

Industrial Commission of Arizona



Arizona Physicians' and Pharmaceutical Fee Schedule
(Effective October 1, 2017 through September 20, 2018)

By

Medical Resource Office

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I. REVIEW OF ISSUES AND PUBLIC COMMENTS RECEIVED

A. Methodology to Determine the Values of Codes Under Review

The Commission has transitioned to an RBRVS reimbursement system which calculates fees by multiplying resources required to perform a service with a dollar value conversion factor. The RBRVS fee schedule uses a two-step methodology to compute reimbursement values for all service codes included in the 2016 ICA Fee Schedule. This included assigning a relative value unit (RVU) for each current procedural code (CPC or better known as CPT) and determining a conversion factor (CF) for the medical treatment and services covered under the fee schedule. A detailed description of the methodology used for the proposed RBRVS-based fee schedule is provided in the 2017/2018 Staff Study Recommendations and Request for Public Comment Report that is posted on the Industrial Commission Website (<https://www.azica.gov/divisions/medical-resource-office-mro>).

The following physicians and/or physician groups have submitted verbal and/or written comments regarding the issue A (1) Methodology to Determine the Values of Codes Under Review:

OrthoArizona – (65 orthopedic specialists); *Randall S. Prust, M.D.* – *Rincon Pain Management*; *William D. Ross, M.D.* – *Rincon Pain Management*; *Kevin S. Ladin, M.D.* – *Pain Management*; *David Bailie, M.D.* – *Orthopedic Surgeon*; *John A. Nassar, M.D.* – *Orthopedic Surgeon*; *Amit Sahasrabudhe, M.D.* – *Orthopedic Surgeon*; *Sonoran Orthopaedic Trauma Surgeons* – (seven orthopedic specialists, seven physician assistants); *Peter J. Campbell, M.D.* – *Orthopedic Hand Surgery*; *Mitchel A. Lipton, M.D.* – *The Hand Center*; *Carter B. Lipton, M.D.* – *The Hand Center*; *Paul M. Guidera, M.D.* – *Advanced Hand & Wrist Specialists*; *Mark A. Greenfield, D.O.* – *Orthopaedic Surgery*; *Arizona Associated Surgeons* (15 general and vascular surgeons); *Zoran Maric, MD-* *Spine Surgeon*; *The Orthopedic Clinic Association (TOCA)* – (18 Orthopedic Surgeons); *Arizona Center for Hand Surgery* (nine Orthopedic and Plastic surgeons) and *Arizona Medical Association (ArMA)*.

The majority of the above physicians expressed an understanding and support for the Commission’s transition to a RBRVS methodology to set fees. All of the physicians stated concerns regarding the proposed rate decreases for some of the surgical codes under the new RBRVS-based fee schedule. Several physicians noted appreciation for the proposed increased rates for Evaluation and Management codes; however, they did not believe the increase would make up for the difference in the proposed reductions in surgical procedure reimbursement. A few physicians suggested increasing the conversion factor for surgery. ArMA specifically requested the Anesthesia conversion factor of \$58.10 be raised to \$70.

Nearly all of physicians support the concept of using a “stop-loss” cap of five percent (5%) to ensure no code reimbursement is reduced or increased greater than five percent.

All of the physicians commented on the “challenges” or “additional requirements” associated with providing medical treatment to injured workers. Examples of additional requirements included: completing work status forms; completing FMLA/Disability forms; meeting with Nurse Case Managers; talking with employers; talking with attorneys; talking with peer review physicians; following ODG guidelines; testifying in hearings, and, determining impairment.

The following individuals and organizations submitted verbal and/ or written comments regarding the methodology issue A (1):

Cynthia Everlith – ESI Healthcare Management Solutions; Trey Gillespie- Property Casualty Insurers; Amanda Gualderama - Sentry Insurance; Dorrence B. Stovall – Prime Health Services; Deanna Salazar – Blue Cross Blue Shield of Arizona; Kim Ehrlich – Express Scripts; Sandy Shtab – Healthsystems; Brian Allen – Optum; Cathy Vines- Copperpoint Insurance; Susan Strickler – Arizona Self-Insured Association; Mike Huckins – Greater Phoenix Chamber of Commerce; and, Robert A. Holden- American Association of Payers Administrators and Networks (AAPAN).

The majority of the above organizations support the Commission’s adoption of a RBRVS reimbursement system.

The Commission received written comments regarding the proposed fee schedule rates from the following attorneys:

Patrick R. McNamara – Tretschok, McNamara & Miller, P.C.; Robert E. Wisniewski, Esquire; and, Brain A. Weekly – Snow, Carpio & Weekley, PLC.

