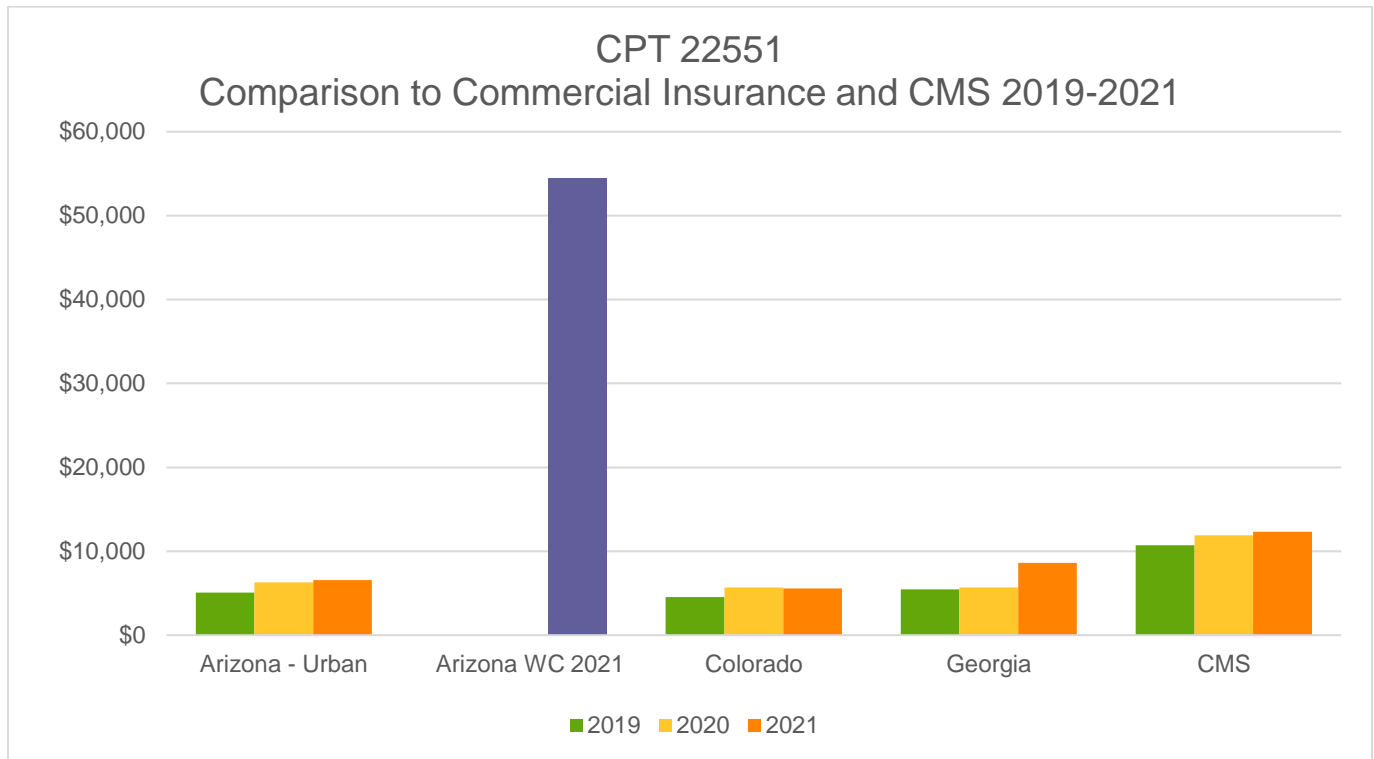
CPT 72148 Comparison to Workers' Compensation Fee Schedules 2021



The Arizona average workers' compensation paid values for the same MRI code are dramatically higher than the corresponding fee schedule rates in other states. The Arizona average paid rate is more than eight times the Georgia fee schedule rate of \$548 for 2021, which is the highest fee schedule rate for the comparison states included in this analysis.

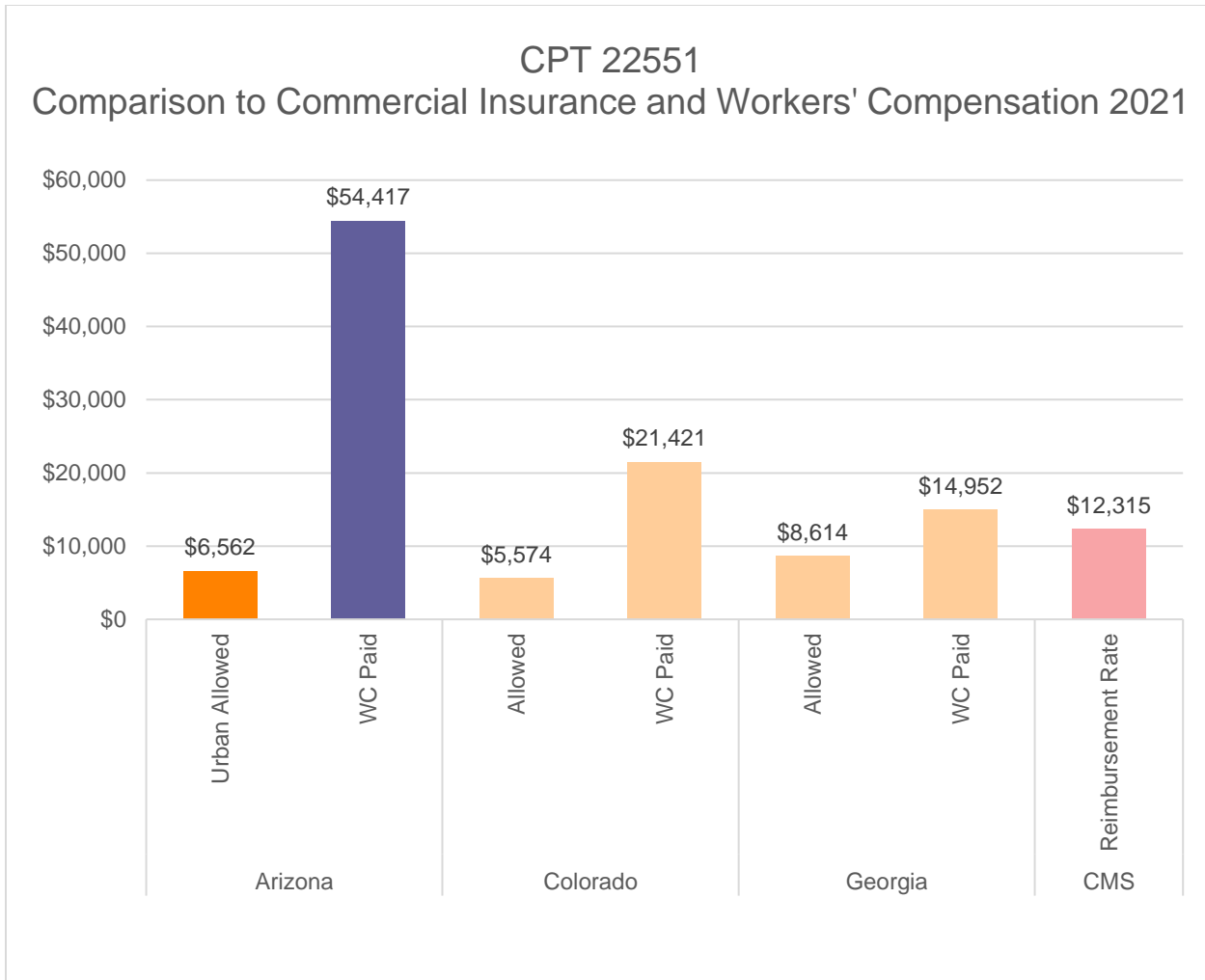
CPT 22551 – ARTHRD ANT INTERBODY DECOMPRESS CERVICAL BELW C2

This spine arthrodesis is a common outpatient procedure and hospital outpatient departments in Arizona are paid \$54,417 on average for workers’ compensation patients. Note that this surgery involves implants, the cost of which may be handled differently in some state workers’ compensation fee schedules.

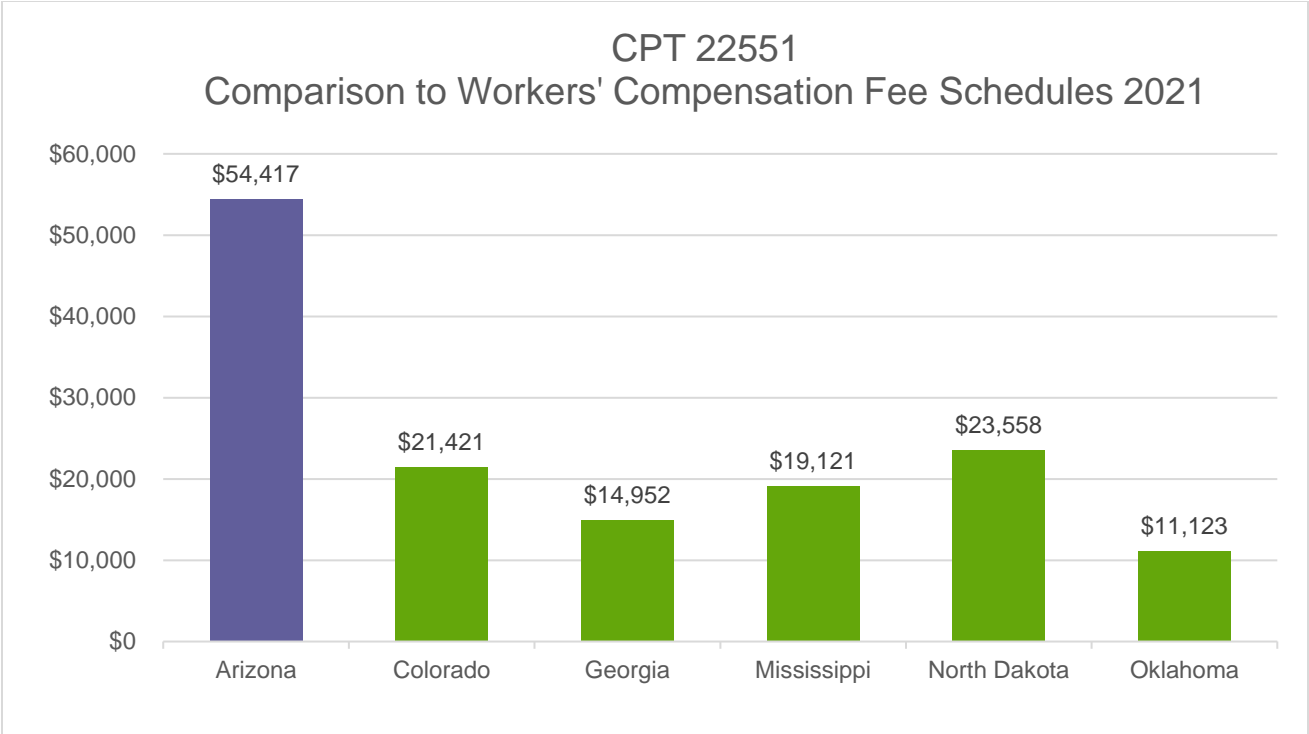


The CMS reimbursement rate for this spinal surgery, \$10,714 in 2019 and \$12,315 in 2021, is higher than the commercial average allowed amounts in Arizona, Colorado and Georgia, but had a smaller rate of increase (14.94%). However, it is notable that the CMS rates include the cost for spinal implants, which are not part of the costs reported in the commercial data. When adding the cost of the implants to the commercial data, it is likely that the commercial allowed amounts would exceed CMS reimbursement in all cases. The largest increase during this time period was in Georgia, where the state average allowed amount increased by 58% from \$5,463 to \$8,614. Arizona urban areas experienced a 29% increase from \$5,073 to \$6,562. FAIR Health does not have sufficient data for this surgery in rural areas of Arizona to create values.

The Arizona average workers’ compensation paid amount of \$54,417 for this surgery exceeds the commercial averages and is over eight times the 2021 urban Arizona commercial allowed average.



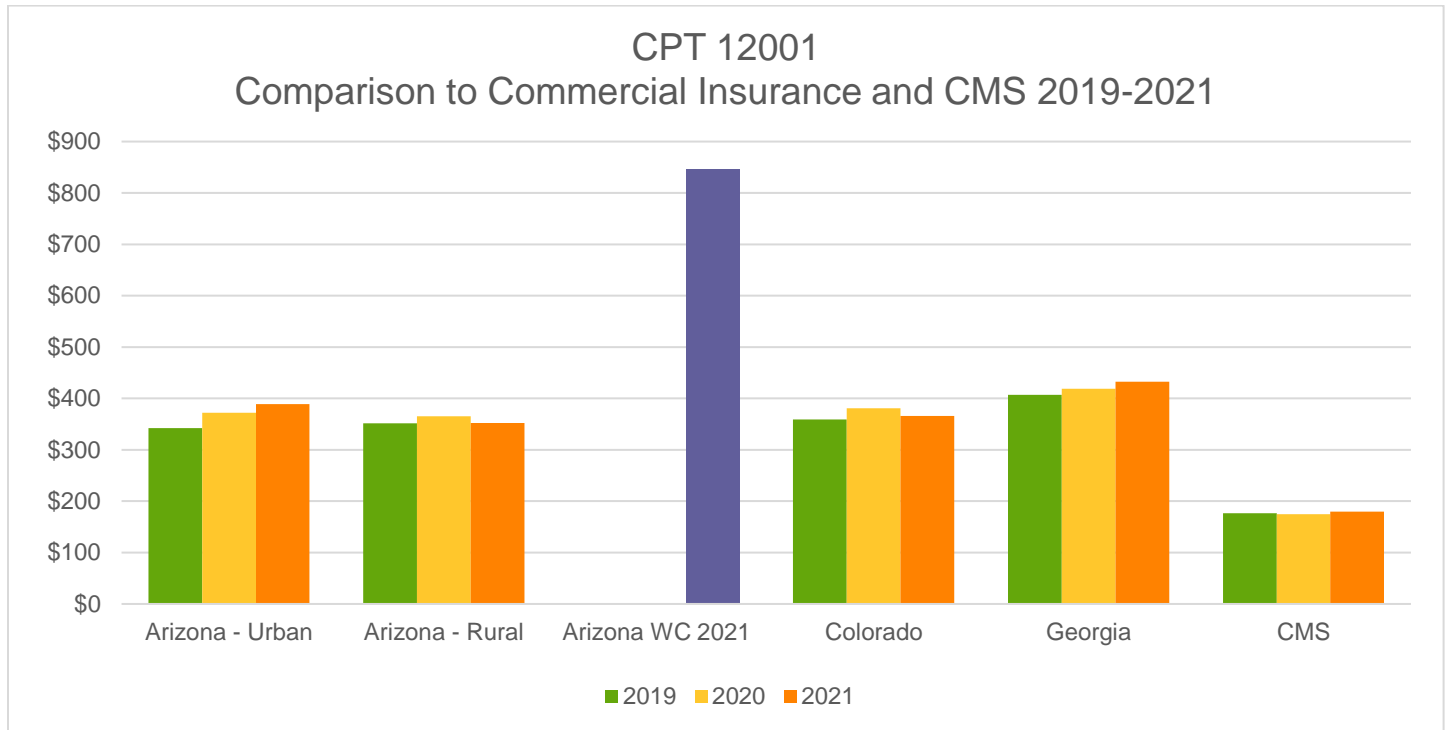
As noted, the Arizona average workers' compensation paid amount is 8.3 times the Arizona commercial urban allowed average. The workers' compensation values in Colorado and Georgia exceed their corresponding commercial averages as well, but by smaller amounts. Colorado fee schedule values include the cost of the implant, while outpatient departments in Georgia will be reimbursed separately for the implant based on the invoice price for the device implanted.



