

*Workers' Compensation  
Medical Services Review Committee  
Meeting Minutes  
November 7, 2014*

**I. Call to order**

Director Monagle, acting as Chair of the Medical Services Review Committee, called the Committee to order at 9:01 am on Friday, November 7, 2014, in Anchorage, Alaska.

**II. Roll call**

The following Committee members were present, constituting a quorum:

Vince Beltrami	Dr. Mary Ann Foland	Jane Griffith
Dr. Robert Hall	Dr. William Pfeifer	Pamla Scott
Kevin Smith		

Member Tami Lindsey was excused. Member Vince Beltrami was unable to stay for the whole meeting.

**III. Approval of Agenda**

A motion to approve the agenda was made by member Pfeifer and seconded by member Smith. The agenda was approved without objection.

**IV. Approval of Minutes**

A motion to approve the minutes from the October 24, 2014 meeting was made by member Scott and seconded by member Pfeifer. The following corrections were noted

- The minutes reflect they were approved by unanimous vote, however members Beltrami and Smith abstained from voting.

The corrected minutes were approved without objection.

**V. Discussion on Data**

- The Division has received data from FairHealth (FH), but it was not received in time for advance distribution. Chair Monagle said data files would be copied to flash drives during the lunch break so that members could take the information with them.
- The FH data provided medical billing data at the mean, mode, 50<sup>th</sup>, 60<sup>th</sup>, 70<sup>th</sup>, 80<sup>th</sup>, 85<sup>th</sup>, 90<sup>th</sup>, and 95<sup>th</sup> percentile. The number used in the comparison spreadsheet was the mean average, which is consistent with the methodology used by NCCI.
- Director Monagle reminded the members that the data collected by FH is non-discounted pricing, which he referred to as the “full sticker” price, which is not what most insurers are paying.

- NCCI also provided their data at the 70<sup>th</sup>, 80<sup>th</sup>, and 90<sup>th</sup> percentile, so the spreadsheet can be revised to compare NCCI data and FH data at these percentiles.
- The revised spreadsheet, