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Industrial Commission of Arizona

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DIRECTOR

April 27, 2017

VIA EMAIL TO: [ro@azica.gov](mailto:ro@azica.gov)

Industrial Commission of Arizona  
800 West Washington Street  
Phoenix, AZ 85007

RE: Comments Concerning Commission Staff's Recommendations for the 2017 Arizona Physicians' and Pharmaceutical Fee Schedule

Dear Director Ashley, Chairman Schultz, and other members of the Commission:

Prime Health Services, Inc. ("PHS"), a national preferred provider organization (PPO) network with significant business in the State of Arizona, appreciates the opportunity to present our comments and concerns regarding the 2017 Arizona Physicians' and Pharmaceutical Fee Schedule. PHS, in conjunction with and as a participating member of The American Association of Payers Administrators and Networks (AAPAN)—the leading national association of PPOs and Workers' Compensation organizations—have grave concerns regarding this measure in its present form. PHS's clients represent thousands of injured workers in the State of Arizona annually, so we hope our concerns can be heard.

**PHS joins with AAPAN in its objection to Staff Recommendation Section A(5): Payment to treating providers who participate in healthcare, preferred provider organization, outcome based network, or specialty networks.**

PHS can support many of the recommendations made by Commission staff for improvements to the 2017/2018 Fee Schedule. However, we believe that Recommendation Section A(5) offers no improvement to care for injured workers while serving to eliminate the value provided by provider networks and PBMs to employers and employees alike. We will discuss our concerns in more detail below; but, in sum, we believe this section will interfere with the management of care for injured workers, increase the administrative burden on providers, increase workers' compensation costs for employers, and limit innovation to control medical costs.

**Recommendation Section A(5) will diminish the role of networks, adversely impacting the workers' compensation market.**

Section A(5) limits network costs to 10% of the amount paid for provided medical treatment and services. This is not sufficient for networks such as PHS to remain in the Arizona market to continue offering savings for medical access sought by self-insured employers and insurance

carriers in the State. The costs to contract, credential, schedule, bill, and to provide the oversight necessary to maintain a high-quality network such as PHS's network run significantly higher than those allowed under this section.

Accordingly, this section would require a number of services provided to our clients to be shifted to other parties, including payers and providers, or not performed at all causing a reduction of the quality of care in the overall delivery system. The specific functions currently performed include:

- Credentialing oversight of providers
- Efficient scheduling of patient visits
- Data integrity for accuracy and referrals

Furthermore, efficiencies provided by networks will diminish in a number of instances as other parties are compelled to take them on. This will likely result in the following negative impacts on the workers' compensation market in Arizona:

**Patient Care:**

- Care treatment for injured workers will be delayed as the payers will be responsible to coordinate visits and revisits.

**Fraudulent Claims:**

- Fraud detection will now be the exclusive responsibility of the payer as there will be no entities looking at the over-all provider base.

**Billing Costs:**

- Billing complexity and costs will increase as there will be significantly less standardization and oversight on the billing process.
- Efficiencies from electronic billing through networks will be lost as individual providers will most likely generate paper bills.

**Reporting Costs:**

- Medical report and process notes will be collected by the payer adjuster from the individual providers instead of being sent efficiently through network systems.
- There will be no cost saving reports or spend reports sent to the payers. Instead, they will have to coordinate their spending using internal claims data.

**Coordination and Innovation:**

- Individual payer medical staff will be required to collaborate directly with providers and there will be no coordination of trends among providers unless the individual payers coordinate with each other. As a result, quality standards for providers will not be achieved to ensure that workers are getting access to high-quality providers.

**Direct Contracting:**

- Without networks such as PHS, payers will pay full fee schedule if they do not have individual contracts with providers which will see service costs increase significantly for all purchased ancillary services and pharmacy.

Finally, we strongly encourage the Commission to reject Recommendations Section A(5). PHS is pleased to work with all regulators to address whatever questions or concerns they have regarding the operation of our network, including processes and practices, in Arizona or nationally. Please do not hesitate to contact me directly at (615) 565-9015.

Sincerely,



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