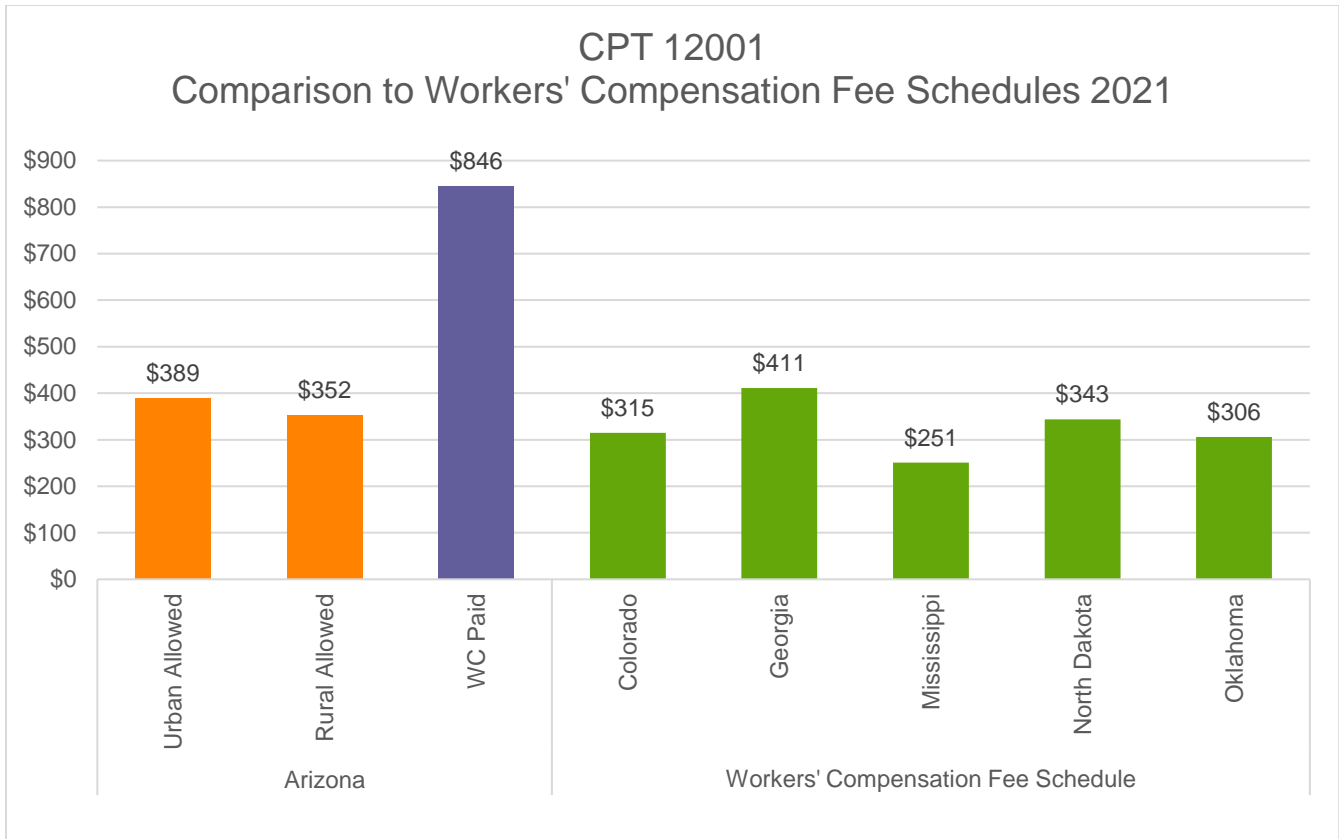
The Arizona average paid amount is higher than the fee schedule values from other states. The cost of the implant is included in the fee schedule amounts for Colorado, Mississippi and North Dakota and will be reimbursed in addition to the fee schedule amounts in Georgia and Oklahoma.

CPT 12001 – SIMPLE REPAIR SCALP/NECK/AX/GENIT/TRUNK 2.5CM/<

This service involves the simple repair of superficial wounds of the scalp, neck, axillae, external genitalia, trunk and/or extremities, including hands and feet, for wounds of 2.5 centimeters or less.



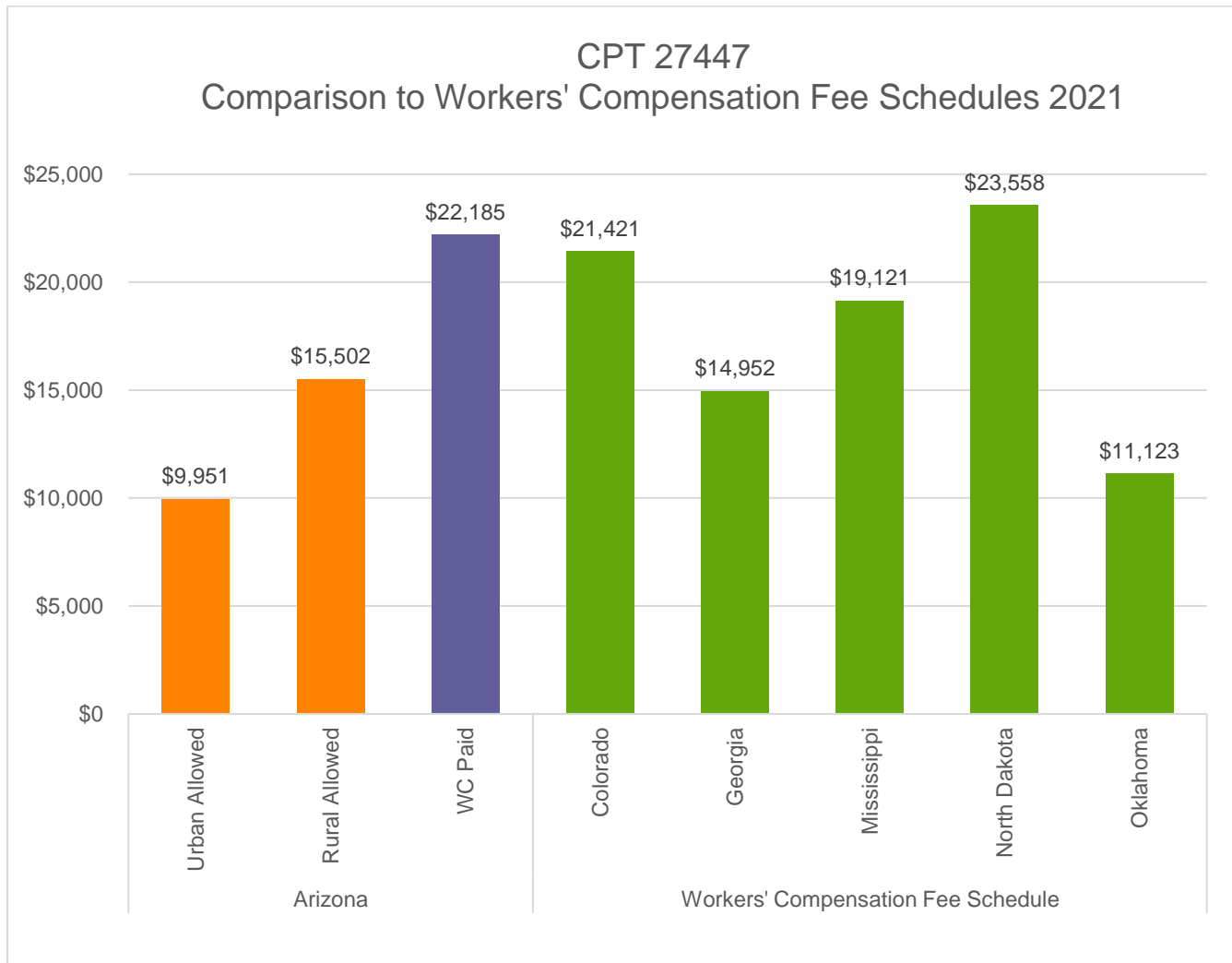
This service reflects a higher increase of average allowed amounts in urban Arizona hospitals than any other state, increasing 13.5% from \$342 in 2019 to \$389 in 2021. The rate of increase in Georgia, the second highest percentage change from \$407 to \$432, is 6.3% during the same time period.



The average paid amount in the Arizona workers' compensation program in 2021 is 217% of the urban Arizona allowed amount and 240% of the rural amount. The Arizona average workers' compensation paid amount also exceeds the fee schedule values in the other states included in this analysis.

CPT 27447 - ARTHRP KNE CONDYLE&PLATU MEDIAL&LAT COMPARTMENTS

This knee arthroscopy service includes implants that are included in the CMS reimbursement rate for the service. Some state workers' compensation fee schedules also include the cost of the implants, while others reimburse for the implant in addition to the fee schedule rate.



The workers' compensation fee schedule values in Colorado, Mississippi and North Dakota are higher than the 2021 Arizona commercial average allowed amounts for both urban and rural areas. The Georgia and Oklahoma fee schedule rates exceed the Arizona urban average but are less than the Arizona rural average.

It is Important to note that the Georgia and Oklahoma fee schedule values do not include the cost of implants as do the other fee schedules. These fee schedules reimburse separately for implants based on invoice price in addition to the fee schedule amount, which reflects the facility services only. It is possible that when accounting for the cost of the implant used in the surgery, the values would be closer to the Arizona paid amount and other fee schedule rates.

Ambulatory Surgery Center (ASC)

NCCI provided FAIR Health with the top 25 codes as measured by total amount spent for facility costs for services performed in an ASC.

In some cases, FAIR Health did not have enough data in its database to calculate commercial average allowed amounts for services provided in ASCs in Arizona. When this occurs, it will be noted in the description of the charts and graphs below.

The procedure codes in the list below are included in the analysis of ASC costs. The codes that are shaded in light blue are presented in the comparisons in this report.

CPT Code	Description	Implants
20680	REMOVAL IMPLANT DEEP	
23430	TENODESIS LONG TENDON BICEPS	Yes
23472	ARTHROPLASTY GLENOHUMERAL JOINT TOTAL SHOULDER	Yes
24342	RINSJ RPTD BICEPS/TRICEPS TDN DSTL W/WO TDN GRF	Yes
25609	OPTX DSTL RADL I-ARTIC FX/EPIPHYSL SEP 3 FRAG	Yes
26445	TENOLYSIS EXTENSOR TENDON HAND/FINGER EACH	Yes
27447	ARTHRP KNE CONDYLE&PLATU MEDIAL&LAT COMPARTMENTS	Yes
28485	OPEN TREATMENT METATARSAL FRACTURE EACH	Yes
28725	ARTHRODESIS SUBTALAR	Yes
29806	SURGICAL ARTHROSCOPY SHOULDER CAPSULORRHAPHY	Yes
29823	SURGICAL ARTHROSCOPY SHOULDER XTNSV DBRDMT 3+	Yes
29824	SURGICAL ARTHROSCOPY SHOULDER DSTL CLAVICULC	Yes
29826	SURGICAL ARTHROSCOPY SHO W/CORACOACRM LIGM RLS	Yes
29827	SURGICAL ARTHROSCOPY SHOULDER W/ROTATOR CUFF RPR	Yes
29828	SURGICAL ARTHROSCOPY SHOULDER BICEPS TENODESIS	Yes
29880	ARTHRS KNEE W/MENISCECTOMY MED&LAT W/SHAVING	Yes
29881	ARTHRS KNE SURG W/MENISCECTOMY MED/LAT W/SHVG	Yes
29888	ARTHRS AIDED ANT CRUCIATE LIGM RPR/AGMNTJ/RCNSTJ	Yes
49505	RPR 1ST INGUN HRNA AGE 5 YRS/> REDUCIBLE	Yes
49507	RPR 1ST INGUN HRNA AGE 5 YRS/> INCARCERATED	Yes
49587	RPR UMBILICAL HERNIA AGE 5 YRS/> INCARCERATED	Yes
63030	LAMNOTMY INCL W/DCMPRSN NRV ROOT 1 INTRSPC LUMBR	Yes
63047	LAM FACETECTOMY & FORAMOTOMY 1 VRT SGM LUMBAR	Yes
63650	PRQ IMPLTJ NSTIM ELECTRODE ARRAY EPIDURAL	Yes
63685	INSJ/RPLCMT SPI NPGR DIR/INDUXIVE COUPLING	Yes

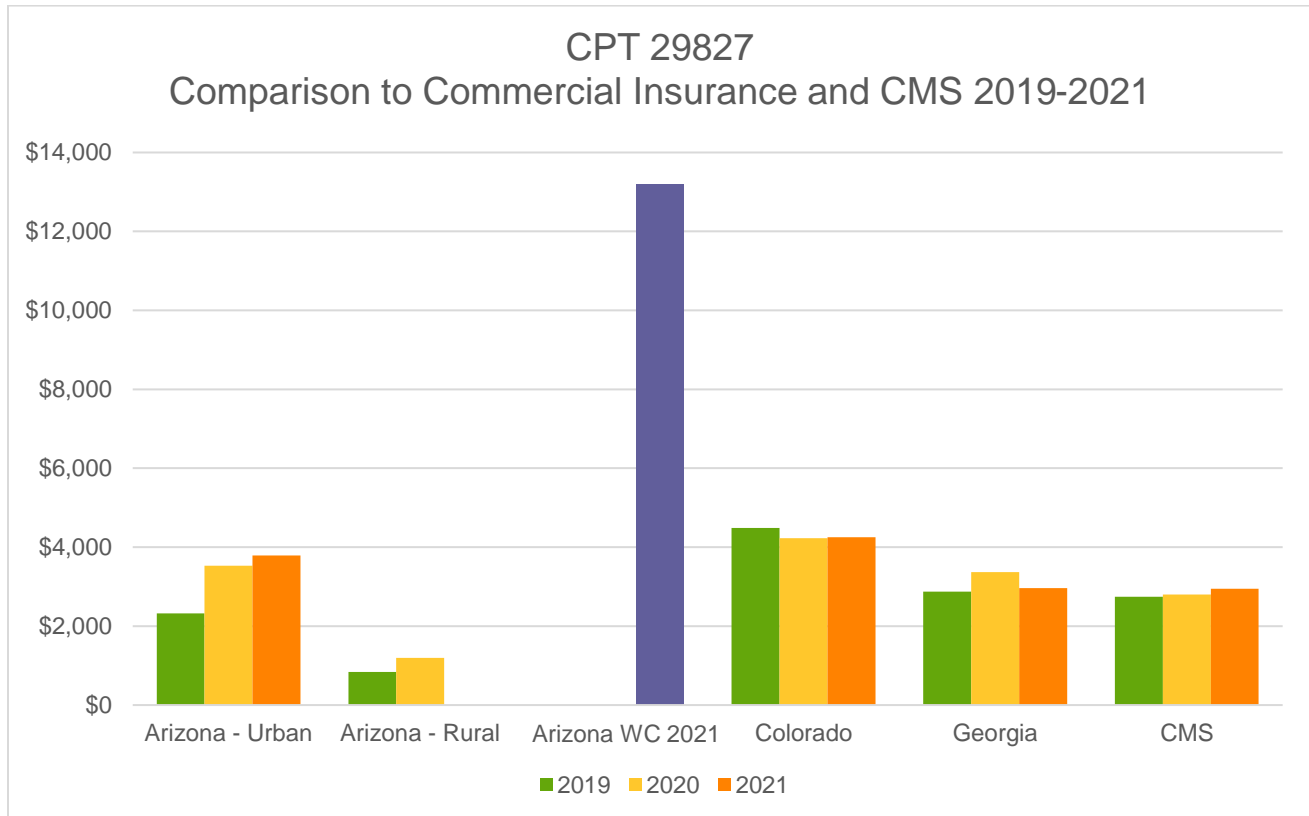
All but one of these procedures (CPT 20680) involves surgical placement of an implant. The cost of the implants is not included in the commercial data and in workers' compensation fee schedules for certain states; the implants would be billed separately. However, certain states include the cost of implants in their fee schedule values. The following table clarifies how implants are handled in each of the datasets used in the comparison.