The Commission received verbal comment April 27, 2017 from one attorney:

Darryl Engle- Jerome, Gibson, Stewart, Stevenson, Engle & Runbeck:

All of the attorneys voiced concern regarding the proposed reductions to some of the surgical codes. Specifically, they are concerned that reduction of workers’ compensation will mean fewer doctors will treat injured workers.

The Commission received comments from over fifty physical therapist. The following three physical therapists provided a comment on the proposed reimbursement rate and RBRVS methodology for determining rates:

Marlene DeRosa, Physical Therapist; Andrea Dunn, PT, DPT and, Julianne Brandt, Physical Therapist/Chief Operating Officer- Spooner Physical Therapy.

Marlene DeRosa P.T. supported the use of the RBRVS methodology; and, Julianne Brandt P.T. did not support reducing surgical rates.

Staff Recommendation

In order to manage potential disruptions stemming from significant reductions in the rates for individual procedure codes, staff recommend using a stop-loss measure that caps rate reductions at 25% across the entire fee schedule.

- We do not recommend developing a special conversion factor for surgery or orthopedic codes. The current proposed conversion factor groups together surgery and radiology, which serves to minimize reductions to surgery codes and ensuring over-valued radiology codes bear the brunt of reductions.

- A separate conversion factor for surgery or orthopedics would not be able to target individual code outliers, and would only be able to reduce losses by essentially continuing to overpay for other codes.
- A modification at the level of conversion factor potentially also dilutes the overall objectivity of the methodology.
- All rates would continue to be calculated according to the RVU-based method, using the three recommended conversion factors.
- Where the method results in individual RBRVS non-facility (NF) rate reductions greater than 25% of the 2016 ICA rate, the rate reduction would be capped at the 25% reduction.
- Where the method results in individual RBRVS facility (FAC) rate reductions greater than 25% of the 2016 ICA rate, the rate reduction would be proportionate to the NF rate reduction (i.e. a code that has a 40% NF rate reduction would have 15% added to the rate so that the NF rate reduction is equal to 25%. The proportionate approach would add fifteen percent (15%) to the FAC rate reduction. This approach will maintain the overall objectivity of the RBRVS methodology.)
- This cap would apply to the entire fee schedule, not just specific categories of codes. Impartial application of a cap would promote fairness, impartiality, and transparency in the interest of ensuring a smooth transition.
- Staff recommends establishing the stop-loss at a 25% reduction because that percentage will target virtually all of the individual codes of concern.
- Staff recommends implementing the stop-loss without a reciprocal stop-gain.
 - This would mean that providers expecting improvements in some rates (esp. E&M codes) would be able to see the benefits immediately, avoiding a zero-sum game among different specialties.

In response to stakeholder input, Staff recommend an increase of five percent (5%) to the current Anesthesia Conversion Factor. This would change the Anesthesia Conversion Factor from \$58.10 to \$61.00.

Additional recommendations after review of public comments related to issue A (1):

In response to the physician complaints regarding the additional requirements associated with providing medical treatment and services to injured workers (i.e. meeting with nurse case managers, workers' compensation system requiring large amounts of paperwork, etc.) staff recommends adding the additional three Arizona specific codes:

- AZ099-003 \$ 75.00
Meeting with Nurse Case Manager, face-to-face with Patient.
- AZ099-004 \$100.00
Meeting with Nurse Case Manager, without face-to-face contact with Patient.
- AZ099-005 \$40.00
Completion of insurance forms (i.e. return-to-work status), more than the information conveyed in the usual medical communications or standard reporting form. The Commission may want to consider adopting the use of a standardized Physician's Return to Work form.

B. Methodology to Update the Values of Codes Under Review

The RBRVS fee schedule will use the same two-step methodology that was used to determine the current proposed fee schedule rates and will be used to update reimbursement values for all service codes for years following 2017.

1. Assign RVUs to each service code

The first step in updating the RBRVS fee schedule will require updating RVUs for each service code included in the current Arizona RBRVS fee schedule. This will be done using one of the five methods stated below:

- a. RVUs in the Medicare Physician Fee Schedule and BUs in the Anesthesia Base Units schedule. The CY 2018 MPFS will be used as the preliminary source of assigning and updating RVUs for all service codes. In addition to the main MPFS, the Anesthesia Base Units schedule, a separate fee schedule maintained by CMS, will be used to assign and update units for all anesthesia service codes included in the Arizona RBRVS fee schedule.

