



May 9, 2017

Jacqueline Kurth, Manager  
Medical Resource Office  
Industrial Commission of Arizona  
800 W. Washington Avenue, Suite 305  
Phoenix, AZ 85007-2922

Dear Ms. Kurth,

I am writing today to express our organization's strong support of the proposed Workers' Comp Fee Schedule regulations which were proposed recently at the Industrial Commission meeting. The Arizona state legislature set the Workers' Comp fee schedule (OMFS) at rates consistent with the optimal protection of injured workers. The regulations would guarantee that health care providers are paid at least 90% of the OMFS or at 100% of the rate a discount network arranges with a payer. These regulations ensure that Workers' Comp insurance revenues would largely be spent on the provision of health care services- not redirected to a mega-corporation(s) organized and paying taxes in other states, such as Florida.

Many California physical therapists and their patients have endured extraordinarily steep discounts to our OMFS which have been 'demanded' by unlicensed discount network brokers. It is common knowledge that discount network(s) are imposing greater than 50% reductions on the Workers' Comp Fee Schedule. Without sufficient regulation, we believe that perverse profit incentives will continue to dominate the Workers' Comp marketplace in California and other states, to the detriment of patient care.

As you may know, the Independent Physical Therapists of California are currently suing Align Networks and One Call Medical, Inc in federal court. We allege that defendants have/are violating 'anti-kickback' statutes in our Labor Code by explicitly offering a higher volume of referrals to physical therapists taking steeper discounts. We have also received many communications where PTs allege that defendants attempt to steer patients toward 'cheaper' providers, even interfering with ongoing episodes of care at more expensive and/or out-of-network clinics.

We are also concerned regarding the lack of transparency in the business practices of some discount networks. We believe they should be regulated and required to; 1) demonstrate how much revenue they are diverting away from direct patient care, 2) become licensed utilization review (UR) companies or cease UR activities, 3) become licensed claims adjustors and

administrators or cease such activities, 4) comply with all state billing standards, and 5) cease any activity where they may be violating bans on the corporate practice or medicine.

The Independent Physical Therapists of California understand that the suggested regulations might be met with severe resistance by some who wish to profit unduly from the hard work of medical providers, such as physical therapists. We also understand that unlicensed discount networks may try to convince payers to join them in opposing these regulations. Please consider the motives of the opposition to these regulations and compare what they are providing Arizona's injured workers and medical providers to what they are taking from them.

Finally, if you are having difficulty passing these regulations because of intensive lobbying, we suggest they could be re-written to stop the most rampant and abusive discount network conduct, which is occurring in the physical therapy industry. This would have a major impact on improving health care for injured workers because the discount network middlemen are unquestionably reaping their largest profit margins from the rehabilitation needs of injured workers.

We applaud your efforts on this matter and wish you luck in protecting Arizona's injured workers. Please keep us informed if we can be helpful in the future.

Sincerely,



Dr. Paul D. Gaspar, DPT  
President, Independent Physical Therapists of California