Data Type	Implant Cost Included	Implant Cost Not Included
Commercial Data		X
CMS	X	
Arizona WC Paid Data	X	
WC Fee Schedule – Colorado	X	
WC Fee Schedule – Georgia		X
WC Fee Schedule – North Dakota	X	

Mississippi and Oklahoma do not have a separate ASC fee schedule. In those states, ASCs are reimbursed at the same rate as hospital outpatient departments. For this reason, Mississippi and Oklahoma rates are not included in this section of this report.

CPT 29827 – SURGICAL ARTHROSCOPY SHOULDER W/ROTATOR CUFF RPR

According to the paid amounts provided by NCCI, this shoulder surgery, a rotator cuff repair, represents the highest overall amounts paid to ASCs for workers' compensation injuries.

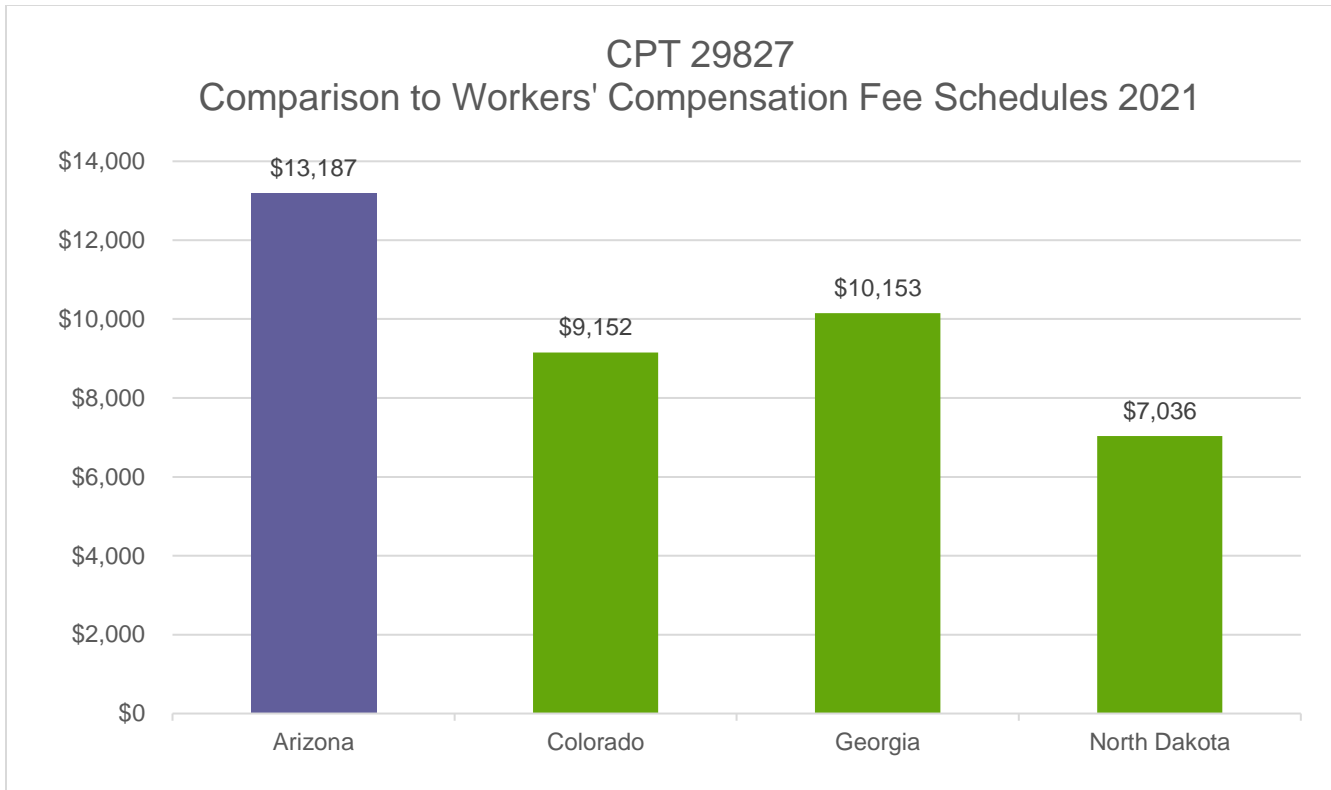


The commercial allowed amounts for this rotator cuff repair increased significantly from 2019 to 2021. In urban areas in Arizona, the average allowed amount increased 63.5%, from \$2,319 to \$3,791, with a 42% increase from 2019 to 2020 in rural areas. FAIR Health did not have sufficient facility data for this service performed in rural ASCs to provide data for 2021.

In 2019, the average allowed amounts for this surgical service were markedly less than in Colorado or Georgia. However, by 2021, the Arizona value exceeded Georgia averages and was only 12% less than the Colorado value of \$4,253.

Note that CMS rates are relatively high when compared to the Arizona commercial rates. However, CMS reimbursement rates include the cost of devices and implants, while the commercial average allowed values do not. CMS reimbursements realized a 7% increase for this service in an ASC, rising from \$2,744 to \$2,944 from 2019 to 2021.

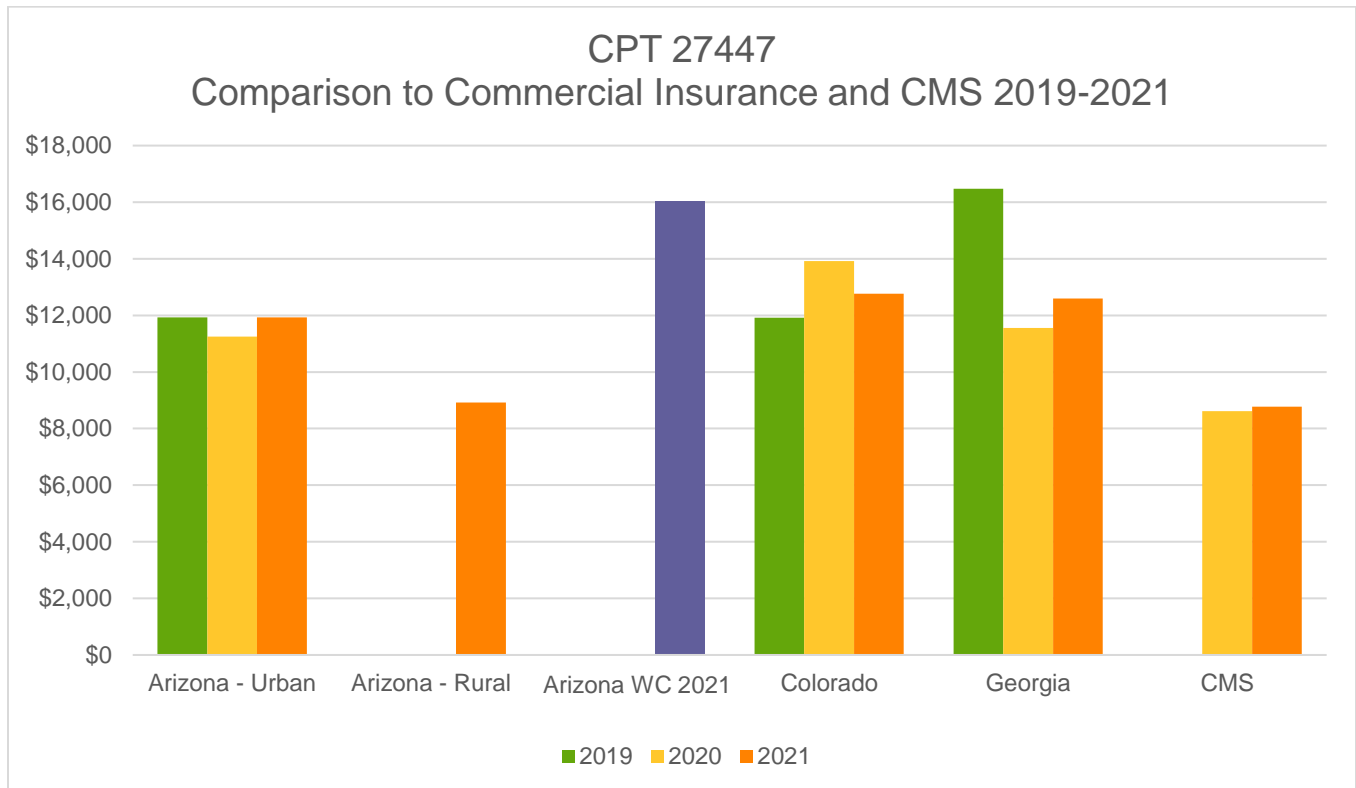
In comparison, the worker's compensation average paid value to ASCs for this service in 2021 was \$13,187, 248% higher than the commercial average for urban Arizona.



As noted in the previous graph, the Arizona workers' compensation average paid amount is 248% higher than the average allowed amount for urban hospitals in the commercial market. In addition, the Arizona workers' compensation average paid amount exceeds the 2021 workers' compensation fee schedule amounts for Colorado, Georgia and North Dakota. These states are the only states that FAIR Health works with that pay ASCs differently than hospital outpatient departments for the same service.

CPT 27447 – ARTHRP KNE CONDYLE&PLATU MEDIAL&LAT COMPARTMENTS

This service, a knee arthroplasty surgery, is also commonly performed in an outpatient hospital setting. This procedure was included in the comparisons presented above for services performed in an outpatient setting. See below for details when the service is provided in an ASC.



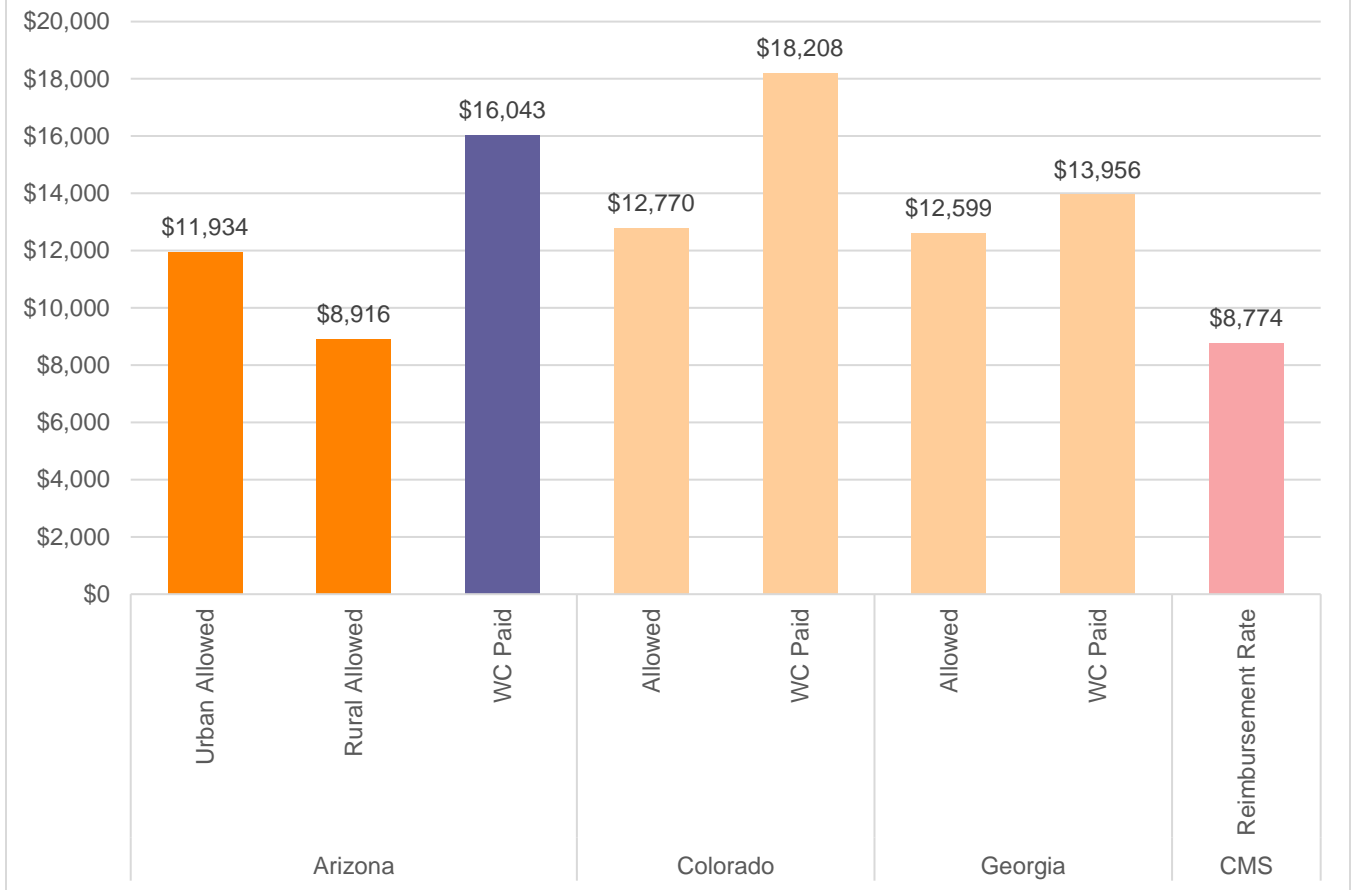
The commercial average allowed amounts for this knee surgery when performed in an ASC has remained stable from 2019 to 2021, changing only 0.1% in urban locations in Arizona. FAIR Health does not have enough data for this service performed in rural areas in Arizona to provide information for 2019 or 2020. In 2021, the rural commercial average allowed amount was \$8,916.

Georgia experienced a 24% reduction in the commercial average allowed amount for this code in an ASC (from \$16,471 to \$12,599) from 2019 to 2021, while Colorado shows a 7% increase from \$11,915 to \$12,770 during this same time period. Commercial allowed averages for Colorado and Georgia in 2021 are similar and slightly higher than the average allowed amount of \$11,934 in urban Arizona ASCs.

CMS did not reimburse for this knee surgery when performed in an ASC in 2019; however, the CMS reimbursement rate increased by 2% between 2020 and 2021.

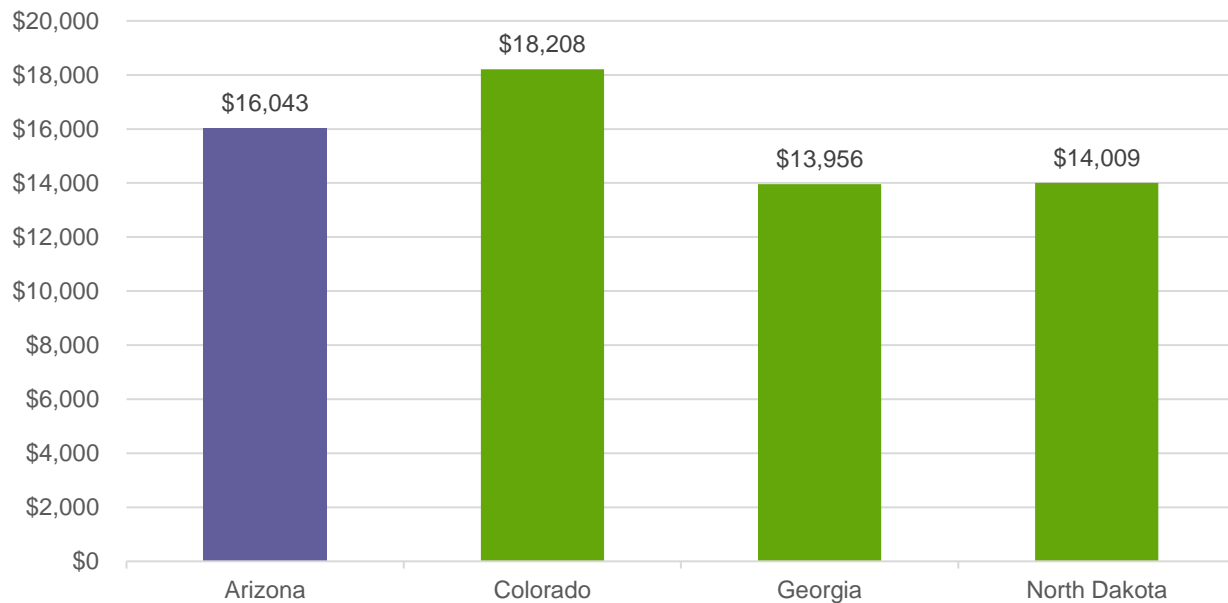
The 2021 Arizona workers' compensation average paid amount for this knee surgery was higher than the 2021 state averages, coming in at \$16,043.

CPT 27447 Comparison to Commercial Insurance and Workers' Compensation 2021

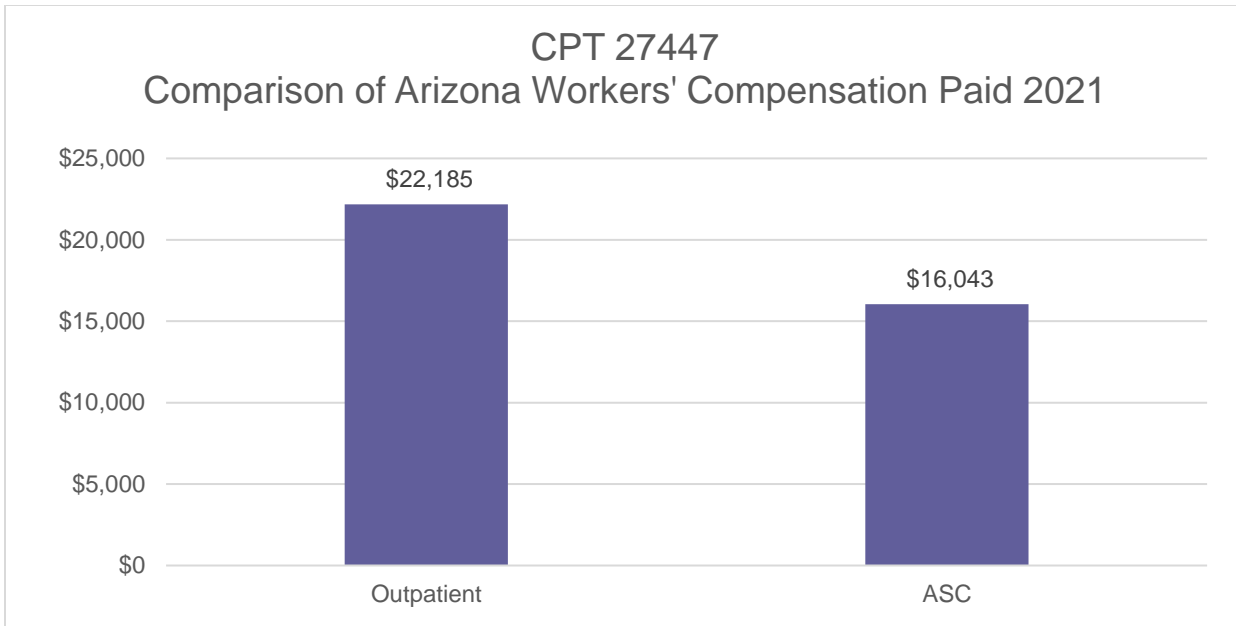


The differential between the workers' compensation amounts and commercial average allowed amount was similar in the states reviewed. The Arizona workers' compensation paid average is 1.3 times the urban average allowed amount; the Colorado fee schedule amount is 1.4 times that of the commercial allowed amount; and in Georgia, the fee schedule rate is 1.1 times the commercial average allowed amount.

CPT 27447 Comparison to Workers' Compensation Fee Schedules 2021



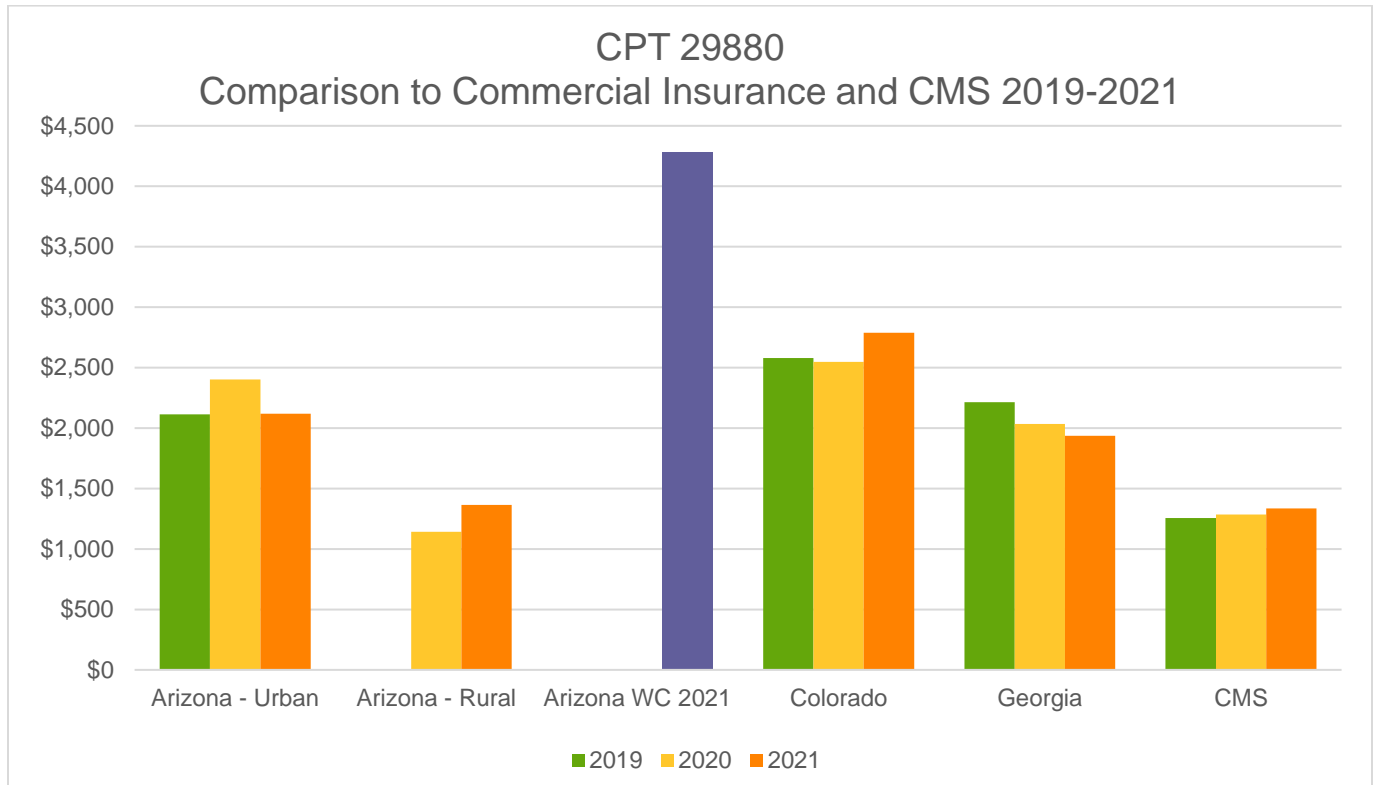
The Arizona average workers' compensation paid amount in 2021 is 88% of the Colorado fee schedule value, 123% of the Georgia 2021 value and 115% of the North Dakota ASC fee schedule value. Note that Georgia will pay for the implant in addition to the fee schedule amount for this surgical code.



As noted above, this surgery is commonly performed in both outpatient hospital and ASC settings. The Arizona average paid value to hospital outpatient departments for this surgery was \$22,185 in 2021. This is \$6,142 or about 28% more than the average amount paid to ASCs for this knee arthroplasty surgery.

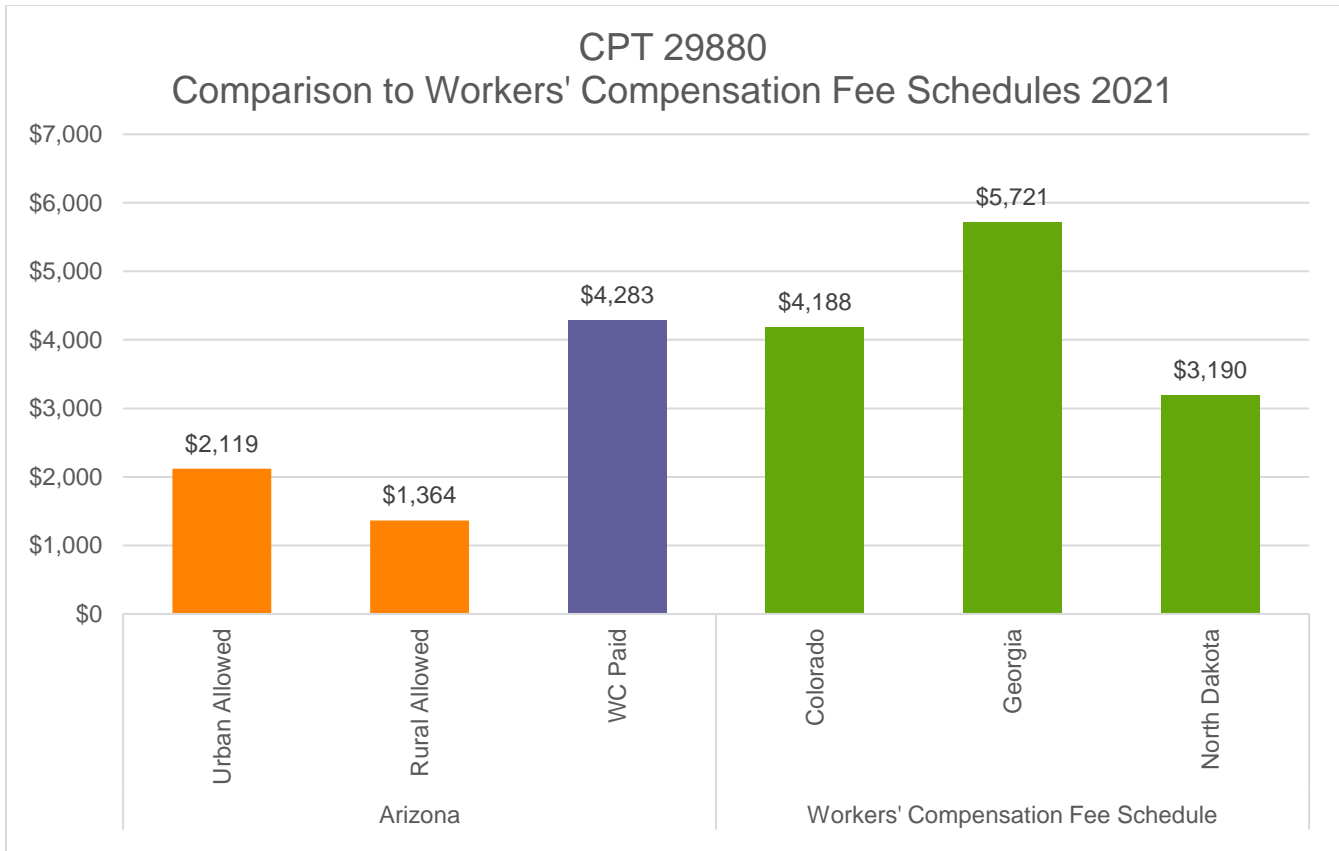
CPT 29880 – ARTHRS KNEE W/MENISCECTOMY MED&LAT W/SHAVING

This code describes a knee arthroscopy service. This is a less complex procedure than the knee arthroplasty (knee replacement) surgery described above by CPT 27447.



The commercial average allowed amount in Arizona urban areas for this surgical knee arthroscopy did not materially change between 2019 and 2021, in spite of a temporary increase in 2020. Georgia experienced a decrease in commercial average allowed amounts for this code when performed in an ASC, decreasing 12.6% from \$2,214 to \$1,936, while Colorado experienced an 8.0% increase from \$2,580 to \$2,787. The national CMS rate also increased from 2019 to 2021 by 6.2%.