After this step, the codes remaining will use the following alternate methods to update RVUs for the remaining codes.

- b. RVUs in the Optum 360 *Essential RBRVS*
The second method will use the *Essential RBRVS* to assign and update RVUs for all “gap” codes not found in the MPFS.
- c. RVUs in the Office of Worker’s Compensation Program Fee Schedule
The third method will use the Federal Department of Labor’s Office of Workers’ Compensation Program (OWCP) FY 2017 fee schedule to supply and update RVUs for all the remaining codes.
- d. Calculated Using Maximum Allowable Rates (Clinical and Diagnostic Laboratory fee schedule)
This method will be used to update RVUs for most pathology and laboratory service codes included in the current Arizona fee schedule, using the 2017 Clinical and Diagnostic Laboratory (CDL) fee schedule.
- e. Back-filling
Lastly, the back-fill method will be used to assign RVUs to all service codes that have a current rate but could not be assigned RVUs using the four methods stated above. This method will involve backing into overall RVUs by dividing the current rate by the updated conversion factor.

2. Conversion factor

Once RVUs are updated for all service codes, the next step will involve using an Arizona-specific conversion factor to calculate dollar value reimbursement rates for those relative unit values. The fee schedule will continue using a multiple conversion factor model, consisting of one conversion

factor for Anesthesia services, one for Surgery and Radiology and a third for all remaining service categories including E&M, Pathology and Laboratory, Physical Medicine, General Medicine, Special Services and Category III services.

To arrive at the new conversion factor, payments will be calculated based on the most recent available compensation claims and RBRVS rates to estimate the expected payments, considering all claims were paid according to the RBRVS rate. These estimated payments will then be divided by the total RVUs' utilization to calculate the three conversion factors. These conversion factors will then be used in calculating the rates for all service codes.

The Commission received Public Comments from the following people and organizations regarding issue A (2):

The majority of the public comments received, particularly from the physicians, supports the transition to the RBRVS methodology. In July 2016, the Commission approved and adopted the transition to a RBRVS-based methodology to set fees for the Arizona Physician's and Pharmaceutical Fee Schedule. The Commission decision to approve the use of a RBRVS-based methodology was based on recommendations from a 2014 advisory committee that examined the current fee schedule methodology; a 2016 RBRVS Fiscal Impact Study that examined the implications of implementing a RBRVS-based fee schedule; and, review of public comments received from stakeholders in 2015 and 2016.

Staff Recommendation

Staff recommend the Commissioners approve adoption of the RBRVS methodology as described under issue A (2) to update the value of the codes annually under Arizona Physician's and Pharmaceutical Fee Schedule.

C. Adoption of Physician's as Assistants at Surgery: 2016 Update

This is the publication that addresses when and what surgical procedures typically require second and third surgical assistants. This is the seventh edition of *Physicians as Assistants at Surgery*, a study first undertaken in 1994 by the American College of Surgeons and other surgical specialty organizations. The study reviews all procedures listed in the "Surgery" section of the 2016 American Medical Association's Current Procedural Terminology (CPT TM).

This table presents information about the need for a physician as an assistant at surgery. Also, please note that an indication that a physician would "almost never" be needed to assist at surgery for some procedures does NOT imply that a physician is never needed. The decision to request that a physician assist at surgery remains the responsibility of the primary surgeon and, when necessary, should be a payable service. It should be noted that unlisted procedure codes are not included in this table because by nature they are undefined and vary on a case-by-case basis.

The Commission received a comment from *Cathy Vines* with *Copperpoint Mutual Insurance* who support the recommendation to adopt Physician's as Assistants at Surgery: 2016 Update.

Staff Recommendation

Staff recommends the Commissioners approve adoption of the Physician's as Assistant's at Surgery: 2016 Update.

D. Designation of Medi-Span as the Publication for Purposes of Determining Average Wholesale Price ("AWP")

Medi-Span® is the publication currently used for determining AWP under the Pharmaceutical Fee Schedule. Staff recommends that this publication continue to be used for this purpose.

The Commission received public comments from the following stakeholders regarding issue A (4):

Sandy Shtab- Healthsystems; and, Cathy Vines- Copperpoint Mutual Insurance.

Both of the above stakeholders support the Commission's recommendation to continue to use this publication for determining AWP.

Staff Recommendation

Staff recommends continued use of Medi-Span as the publication for determining average wholesale price of drugs for the Arizona Physician's and Pharmaceutical Fee Schedule.

