



May 10, 2017

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

Re: 2017/2018 Physician and Pharmaceutical Fee Schedule Recommendations

Dear Commission Members:

We appreciate the opportunity to comment on the proposed changes to the fee schedule found in the staff study recommendations. Optum Workers' Comp and Auto No-Fault is the nation's largest provider of workers' compensation pharmacy benefit management (PBM) services and we also operate a managed care network under the name Procura. We are generally supportive of the recommendations with one significant exception.

[Recommendation # 5, Payment to treating providers who participate in healthcare, preferred provider organization, outcome based network, or specialty networks.](#)

We have serious concern about the proposed floor of 90% for negotiated discounts between the network and the network providers. Today, discounts are negotiated between the network and the providers based on a number of factors and often include favorable options for the providers such as streamlined billing options, clinical support, guaranteed payments and other benefits. Such benefits could not be provided within a 10% margin. Discounts from the fee schedule are negotiated to help ensure the best level of care at the most reasonable cost to the workers' compensation system. It is our opinion that the currently proposed rule is an over-reach into a private business transaction and, since it creates a floor for a provider fee discount, will only serve to increase workers' compensation medical costs without a commensurate improvement in the quality of care. Networks can add tremendous value to the system by helping to facilitate access to care, help identify and reduce fraud and help payers identify areas of possible over-utilization or sensible cost savings.

There is also a lack of clarity around which medical providers this proposed language would impact. The definition of a provider referenced in AAC R20-5-1302 ultimately points to the definition of physician in R20-5-102 which states, "Physician" means a licensed physician or other licensed practitioner of the healing arts. There is no definition of a "practitioner of the healing arts" so we are uncertain if the rule applies to pharmacists, chiropractors, physical therapists or other similarly situated professions treating injured workers. It is our understanding that PBMs were not considered to be included in the definition but the definition is not specific enough to provide direction for future interpretations of the rule.

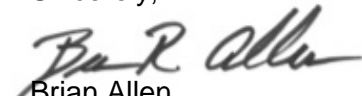
The staff study also does not indicate if entities that manage networks were contacted or had input on the outcome of the study, nor does the study delineate the problems targeted to be solved. It would seem premature to impose a rule on an important segment of the workers' compensation system without giving all of the entities in that segment a chance to understand the problems the rule is trying to fix and to work toward solutions that would not have an adverse impact on their ability to continue to provide services and deliver quality care at reasonable costs

to the system. It might also make sense to better understand how employer premiums might be impacted if such a change were implemented.

We recommend the Commission abandon any action on this section of the rule at this time because of the over-reach into private business contracts, the lack of input from impacted managed care entities and the potential adverse impacts to services and costs without any added benefit to the overall workers' compensation system. We would be happy to meet with the Commission or staff to better understand the problems you are trying to solve and to offer our expertise in helping craft sustainable solutions that will add value to the system.

Thank you again for your consideration of our comments. If you need additional information, please contact Brian Allen at [Brian.Allen@optum.com](mailto:Brian.Allen@optum.com) or at 801-661-2922.

Sincerely,



Brian Allen  
Vice President, Government Affairs