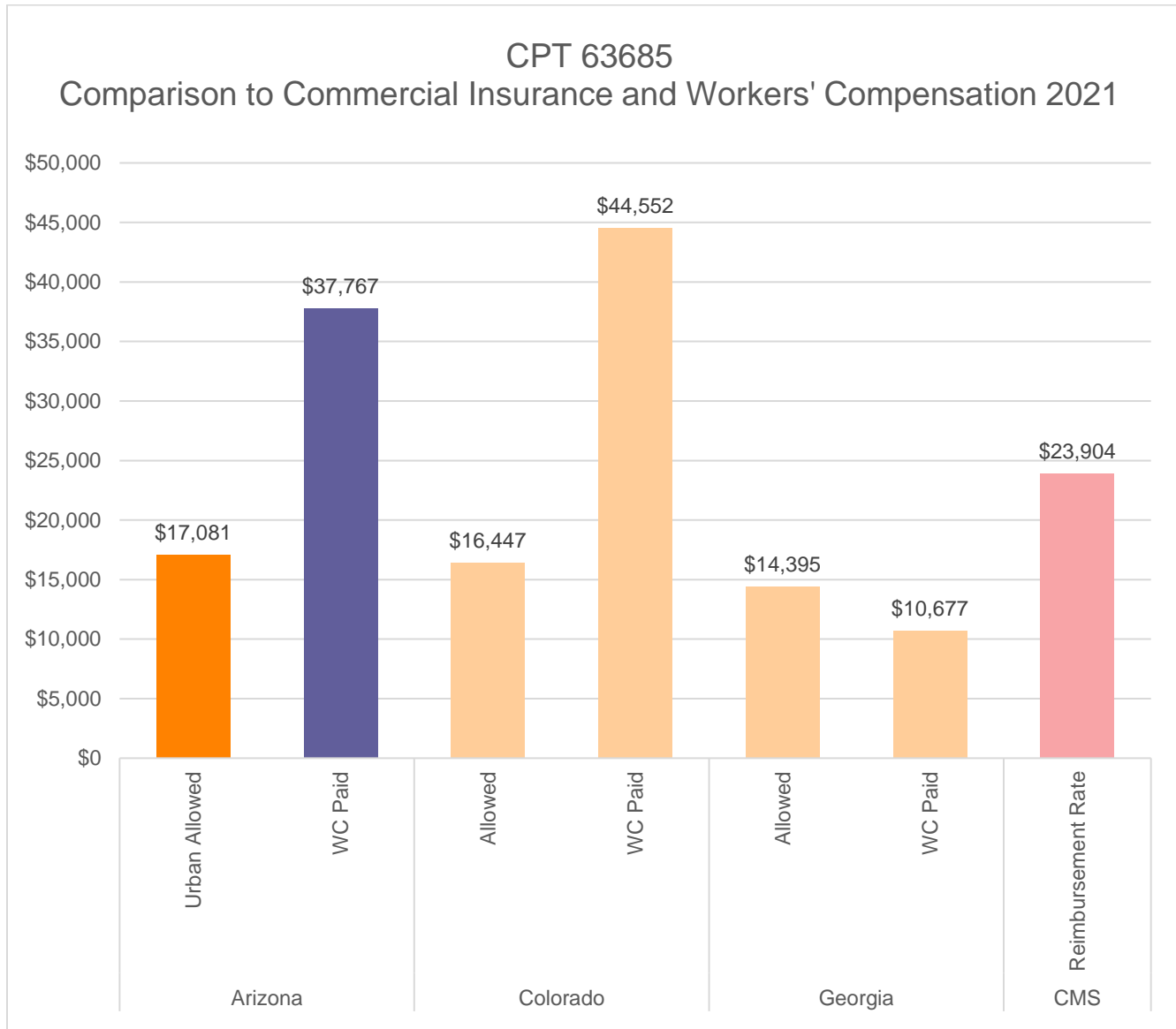
The Arizona average workers' compensation paid amount was \$4,283 in 2021, which is 202% of the 2021 urban allowed amount.



The Arizona average workers' compensation paid amount significantly exceeds the commercial allowed amounts in both rural and urban areas and is slightly higher than the fee schedule amount in Colorado. It exceeds the North Dakota fee schedule amount by 34%, but is just 75% of the workers' compensation fee schedule rate in Georgia. Note that Georgia ASCs will be reimbursed for the cost of the implant in addition to the fee for the service that is compared here.

CPT 63685 – INSJ/RPLCMT SPI NPGR DIR/INDUXIVE COUPLING

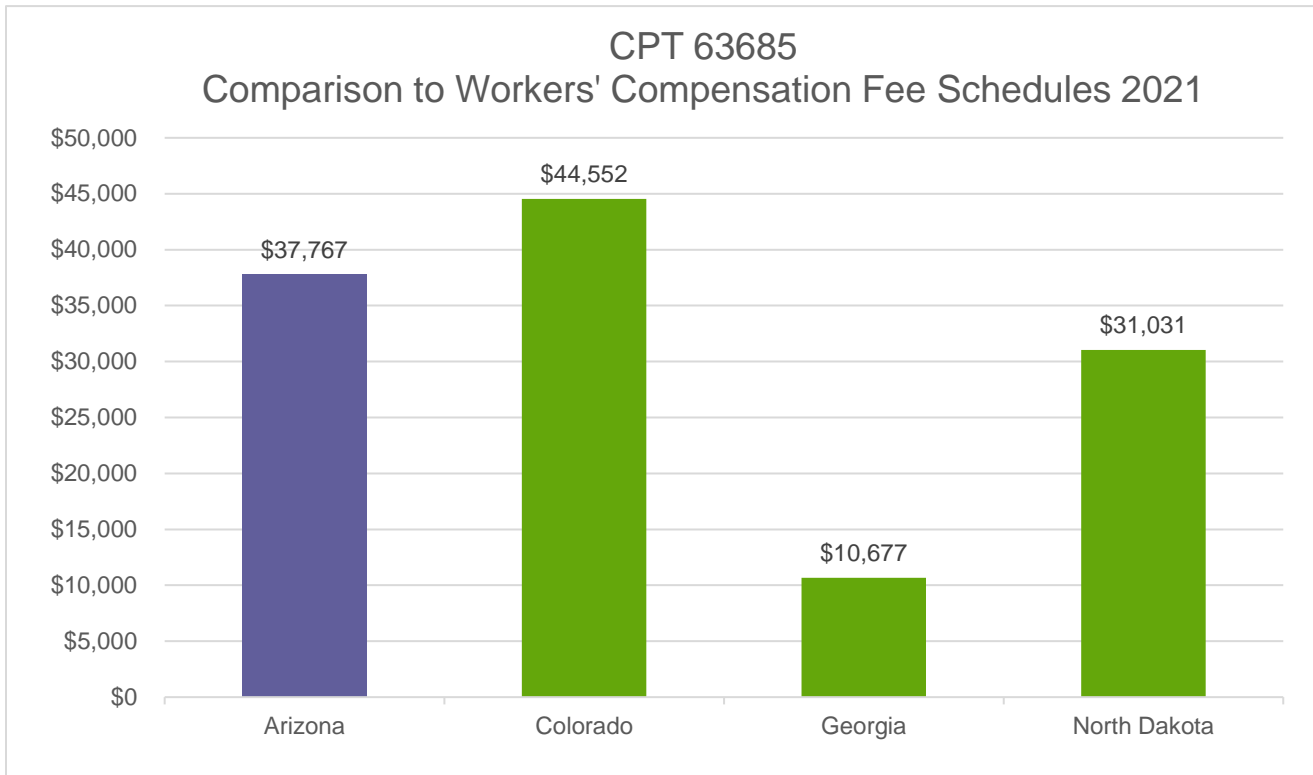
This CPT code is used to report a surgical procedure for the insertion or replacement of a spinal neurostimulator.



This facility service for the insertion or replacement of a spinal neurostimulator has the highest average paid amount per stay (\$37,767) of all workers' compensation services performed in an ASC in Arizona based on the data supplied by NCCI.

While the CMS reimbursement rate of \$23,904 exceeds the commercial average urban allowed amount of \$17,081, the CMS rate includes the cost of the implants used in this surgery.

The Arizona average workers' compensation paid amount for this surgical service, \$37,767, is 221% of the commercial urban allowed value. FAIR Health does not have sufficient data for this service performed in a rural ASC to provide a comparison.



The Arizona average workers' compensation paid amount for this surgical service is 85% of the Colorado fee schedule amount of \$44,552. Implant costs are included in the Arizona paid amount and the Colorado fee schedule rates. Although the Georgia fee schedule rate for this code is only \$10,677, in Georgia, facilities are reimbursed separately for the cost of the implant, based on the original invoice price. The Arizona paid amount is 122% of the North Dakota value, which includes the cost of implants.

Inpatient Hospital

NCCI provided FAIR Health with the top 25 codes for inpatient diagnosis-related groups (DRGs) based on the median paid amount per stay for services performed in an inpatient hospital setting. Inpatient costs typically include services for patients who are in the hospital for a stay that spans at least two midnights.

Note that for several of the top inpatient DRGs identified by NCCI, FAIR Health had a limited amount of data for commercial services provided in an inpatient hospital setting. In those circumstances, FAIR Health derived average allowed amounts based on a relative value and conversion factor methodology using data for a group of related DRGs.

Also note that because of the relatively small frequency of inpatient hospital stays compared to services that can be provided in an outpatient hospital or ASC, the commercial values may experience more variability from one year to the next.

The length of stay for patients with similar conditions may vary based on a number of factors, including severity of the illness or injury and the patient's general health and comorbidities. In these analyses, a chart is included providing a comparison of average length of stay when reimbursed by commercial insurance to the average length of stay for Arizona workers' compensation patients as provided by NCCI.

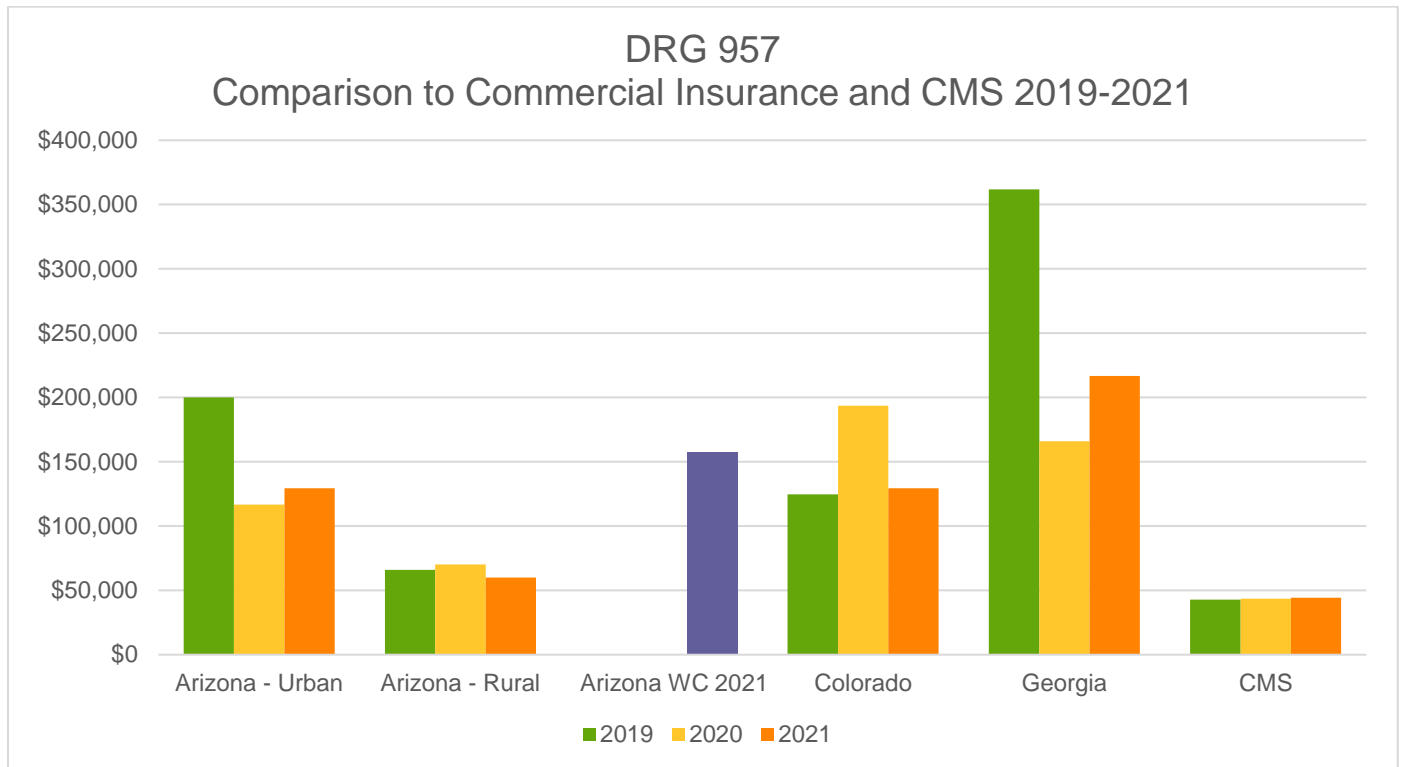
DRG	Description	Length of Stay (Days)	
		AZ Comm	AZ WC
003	ECMO/TRACH W MV 96+HRS/PDX EX FCE,MTH&NK W MJ OR	31.53	17.50
163	MAJOR CHEST PROCEDURES W MCC	7.94	15.50
177	RESPIRATORY INFECTIONS & INFLAMMATIONS W MCC	6.63	5.00
454	COMBINED ANTERIOR/POSTERIOR SPINAL FUSION W CC	3.94	4.40
455	COMBINED ANTERIOR/POSTERIOR SP FUSION WO CC/MCC	2.47	2.00
459	SPINAL FUSION EXCEPT CERVICAL W MCC	11.00	12.40
460	SPINAL FUSION EXCEPT CERVICAL W/O MCC	2.51	2.90
464	WND DBRD&SKN GRFT EX HAND, MUSCULO-CN TS DS W CC	5.18	7.10
470	MJ JOINT REPLACE/REATTACH LWR EXTREMITY WO MCC	1.69	2.50
481	HIP & FEMUR PROCEDURES EXCEPT MAJOR JOINT W CC	4.67	5.10
482	HIP&FEMUR PROC EXCEPT MAJOR JOINT WO CC/MCC	3.47	3.60
483	MJ JOINT&LIMB REATTACH PX UPR EXTRMTY W CC/MCC	1.47	2.70
493	LWR EXTREM&HUMER PROC EXCEPT HIP,FOOT,FEMUR W CC	4.00	4.40
494	LWR EXTREM&HUMER PX EX HIP,FOOT,FEMUR WO CC/MCC	2.50	2.80
552	MEDICAL BACK PROBLEMS W/O MCC	3.87	1.80
857	POSTOP/POST-TRAUMATIC INFECT W OR PX W CC	5.42	6.90
906	HAND PROCEDURES FOR INJURIES	1.50	1.90
927	EXTEN BURNS/FL THK BURNS W MV 96+HRS W SKN GRFT	57.00	42.00
928	FULL THICK BURN W SKIN GRFT/INHAL INJ W CC/MCC	19.00	8.50
929	FULL THICK BURN W SKN GRFT/INHAL INJ W/O CC/MCC	10.00	3.50
935	NON-EXTENSIVE BURNS	2.40	9.60
956	LIMB REATTACH,HIP&FEMUR PX FR MULTI SIG TRAUMA	11.64	12.20
957	OTH OR PX FOR MULTI SIG TRAUMA W MCC	20.00	21.90
958	OTH OR PROC FOR MULTIPLE SIG TRAUMA W CC	5.57	3.80
963	OTHER MULTIPLE SIGNIFICANT TRAUMA W MCC	18.60	11.00

Most data sources include the cost of implants in the DRG value, including the commercial data. However, some fee schedules will reimburse for implants and devices separately.

