



April 27, 2017

Dale L. Schultz, Chairman and James Ashley, Director
The Industrial Commission of Arizona, Office of the Director
800 West Washington Street
Phoenix, Arizona 85007

Dear Chairman Schultz and Director Ashley,

Thank you for hosting the public hearing regarding the 2017 Arizona Physicians' and Pharmaceutical Fee Schedule Hearing. I represent Sentry Insurance, a Mutual Company, one of the largest and most secure mutual insurance companies in the nation. We pride ourselves in finding individualized, custom-fit commercial insurance, workers' compensation insurance, life insurance and retirement services for each of our consumer's unique business challenges.

Sentry has seventeen national accounts with locations in Arizona that utilize our workers' compensation insurance. Sentry has over \$33 million in force workers' compensation premium in Arizona and has a claims office located in Scottsdale, Arizona. Arizona, its' employers and labor force are important to Sentry and we strive to meet all of our customers' various needs.

Sentry does not directly contract or own any direct contracts with providers or pharmacies. We maintain a contract with Mitchell International to utilize their medical bill review processing platform and access PPO network offerings. We also utilize Healthsystems, a pharmacy benefit manager designed for workers' compensation. Healthsystems owns the pharmacy network contracts and ancillary benefits contracts including DME, transportation and translation services.

Sentry appreciates all of the work the Commission has conducted with regards to the movement to RBRVS. However, we do have concerns with regards to the proposed language regarding control of how networks, payers and providers contract for discounts. While we understand that the Commission's concern is with physical therapy networks, the proposed language would impact, and be problematic to, all networks.

Specifically, we are concerned with Section A (5) within the Recommendations and Request for Public Comment Regarding the 2017/2018 Physicians' and Pharmaceutical Fee Schedule (page 7). First, we do not believe that the Commission has the authority to require networks to disclose confidential contractual terms, including rates, between providers and payers.

Second, Sentry believes that this language would be harmful to every type of network in place in Arizona which would include PBMs, physician, hospitals, therapists, DME, and home health. For example, this could harm any payer from a marketing perspective in trying to obtain new business and retain business.

For Sentry, disclosing our contractual rate with the networks to the providers would harm our business model in providing workers' compensations services. Since Sentry does not own provider contracts, we do not have access to the actual contracts. The terms of the contracts are confidential between the networks and the providers or pharmacies. Sentry has electronic bridges in place that bills are sent across to the appropriate network. A specific message is applied to Explanation of Benefit so the provider or



pharmacy is notified when and why a discount is applied and from which network. Information regarding the PPO Networks utilized is provided and if there are inquiries, the provider is directed to the specific PPO Network to discuss the terms of the contracts. Should specific terms be required to resolve a dispute, the PPO Network can provide an affidavit including pertinent contract language, or may provide the actual contract if required for the Industrial Commission to review.

Therefore, we request amendment to the following:

5. Payment to treating providers who participate in healthcare, preferred provider organization, outcome based network, or specialty networks.

The Commission is reviewing the issue of payment under the Arizona Physicians' and Pharmaceutical Fee Schedule to treating providers that participate in healthcare, preferred provider organization, outcome based network, or specialty networks. The Commission proposes to include the following language in the 2017-2018 Physician's and Pharmaceutical Fee Schedule:

A provider that participates in a healthcare, preferred provider, outcome-based, or specialty network and that delivers medical treatment and/or services to an injured worker in Arizona's workers' compensation system must receive no less than ninety percent (90%) of: ~~(1) the Arizona Physicians' and Pharmaceutical Fee Schedule allowable amount for the provided medical treatment and/or services, or~~ (1) the Arizona Physicians' and Pharmaceutical Fee Schedule allowable amount for the provided medical treatment and/or services, or (2) the full value of any discounted rate negotiated between the payer and the network. A network seeking to retain a portion of amounts paid for provided medical treatment and/or services must have a written contract of participation with the subject provider ~~that includes an up-to-date disclosure of rates based on the current Physician's and Pharmaceutical Fee Schedule and/or any discounted rates negotiated between the network and a payer.~~ A network that does not have a written contract of participation with a provider ~~(that includes an up-to-date disclosure of rates based on the current Physician's and Pharmaceutical Fee Schedule and/or any discounted rates negotiated between the network and a payer)~~ is prohibited from retaining any portion of amounts paid for the provided medical treatment and/or services. Under no circumstances is a network permitted to retain more than 10% of the full amount paid for provided medical treatment and/or services. The terms "payer" and "provider" shall have the definitions stated in A.A.C. R20-5-1302.

For the above reasons, we request that, rather than the current proposal, the Industrial Commission of Arizona consider amendment of Section 5(A) of the Recommendations and Request for Public Comment Regarding the 2017/2018 Physicians' and Pharmaceutical Fee Schedule, as described above. Should you have any questions or concerns, please feel free to contact me. Thank you.

Sincerely,

Amanda Gualderama
Regional Government Affairs Director
Sentry Insurance, a Mutual Company