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Charles Carpenter
Manager, Medical Resource Office
P.O. Box 19070
Phoenix, Arizona 85005-9070
mro@azica.gov

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 discussed at the recent public hearing, we have a request for a change in the annual update process and a question on the update of the RVU calculation this year.

When the Industrial Commission of Arizona (ICA) first begin 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. (See 2014 Committee Summary of Findings attached). 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 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, 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.

To understand the impact of not adjusting the conversion factor, primary care fees in Arizona have decreased in the last two fee schedule updates. Ours, and most certainly other physician's practices, cost of doing business has not decreased. 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 keep up with the physicians' cost of doing business.

Our recommendation is for Arizona to adjust the 2020/2021 conversion factors by the latest published quarterly increase of the Medicare Economic Index¹ (2019 2nd Quarter @ 1.285) and to consider that approach for future fee schedule updates.

In addition, while reviewing the fee schedule update process, we noticed that the fees in the 2020/2021 fee schedule proposal were not in line with what we calculated using the 2020 Medicare RVUs and the Arizona conversion factor. None of the codes we reviewed were cap related. In fact, over 3,000 codes don't appear to be using the proper calculation. This is the first time since the move to RBRVS that we have seen this calculation error.

For example:

CPT Code	AZ 2019 Rate	AZ NF RVU	AZ 2020 CF	AZ Calculated Rate CF x RVU	AZ Published Rate	Delta
99213	\$135.08	2.11	\$64.63301	\$136.38	\$133.16	(\$3.21)
99214	\$197.78	3.06	\$64.63301	\$197.78	\$196.89	(\$0.88)
97530	\$73.04	1.12	\$64.63301	\$72.39	\$64.17	(\$8.22)

If not an error, we would like to understand why the actual calculation that is prescribe in the rule was not followed?

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

Regards,

Greg Gilbert

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



Chief Reimbursement and Government Relations Officer

Arizona Fee Schedule Methodology Committee

Summary of Findings

Purpose of Committee

This Committee was formed to assist Director Laura McGrory in her evaluation of the current fee schedule development methodology and to identify potential improvements to the process. The Committee unanimously agreed that any recommended changes must assure that the fee schedule is relevant to Arizona and meets the needs of all stakeholders and participants within the Arizona workers' compensation system. To accomplish this, the Committee studied the various types of methodology used by other states in the development of their jurisdiction's fee schedules.

Review of Issues with Current Fee Schedule Methodology

The Committee was in complete concurrence that the initial most significant fee schedule methodology concern was the length of time currently required for a total review of all fee schedule sections. Presently, ICA employs a tiered update process where subsets of fees are scheduled for evaluation and review on a four year rotating basis. Sections are compared against 7 states. The committee was unable to determine any factual or statistical basis for comparisons of the states used in this process. The secondary major concern was reliance on other states to set the fees for Arizona rendered services as opposed to a methodology that was Arizona developed and adjusted based on the economic conditions of Arizona, not other randomly selected states.

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.

Committee Research

The Committee reviewed the 7 state fee schedule update process, and most importantly, the basis used to determine their fees. Arizona, in essence, is using each of the 7 states' fee development processes as a proxy to update the Arizona fee schedule.

Below is a chart that shows each of the 7 states used by Arizona in the current process and their respective underlying fee schedule basis along with update methodology with respect to usage of conversion factors and timing of updates.

State	Fee Basis	Multiple Conversion Factors	Last Update
CO	RVP	Multiple	1/1/2013
NV	RVP	Multiple	1/1/2013
NM	n/a	n/a	1/1/2013
NC*	RBRVS	Multiple	1/1/2013
OR	RBRVS	Multiple	4/1/2013
UT	RBRVS	Multiple	12/1/2013
WA	RBRVS	Single	1/1/2013

Source: WCRI Designing Worker's Compensation Medical Fee Schedule, June 2012

* NC uses 1995 RBRVS updated by a multiple of those values

The Committee found it interesting that 4 out of the 7 states use some form of a RBRVS (Resource-Based Relative Value Scale) based fee schedule methodology, while 2 use McGraw-Hill's Relative Value for Physicians (RVP) product. Almost all states update annually. The commonality of methodologies used and annual timing of updates informed the Committee that the current methodology is not as deeply flawed in the resultant benchmarking of Arizona fees.