Data Type	Implant Cost Included	Implant Cost Not Included
Commercial Data	X	
CMS	X	
Arizona WC Paid Data	X	
WC Fee Schedule – Colorado	X	
WC Fee Schedule – Georgia		X
WC Fee Schedule – Mississippi	X	
WC Fee Schedule – North Dakota	X	
WC Fee Schedule – Oklahoma		X

DRG 957 – OTHER OPERATING ROOM PROCEDURES FOR MULTIPLE SIGNIFICANT TRAUMA WITH MAJOR COMPLICATIONS AND/OR COMORBIDITIES

This inpatient stay represents the highest total inpatient expenditure in the Arizona workers' compensation paid amounts reported by NCCI.



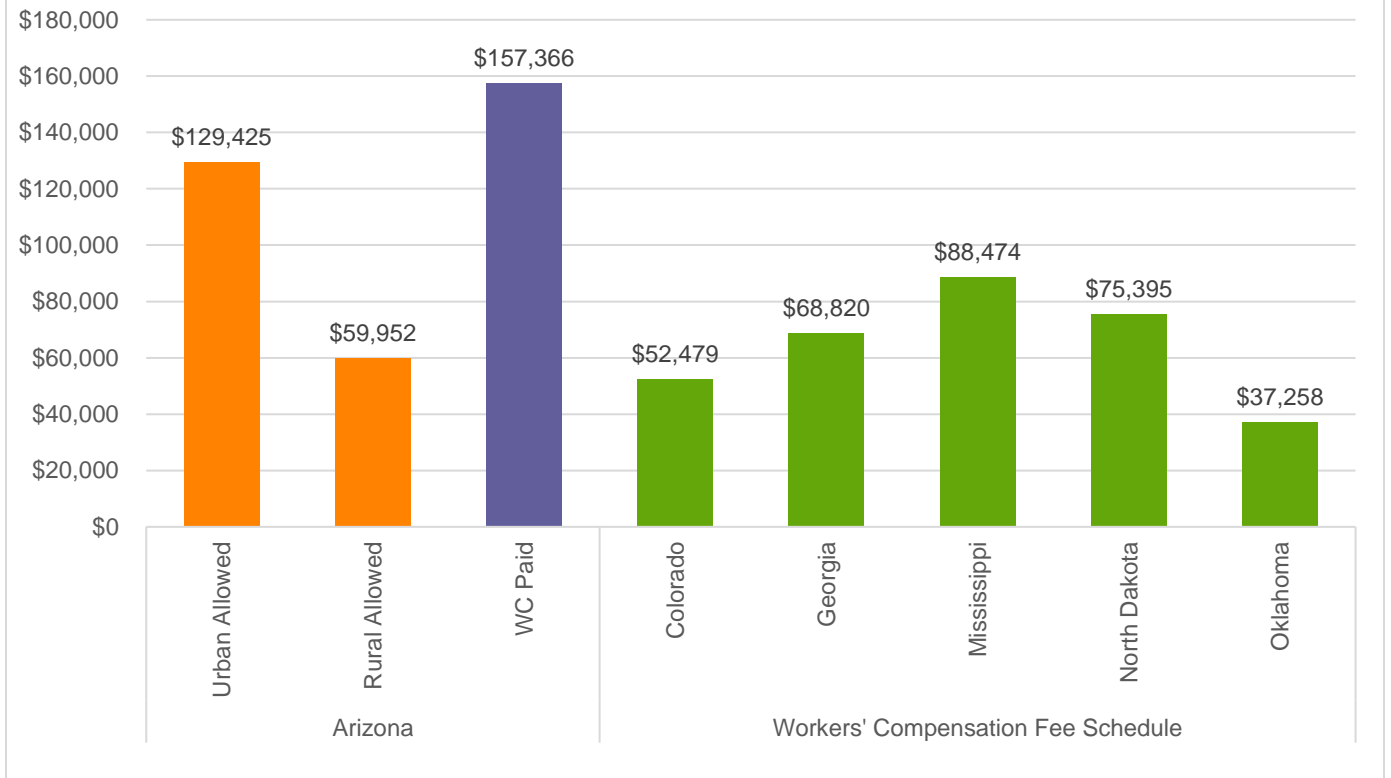
In urban areas in Arizona, the commercial average allowed amount decreased between 2019 and 2021 by 35% from \$200,137 to \$129,425. Similarly, Georgia experienced a decrease of 40%, from \$361,750 in 2019 to \$216,748 in 2021.

Average commercial allowed amounts at rural Arizona hospitals decreased by 9.0% from \$65,876 to \$59,952 during the same period. Colorado recognized a small increase of 3.8% from 2019 to 2021 compared to a similar increase in CMS reimbursement of 3.1%. However, the Colorado average commercial allowed amount spiked by \$68,896 in 2020, an increase of 55% over 2019.

In contrast, the 2021 median paid amount for DRG 957 in Arizona workers' compensation was \$157,366, which is 18% higher than the 2021 Arizona commercial average allowed amount of \$129,425.

Also notable is that the Arizona median paid amount for workers' compensation is only 73% of the Georgia commercial average allowed amount.

DRG 957 Comparison to Workers' Compensation Fee Schedules 2021

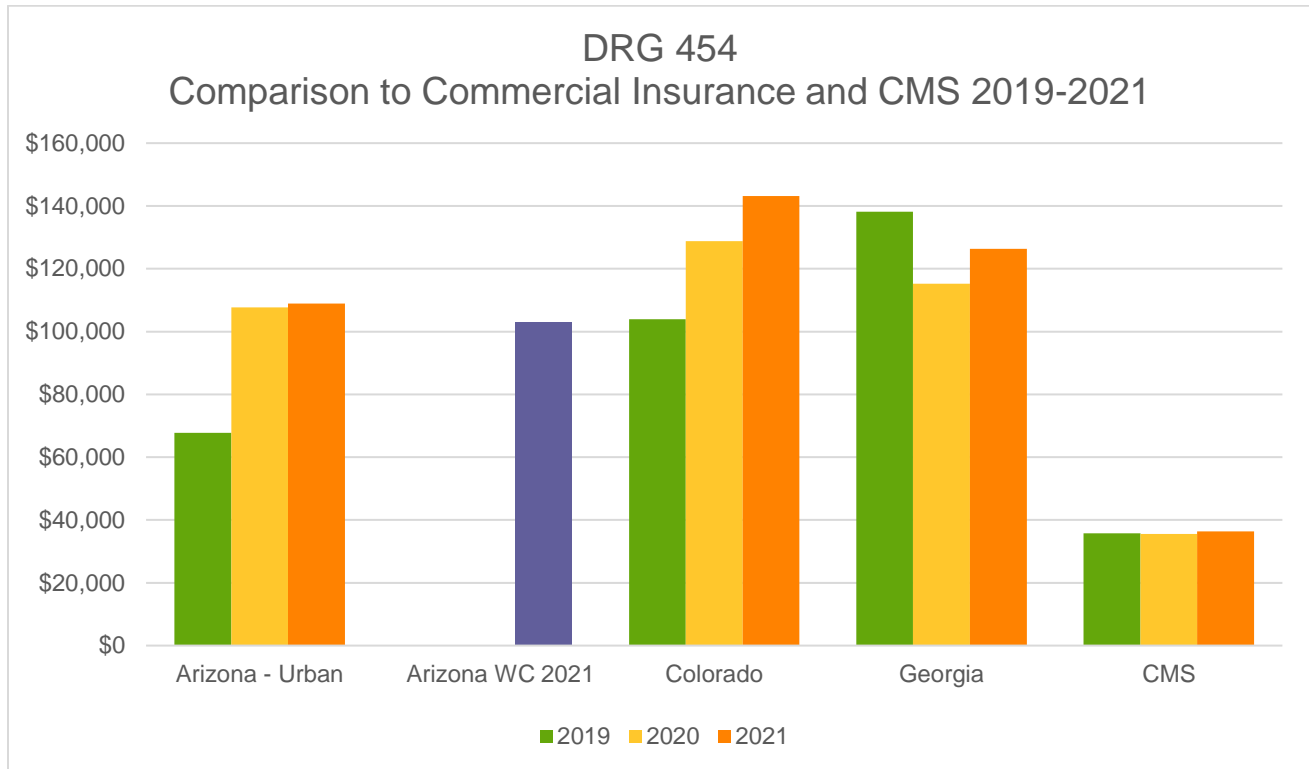


In the case of DRG 957, the workers' compensation fee schedules for Colorado, Georgia, Mississippi, North Dakota, and Oklahoma are all less than the commercial average allowed amounts in urban Arizona.

The chart above illustrates that the Arizona median workers' compensation paid amount from 2021 is 20% higher than the commercial average allowed amount in urban areas and 2.6 times that of the rural average allowed amount. The Arizona median paid amount also exceeds the workers' compensation fee schedules in the comparison states.

DRG 454 – COMBINED ANTERIOR AND POSTERIOR SPINAL FUSION WITH COMPLICATIONS AND/OR COMORBIDITIES

This DRG covers all facility services for patients hospitalized to undergo anterior and posterior spinal fusion. This facility service represents the DRG with the third-highest expense to the Arizona workers' compensation system in 2021, with an average median paid amount per stay of more than \$100,000.

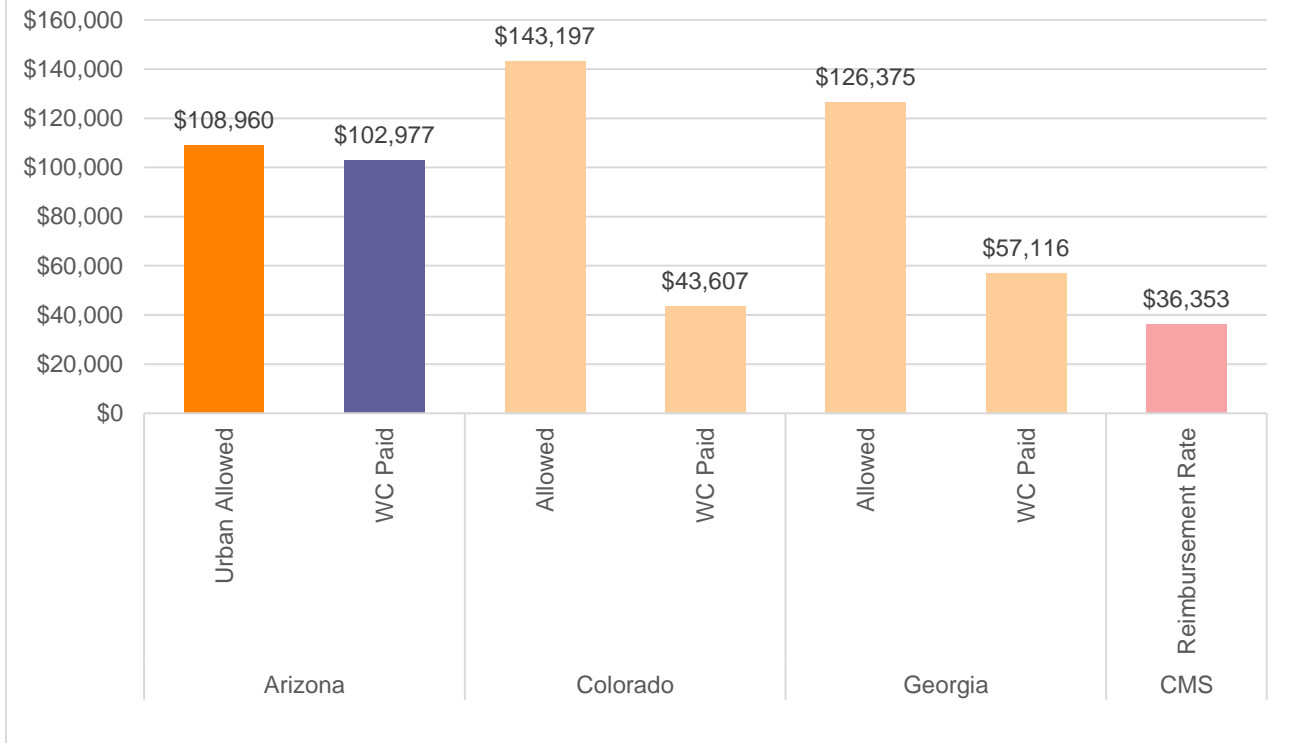


The average commercial allowed amount for DRG 454 has trended upward in urban locations in Arizona by 60.7% between 2019 and 2021, from \$67,797 to \$108,960.

Allowed amounts in Colorado have also increased, with values rising from \$103,935 to \$143,197, or 37.8%, during the same time period. In contrast, Georgia commercial average allowed amounts decreased by 8.5%, a decline from \$138,130 in 2019 to \$126,375 in 2021. During this time period, the CMS reimbursement rate increased by 1.6%.

The Arizona workers' compensation median paid amount in 2021 was \$102,977, which is lower than the commercial average allowed amounts for all three states analyzed.

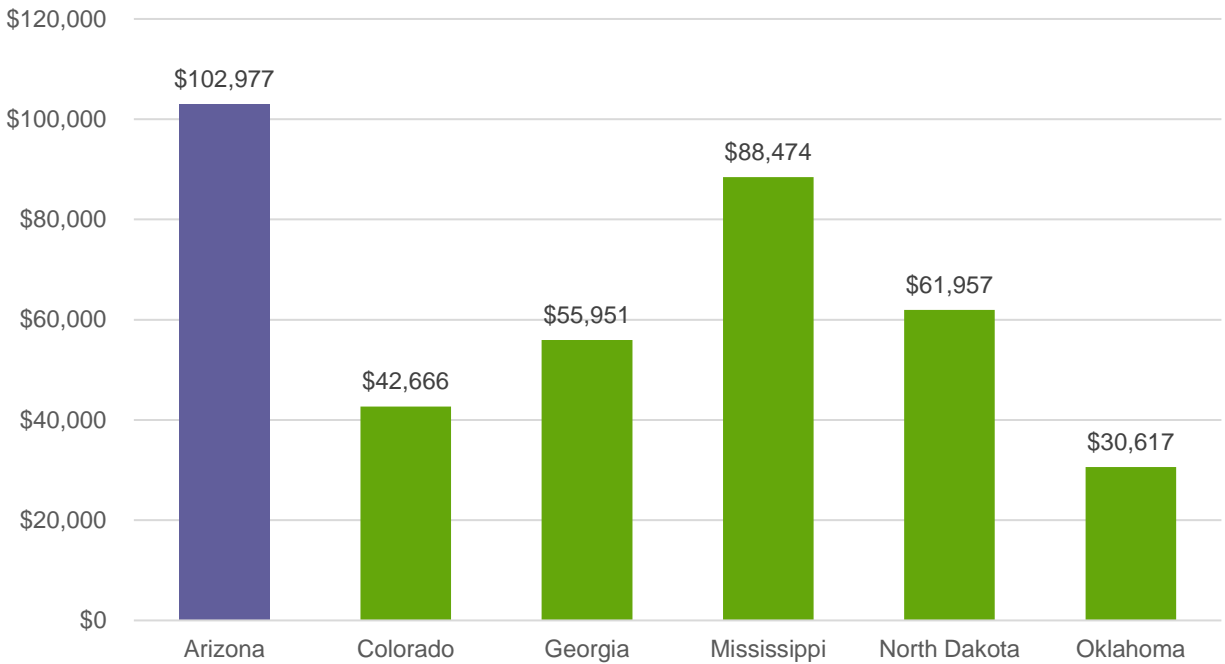
DRG 454 Comparison to Commercial Insurance and Workers' Compensation 2021



When workers' compensation fee schedule rates are compared to the national CMS rate for the same DRG, the values range from 119% (Colorado) to 157% (Georgia) of the national CMS rate. This is in contrast to the Arizona median workers' compensation paid amount in Arizona, which is 283% of the national CMS reimbursement rate.

