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May 10, 2017

Dale L. Schultz, Chairman
James Ashley, Director
Industrial Commission of Arizona
800 W. Washington Street
Phoenix, AZ 85007

Susan Strickler, President
Arizona Counties Insurance Pool

Dawn Chambers, Vice-President
Ashton Tiffany/The Alliance

Seema Lord, Treasurer
Freeport-McMoran, Inc.

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SRP

Erin Taylor, Board Member
Maricopa County

Valeene Williams, Board Member
UNS Energy Corporation

**RE: Proposed Amendments to 2017/2018 Arizona Physicians and
Pharmaceutical Fee Schedule**

Dear Chairman Schultz and Director Ashley:

The Arizona Self-Insurers Association (ASIA) appreciates the opportunity to submit the following comments on the proposed amendment to the Physicians and Pharmaceutical Fee Schedule. Our members value our partnership with the Commission and our mutual desire to improve the Arizona workers' compensation system whenever possible.

ASIA supports the transition to the Resource Based Relative Value System (RBRVS). As indicated in the PCG Health Report commissioned by the Industrial Commission, 32 states currently use RBRVS as a standardized platform for their workers' compensation medical fee schedule. However, to lessen the impact, we agree with comments made by Mr. Chic Older, Executive Vice President of the Arizona Medical Association (ArMA), that the conversion should include a gradual transition of any increase or decrease of no more than 5% over the next three years.

Additionally, ASIA opposes the staff recommendation proposed in Section A(5):

"...Under no circumstances is a network permitted to retain more than 10% of the full amount paid for provided medical treatment and/or services."

A.R.S. §23-908(B) requires the Commission to fix a schedule of fees to be charged by physicians, physical therapists or occupational therapists attending injured employees as well as for prescription medications required to treat an injured worker. It is ASIA's position A.R.S. 23-908(B) does not provide the Commission the legal authority to implement the proposed staff recommendations to limit or control network administrative fees.

Arizona Self-Insurers Association

7375 East 6th Ave., Ste. 9, Scottsdale, AZ 85251-3427 / Phone: 480-706-5762 Fax: 480-990-1889

Email: asia@azselfinsurers.org / Website: <http://www.azselfinsurers.org>

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It is ASIA's belief the proposed recommendation is also inconsistent with Governor Ducey's Executive Order 2017-02 by placing a regulatory burden and legal uncertainty on the workers' compensation medical, pharmacy and specialty networks currently operating in Arizona.

Our members utilize networks as a tool to control rising healthcare costs while providing quality care to injured employees, and they provide our members, both public and private, with significant savings they might not otherwise achieve through contracted and discounted rates. For example, In 2016, our county members saved over \$1.5 million in medical costs by contracting with networks. Our school district pool saved approximately \$4 million for FY '17. Limiting or removing this tool would limit the ability of not only public entities to save taxpayer dollars, but also increase costs for our Arizona private members which comprise of some of the largest companies in Arizona.

Furthermore, we are unaware of any analysis or study conducted by the Industrial Commission as to how the 10% cap on administrative fees was determined and whether this margin is sufficient or not to operate a medical or pharmacy network in Arizona.

We are concerned that, if it is determined the 10% is insufficient and burdensome, networks may choose to opt out of Arizona's workers' compensation market, thereby reducing competition in the open marketplace and increasing costs to payors and self-insured members.

Although we are sympathetic to the 'predatory network' issue raised during the April 27, 2017 meeting, ASIA does not agree with the proposed staff recommendation. We look forward to working with the Commission, staff and stakeholders in an effort to address the underlying concerns, and we thank you for considering these comments.

Sincerely,

Susan Strickler

Susan Strickler
President

Arizona Self-Insurers Association

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