E. 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 (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.

The Commission received public comments from the following stakeholders on issue A (5):

John K. Bradway, M.D., David M. Ott, M.D., John Kinna, CEO – OrthoArizona; Cynthia Everlith – ESI Healthcare Management Solutions; Chic Older – ArMA; Pete Wertheim – AOMA; Trey Gillespie- Property Casualty Insurers; Amanda Gualderama - Sentry Insurance; Dorrence B. Stovall – Prime Health Services; Deanna Salazar – Blue Cross Blue Shield of Arizona; Kim Ehrlich – Express Scripts; Sandy Shtab – Healthesystems; Brian Allen – Optum; Cathy Vines- Copperpoint Insurance; Susan Strickler – Arizona Self-Insured Association; Mike Huckins – Greater Phoenix Chamber of Commerce; and, Robert A. Holden- American Association of Payers Administrators and Networks (AAPAN).

The Commission received public comments from the following physical therapist on issue A (5):
Julianne Brandt, PT, MBA, Chief Operating Officer - Spooner Phys Therapy; Michelle Babcock, PT, MSPT, OCS Director of Strategic Programs – Spooner Physical Therapy; Cynthia Driskell, PT / Vice President – PTPN; Dawn Rippa Executive Director – PTPN; Mark Hyland, OTR/L, CHT, DABDA – STI Physical Therapy and Rehabilitation; Joanna Smith Owner/Marketing Agent – Del Sol Therapy and Wellness Center; Rick Katz PT, DPT, MA, Vice President Operations and Payer Contracting (West) – ATI Physical Therapy; Houda I. Rizk, PT, MPT, BS; Bryan Hill, PT, FAFS, CEO – Rehab United; Marlene DeRosa, PT, Payer Relations – Arizona Physical Therapy Association; Nathan Shields, PT – Rise Rehabilitation Arizona; Henry Helms, PT- New West Rehabilitation; Caroline Taylor, DPT, OCS, FAAOMPT, Owner – Taylor & Thornburg Physical Therapy, Inc.; Kelly Sanders, PT, DPT, OCS, ATC, President – Team Movement for Life; Scott Campbell, PT ; Frederic “Chip” Hanker, PT, CPT, OCS – Team Movement for Life; Ken Yoshino, DPT, ATC – ACIC Physical Therapy and Performance Center; Michael McKindley, PT, DPT- Progressive Physical Therapy and Rehabilitation, Inc.; Chris Ota, PT, Owner- Campbell Physical Therapy; Nupur Oza, PT, Owner – Proactive Physical Therapy, Inc.; Aaron Williams, PT, DPT, CSCS, President & CEO- OSR Physical Therapy; Vince Kame, PT, MS, AT – Foothills Sports Medicine; Jerry and Connie McCollow, PT, Owners – Marana Physical Therapy; Wayne Foley, PT- Foothills Rehabilitation; Lissa Trevino, PT, MPT, ATC, FAFS, Owner- Ocean Physical Therapy, Inc.; Aaron Williams, PT, DPT, CSCS, President & CEO- OSR Physical Therapy; Linda Lebec, President & Owner – Lebec Physical Therapy; Wayne Foley, PT; Nathan Miller, DPT, PT – Carefree Physical Therapy; Fadi Aboulhosn, DPT, PT – Carefree Physical Therapy; Jessica Aboulhosn, DPT, PT – Carefree Physical Therapy; Chelsea Symansyk, DPT, PT – Carefree Physical Therapy; Cynthia Driskell, PT – Carefree Physical Therapy; Adam Iannazzo, MPT- Functional Capacity Interventions; Dennis Driscoll, PT – Tucson Physical Therapy; Eva Orso, PT, Owner – South Mountain Physical Therapy; Timothy A. Spooner, PT, FAFS, President & CEO – Spooner Inc.; Kenny Sargent, PT, DPT, MTC, Regional Clinic Director & Co-Owner – Spooner Physical Therapy; Pablo Ruiz, Jr., PT, Owner – White Tanks Physical Therapy, Goodyear AZ; Doug Meyrose, PT, DPT ; Stephen Haynes, PT, Owner – P.R.O Motion Physical Therapy, Inc.; Andrea Dunn, PT, DPT, President & Owner – Arizona Sports Physical Therapy; Jason Sweet, PT, DPT, Owner – Foothills Sports Medicine Physical Therapy; Robert B. Direnfeld, PT, DPT, Partner – Northwest Physical Therapy / ProActive Physical Therapy; Jamie Miller PT, DPT, CKTP, Clinical Director – Foothills Sports Medicine Physical Therapy; Laurie Shepard, PT, OCS, Owner – Physicians Physical Therapy; Bud Ferrante, PT, OCS, Owner – Carmel Orthopedic and Sports Therapy, Soledad Orthopedic Physical Therapy; James Kester, PT, DPT, Cert. SMT, DV, Dip. Osteoplastic, Partner/Director – FUSC – Foothills Sports Medicine Physical Therapy; Kathy Whooley, PT, OCS, CSCS, Owner – Larchmont Physical Therapy; Robert Walsh, DPT; Sean Miller, PT, CEO & Owner- Kinect Physical Therapy; Gary Souza, DPT, OCS, Owner , Adjunct Assistant Professor of Clinical Physical Therapy University of Southern California (USC) – PT & Associates; Dr. Paul Gaspar, DPT, President – Independent Physical Therapists of California; Matthew

Jaspers, PT, DPT, Owner – Arizona Sports Physical Therapy and Eric Sanderson, Office Manager – Arizona Sports Physical Therapy

Staff Recommends

The Commission received an overwhelming support for the proposed network language from physical therapists, the Arizona Medical Association (ArMA), the Arizona Osteopathic Medical Association (AOMA), and physician groups. The sheer volume of public comments received indicates that this is an important issue for our stakeholders. Staff recommend this issue be set aside in order to conduct further study and investigation into this issue.

F. Adoption of Deletions, Additions, General Guidelines, Identifiers, and Modifiers of the CPT®-4

This document includes a review of deletions and additions to the CPT®-4. It is intended to conform the Fee Schedule to the changes that have taken place in the 2017 edition of the CPT®-4. The recommended reimbursement values associated with each code are computed using the RBRVS reimbursement methodology.

Staff Recommends

Staff recommends adoption of deletions, additions, general guidelines, identifiers and modifiers of the 2017 CPT®-4.

G. Updates to the Adopted CPT® Codes

All CPT® codes have been reviewed and are in the Excel Tables 1- 5 posted on the Commission website April 20, 2017.

Further, as part of this process, and to improve the clarity of the information presented, CPT® codes that contain explanatory language specific to Arizona will continue to be preceded by Δ. Codes, however, that are unique to Arizona and not otherwise found in CPT®-4 are preceded by an AZ identifier (which replaces the Δ identifier) and numbered in the following format: AZ0xx-xxx.

In establishing the follow-up days for adopted codes in the RBRVS-based Fee Schedule, the Commission adopts surgical global periods published by CMS, replacing those published by Optum.

Staff Recommends

Staff is recommending the adoption of the changes contained in Tables 1 through 5, which are found in the accompanying Excel file.

II. Commission Action Regarding Changes to Arizona Physicians' and Pharmaceutical Fee Schedule

At its June 15, 2017, meeting, the Commission took action on the following issues. For more information regarding the discussion and action taken on these issues, please see the Commission minutes from that date, which are posted on the Commission's website at www.azica.gov.

A. Methodology to Determine the Values of Codes Under Review

The Commission unanimously approved the adoption of the methodology to determine the values of codes under review.

B. Methodology to Update the Values of Codes Under Review

The Commission unanimously approved the adoption of the methodology to update the values of the codes under review

C. Adoption of Physician's as Assistants at Surgery: 2016 Update

The Commission unanimously approved the adoption of the publication "Physician's as Assistants at Surgery: 2016 Update" as a reference.

D. Designation of Medi-Span as the Publication for Purposes of Determining Average Wholesale Price ("AWP")

The Commission unanimously approved Medi-Span as the publication for purposes of determining average wholesale price.

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

The Commission unanimously agreed to take no action at this time.

F. Adoption of Deletions, Additions, General Guidelines, Identifiers, and Modifiers of the 2017 CPT®-4

The Commission unanimously approved the adoption of the proposed values for all codes and adoption of the deletions, additions, general guidelines, identifiers, and modifiers of the CPT®-4. The adopted values, deletions, and additions are found in Tables 1 through 5 of the accompanying Excel file. This action conforms the Fee Schedule to changes that have taken place in the 2017 edition of the CPT®-4. Additionally, although the Commission is not permitted to include in its fee schedule the descriptors associated with five-digit CPT® codes, the adoption of the proposed values for all codes is intended to adopt by reference the terminology changes associated with those codes.

G. Updates to the Adopted CPT®-4 Codes

The Commission unanimously approved the adoption of the updated CPT®-4 Codes.