The Arizona workers' compensation median paid amount is 95% of the urban commercial allowed amount average. This differential is closer than workers' compensation fee schedule rates are in Colorado (30%) and Georgia (44%) when compared to their commercial allowed amount counterparts.

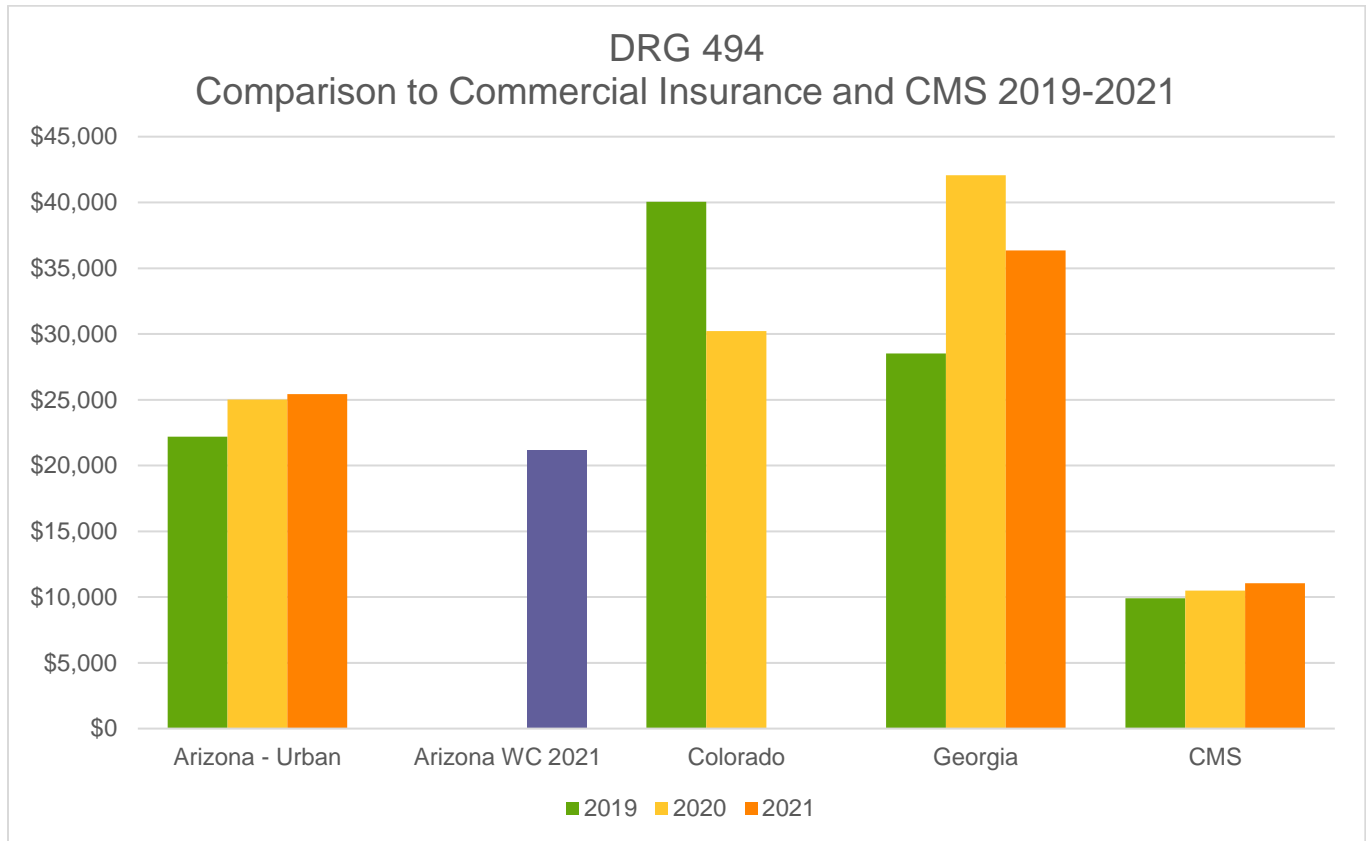
DRG 454 Comparison to Workers' Compensation Fee Schedules 2021



The Arizona median workers' compensation paid amount exceeds the fee schedule amounts for the comparison states. The Arizona value is 116% of the Mississippi fee schedule amount, the highest for the states included in this comparison.

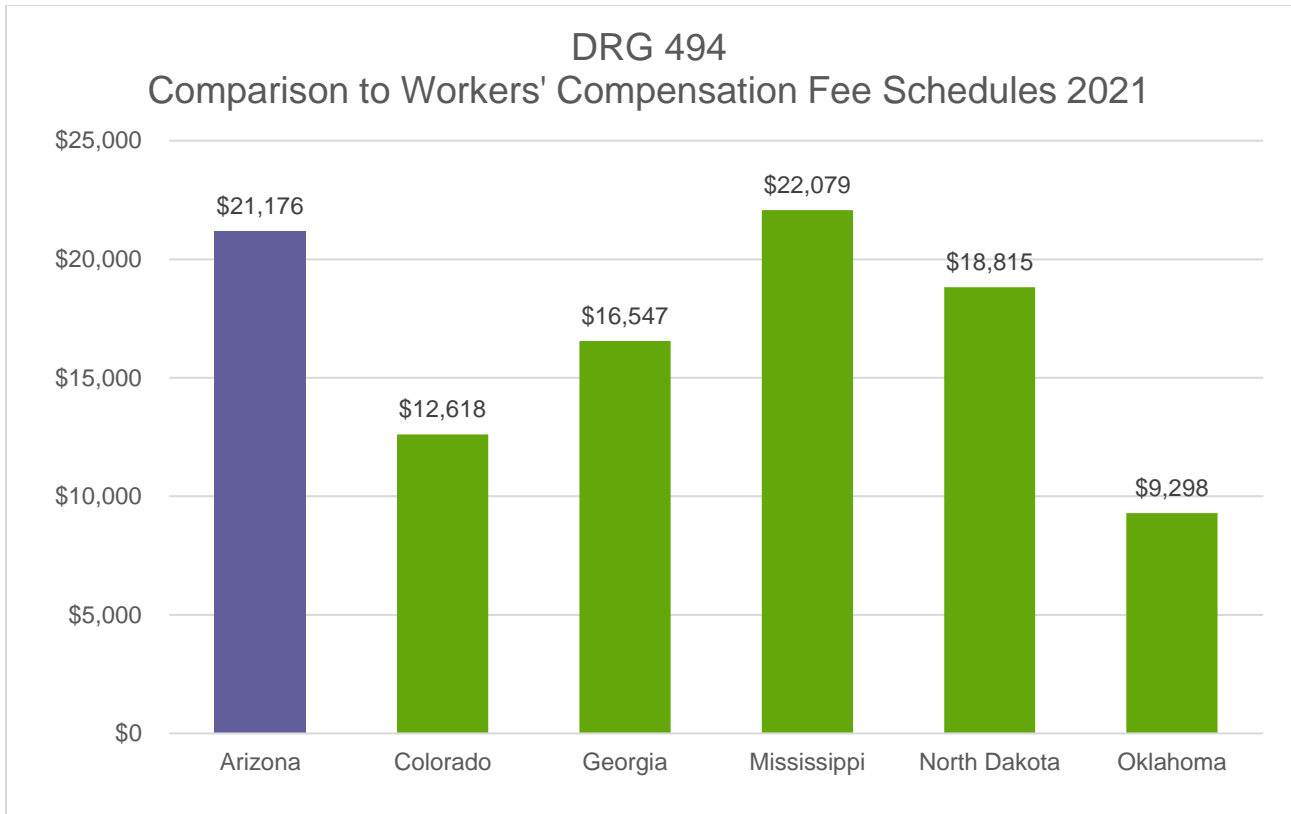
DRG 494 – LOWER EXTREMITY AND HUMERUS PROCEDURES EXCEPT HIP, FOOT, AND FEMUR WITHOUT COMPLICATIONS AND/OR COMORBIDITIES OR MAJOR COMPLICATIONS AND/OR COMORBIDITIES

This DRG is among the most common inpatient procedures for Arizona workers' compensation as reported by NCCI.



The average commercial allowed amount in Arizona urban areas increased 12.74% between 2019 and 2021 from \$22,185 to \$25,425. In Georgia, during the same time period, the average allowed amount increased by 21.56%, from \$28,524 to \$36,361. The FAIR Health data repository does not contain sufficient data in Colorado to create a 2021 allowed value for this code. During this time frame, the CMS reimbursement rate increased by 10.3% to \$11,040 in 2021.

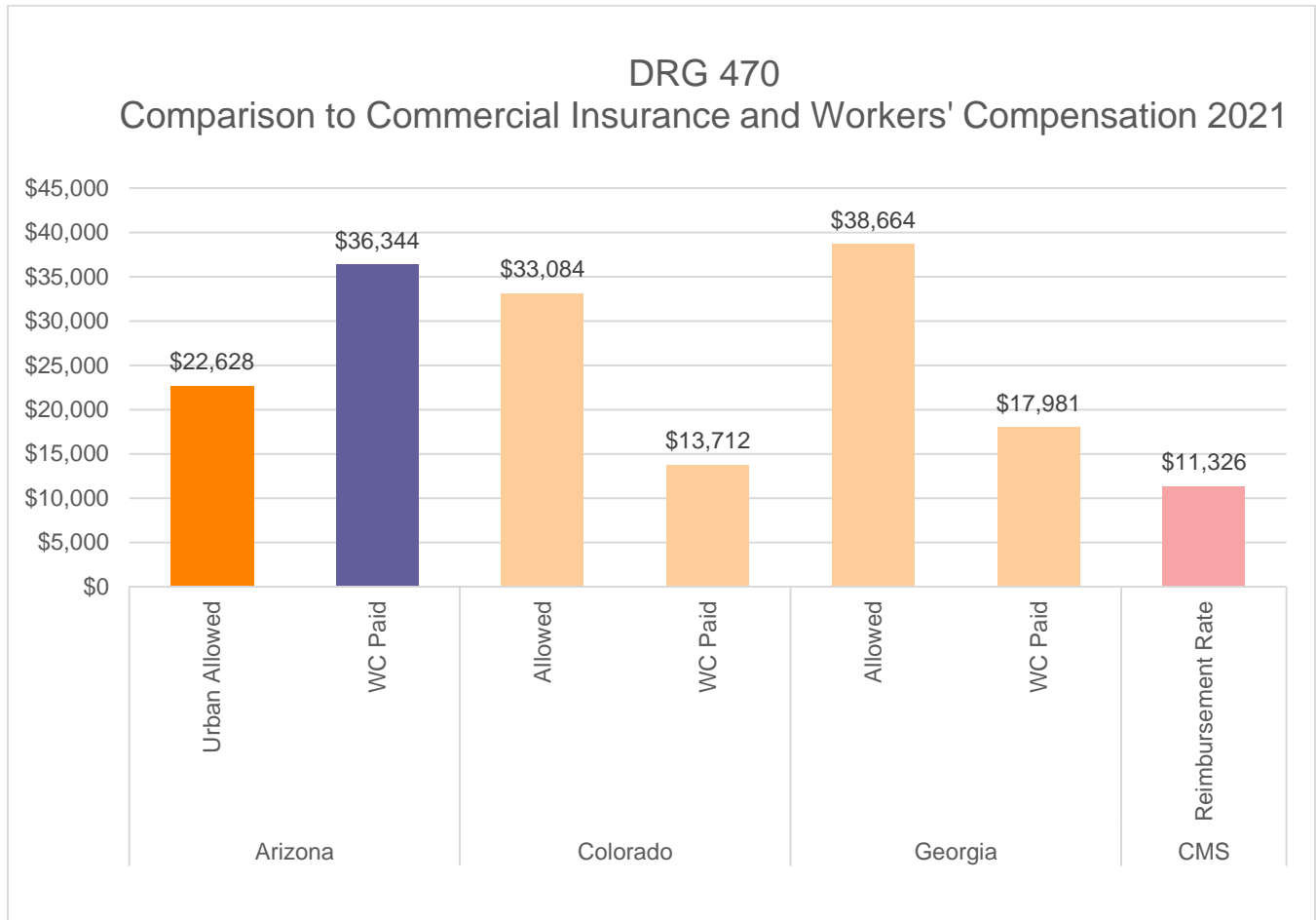
The Arizona workers' compensation median paid amount of \$21,176 represents 83% of the Arizona commercial allowed average and 192% of the national CMS reimbursement rate.



The Arizona median workers' compensation paid amount of \$21,176 is 168% of the Colorado fee schedule amount, 128% of the Georgia fee schedule amount, 96% of the Mississippi fee schedule amount, 113% of the North Dakota fee schedule amount and 228% of the Oklahoma rate in 2021.