One of the key issues discussed by the Committee related to the possibility of a yearly update of all codes. It is clear that the current 7 state update process is very labor intensive; given the massive amount of work performed to manually load the states fees into the comparison fee schedule table

The Committee felt an initial goal of updating the entire Arizona fee schedule annually would be an important first step and could be accomplished by the Commission purchasing the required state fee schedule data in an electronic format. The Committee found there were several national vendors who already produce this data electronically for their payor and bill review customers, and could do so for the State of Arizona if so desired. The Committee also felt it was important the Commission give consideration to moving the timing of fee schedule updates from October 1 to earlier within the calendar year. This move, combined with annual review, will allow for a closer match to current CPT (Current Procedural Terminology) codes which are effective January 1.

The Committee's research also determined that the current process has placed focus on surgical fees but not changes to the associated "after care" periods within the global surgical process. The Committee recommends the annual review of "after care" periods.

The Committee identified the physician requirement to bill using code 99070 for supplies and materials as problematic for both providers and payors due to the additional documentation required identifying the specific item(s) dispensed. The billing and payment process frequently requires second submissions in order to secure proper reimbursement. The Committee recommends the Commission adopt the usage of the HCPCS (Healthcare Common Procedure Coding System) code set published by CMS (Centers for Medicare & Medicaid Services). These codes are widely used in all other aspects of healthcare and are familiar to providers. Usage of these specific codes will streamline billing and reimbursement. In addition, their usage will

enhance data analytics in that each item will be specifically referenced with a code rather than all supplies and materials billed via 99070.

The Committee examined the growing trend of states that are now using some form of a RBRVS based fee schedule. The Committee reviewed the June 2012 Workers' Compensation Research Institute (WCRI) "Designing Workers' Compensation Fee Schedules" report to understand the potential positive and negatives inherent to moving to this type of system as a basis for the Arizona fee schedule. The general consensus of the Committee was if the Commission agreed to change the current fee schedule process to an Arizona based product, an RBRVS based system would be the best approach to assure a consistent, cost effective, timely and reliable way to manage the fee schedule update process. As referenced above, several of the states used in the current Arizona update process already use an RBRVS approach in their methodology (North Carolina, Oregon, Utah and Washington).

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, Georgia and Maryland as examples). The Committee was in agreement 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.

The Committee recognizes this change would not be simple and would require additional Commission time and expense. It would require outside expert consultants to study and analyze the Arizona data to recommend a fee schedule design that would assure overall minimal impact upon the current fees being paid today. Most recently, this analysis was performed by the Rand Corporation for the State of California.

Committee Recommendations

The Committee recommends that the Commission issue a Request for Proposal for a vendor based solution to electronically upload the seven state fee schedules to allow for annual review with potential update of all fees, "after care" periods and CPT codes with consideration of moving fee schedule updates to Q1 of the calendar year. Allowance for usage of HCPCS codes is also recommended. As mentioned previously, these changes would be viewed as a quick win by both the payor and provider community and would not require a significant amount of time to enact.

The Committee also recommends that the Commission consider hiring a consultant to perform a study of the impact of moving to an RBRVS based fee schedule. As discussed previously, the Committee feels this change would be successful if it was approached with an initial payment stabilization philosophy, to minimize swings in either direction, using Arizona specific conversion factors coupled with an annual inflationary update process.

The Committee stands ready to answer any questions you may have regarding our recommendations. We appreciate the opportunity to serve the Commission and hope that our information will prove useful. We are prepared to continue assistance as the Commission moves forward with these recommendations.