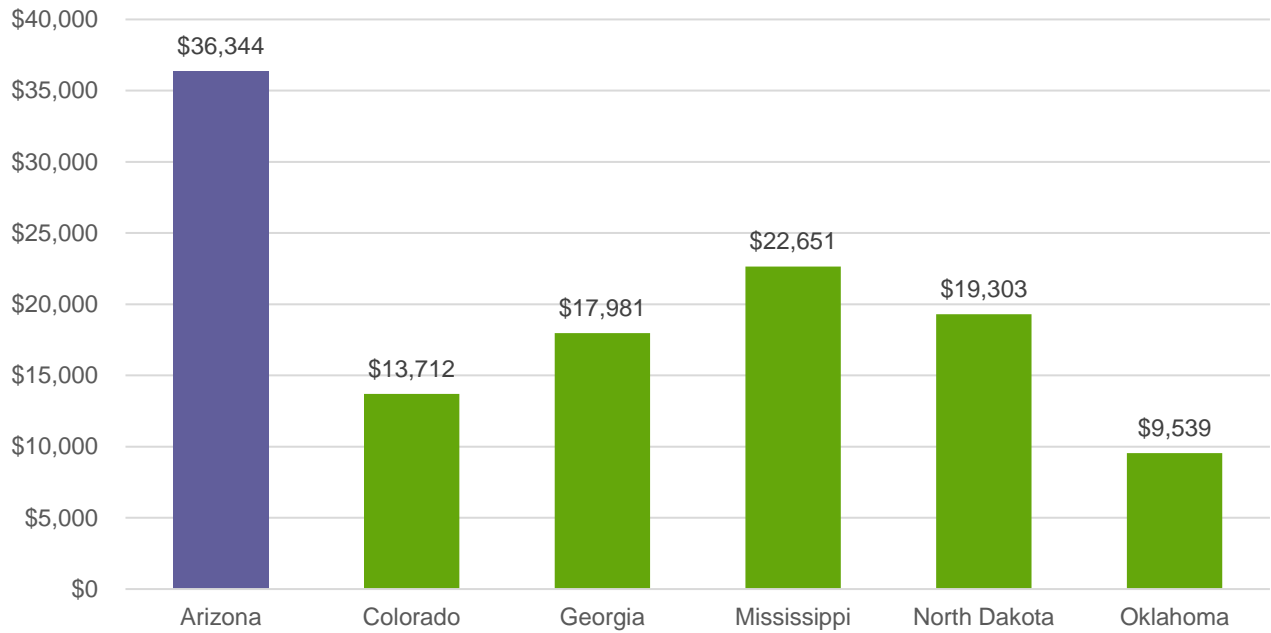
DRG 470 – MAJOR HIP AND KNEE JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY WITHOUT MAJOR COMPLICATIONS AND/OR COMORBIDITIES

DRG 470, which is a major hip and knee joint replacement or reattachment of lower extremity without major complications and/or comorbidities, was seventh when comparing the total Arizona median paid per episode from NCCI by the total utilization for the code.



The Arizona median inpatient paid amount per episode is 161% of the commercial average allowed amount for Arizona urban hospitals. In both Colorado and Georgia, the workers' compensation fee schedule is significantly less than the commercial allowed amounts. Colorado's workers' compensation fee for DRG 470 is 41% of the Colorado commercial allowed amount and Georgia workers' compensation fee is 47% of the commercial average allowed amount for this code.

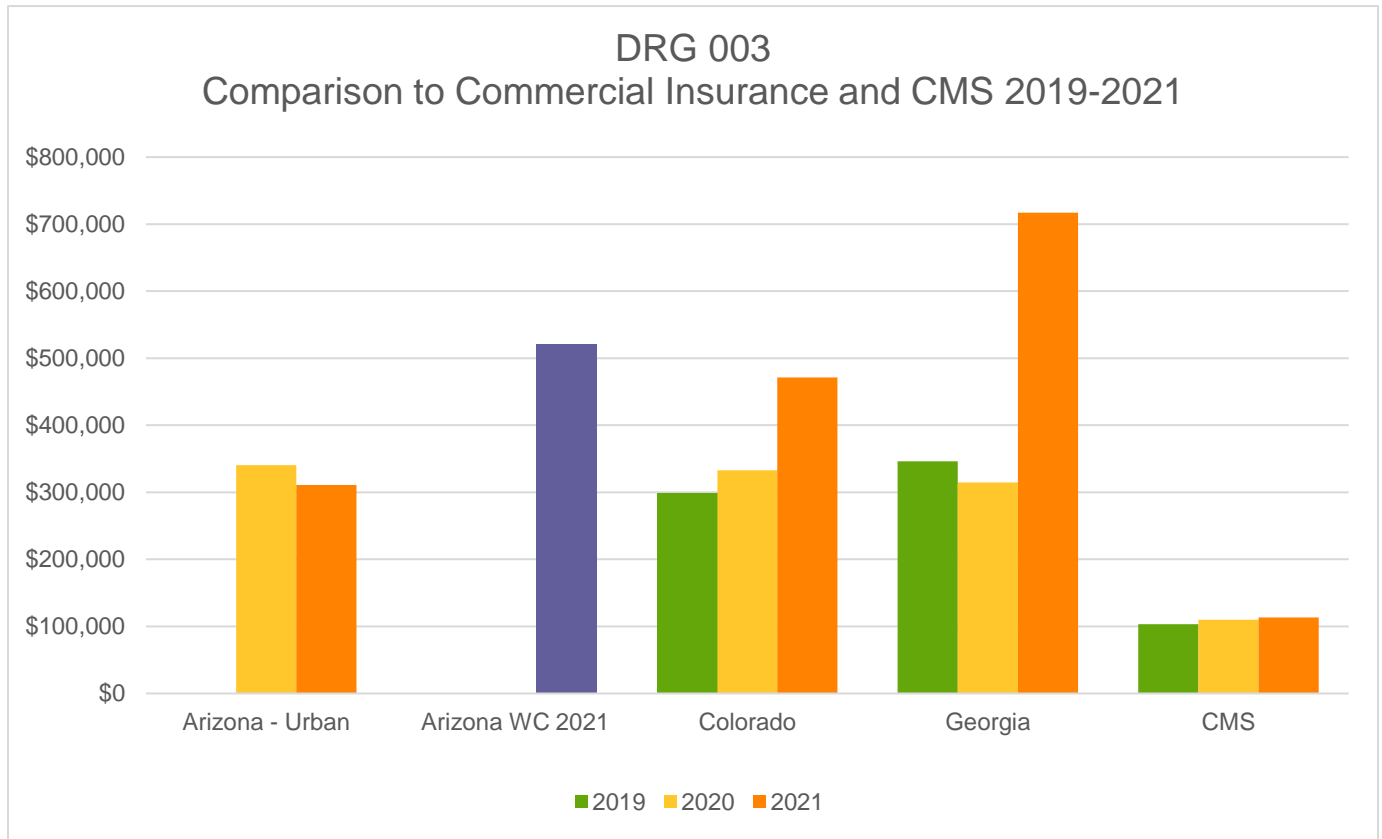
DRG 470 Comparison to Workers' Compensation Fee Schedules 2021



The Arizona median workers' compensation paid amount of \$36,344 exceeds fee schedule amounts for the other states. Note that Georgia and Oklahoma will reimburse for implants in addition to the values illustrated here.

DRG 003 – ECMO OR TRACHEOSTOMY WITH MECHANICAL VENTILATION >96 HOURS OR PRINCIPAL DIAGNOSIS EXCEPT FACE, MOUTH AND NECK WITH MAJOR OPERATING ROOM PROCEDURE

This DRG represents the highest Arizona median paid value for an inpatient hospital stay. While there were only two reported occurrences of this type of inpatient stay in Arizona workers' compensation in 2021, it contributed over \$1 million in cost.

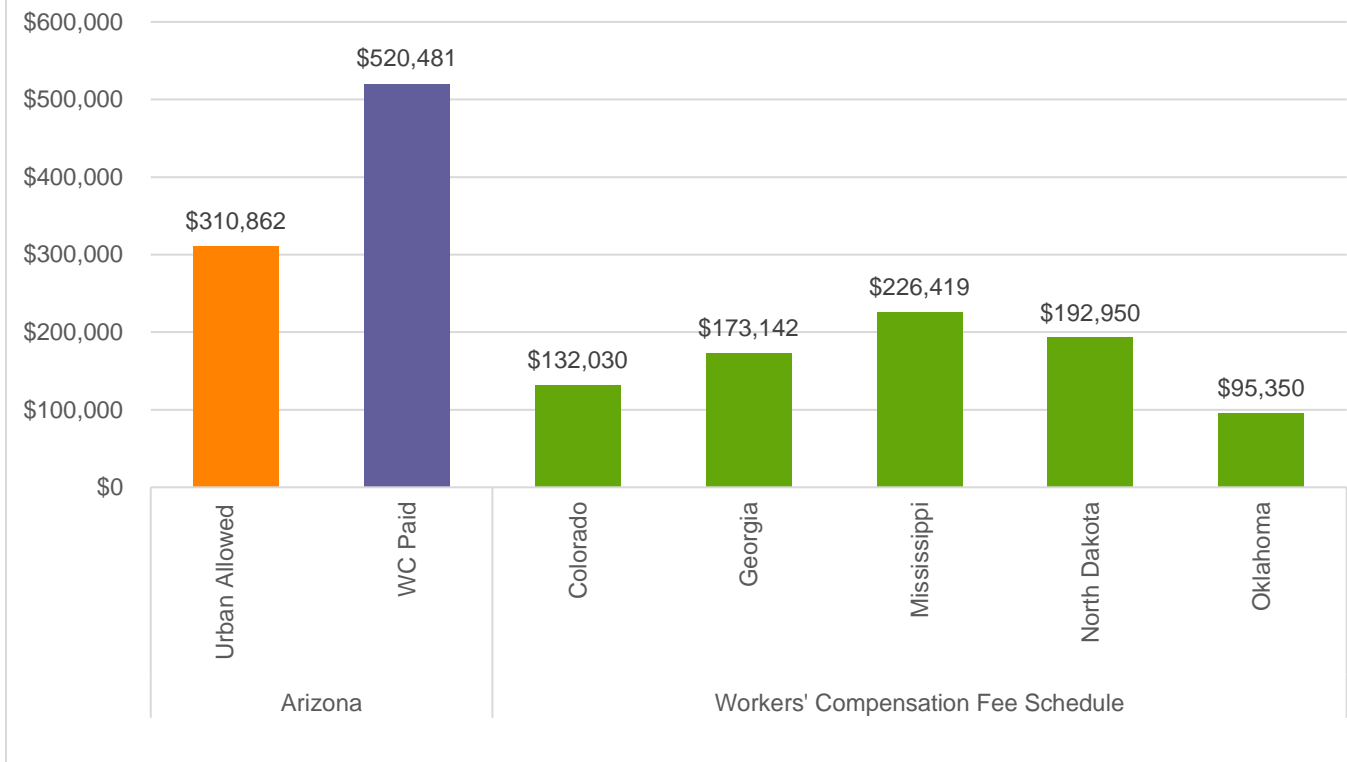


This inpatient stay for an ECMO or tracheostomy with MV (mechanical ventilation) reflects high costs for all areas. The CMS reimbursement amount is over \$100,000. This code came into more frequent use during the COVID-19 pandemic.

The average commercial allowed amount in Arizona urban areas decreased 8.8% between 2020 and 2021. (The 2019 Arizona urban value for DRG 003 is omitted here because there were too few occurrences to develop a value based on reported values for this code alone.) The average commercial values increased in Colorado during the same time period by 41.5%, from \$332,963 to \$471,287. Georgia commercial average allowed amounts for this code increased 127.7% between 2020 and 2021 from \$314,943 to \$717,278.

The CMS reimbursement rate increased by 3% between 2020 and 2021, from \$109,869 to \$113,212.

DRG 003 Comparison to Workers' Compensation Fee Schedules 2021



The Arizona workers' compensation median paid amount of \$520,481 per hospital stay is 1.7 times that of the urban average commercial allowed amount in 2021. The Arizona paid value is much higher than the other state fee schedules as well, ranging from 230% of the Mississippi fee schedule rate to 394% of the Colorado fee schedule rate and 546% of the Oklahoma fee schedule rate.

Recap

In the absence of a fee schedule that governs payments to facilities (hospitals and ASCs), in many of the most commonly occurring or most expensive procedures, workers' compensation payments to facilities in Arizona exceeded payments for the same services in states included in this report that maintain facility fee schedules. In many cases, the Arizona workers' compensation paid amounts also exceed the average allowed amounts negotiated for payment between hospitals and ASCs and insurance companies for patients covered under private (commercial) health insurance.

Many states consider implementing fee schedules to help standardize payments for services under the workers' compensation program and assist stakeholders by providing clear fee schedule values and guidelines for payment. The availability of a fee schedule removes the need for providers and insurers to negotiate, except under exceptional circumstances, and can streamline payments and reduce delay, providing benefits to all stakeholders.

Appendices

Appendix 1 – Urban and Rural Areas

For more information, please visit the United States Census Bureau website at <https://www.census.gov/programs-surveys/economic-census/geographies/levels/2017-levels.html>.

The US Census Bureau designates certain zip codes as belonging to Metropolitan Statistical Areas or Micropolitan Statistical Areas, which are both considered to be urban. Zip codes that do not belong to either of these geographic designations are considered rural. FAIR Health licenses zip code data from the US Census Bureau that were used in this study to determine which zip codes are considered urban or rural.

Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

Micropolitan Statistical Areas have at least one urban cluster of at least 10,000 but less than 50,000 population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

—Source: US Census Bureau

Appendix 2 – Glossary

Term	Definition
Urban	Areas defined by zip codes that the US Census Bureau classifies as Metropolitan or Micropolitan Statistical Areas.
Rural	Areas defined by zip codes that are not included in Metropolitan or Micropolitan Statistical Areas by the US Census Bureau.
Facility Fees	Fees billed by hospitals and ambulatory surgery centers (ASCs) for physical locations (emergency departments, operating and recovery rooms, etc.), equipment and staff for the treatment of patients. Clinicians' fees, including physicians, surgeons and other healthcare professionals who bill separately for their professional services, are not included in the fees charged by facilities.
Inpatient Hospital	Hospital stays that generally extend to at least two midnights. These fees include costs related to use of the facility and do not include professional fees that are separately billed by physicians, surgeons and other healthcare professionals.
Outpatient Hospital	Hospital visits that do not require an overnight stay.
Professional Services	Services performed by a healthcare provider, such as a physician, surgeon, physician assistant or other healthcare professional. Fees for professional services are paid separately and in addition to facility fees paid to a hospital or ASC.
Ambulatory Surgery Center (ASC)	A facility providing same-day surgeries and related care that does not require an overnight stay.
Paid Amounts	Amounts paid to facilities, healthcare professionals and other providers for medical care.

Term	Definition
Allowed Amounts	Amounts allowed for payment based on rates negotiated between insurers and providers or facilities when providing in-network care.
Charges	The full, non-discounted fees billed by facilities, healthcare professionals or other providers before any discounts or negotiated adjustments are applied.
Commercial Health Insurance	Insurance that provides healthcare coverage for employees in the private sector and their dependents.
Implants	Devices that are implanted in the body during surgical procedures.

Appendix 3 – State Workers’ Compensation Fee Schedules

The workers’ compensation fee schedule rates used in this report were in effect in 2021 to provide an aligned comparison to the other data sources used in this study. The following fee schedules were used in the comparison:

Colorado

2021 Medical Fee Schedule
 Effective January 1, 2021
 Updated annually

Georgia

2021 Georgia Workers’ Compensation Medical Fee Schedule
 Effective April 1, 2021
 Updated annually

Mississippi

2019 Mississippi Workers’ Compensation Medical Fee Schedule
 Effective June 15, 2019
 Updated every three years

North Dakota

2021 Fee Schedule
 Effective January 1, 2021
 Updated quarterly

Oklahoma

Medical Fee Schedule
 Effective July 1, 2020
 Updated every two years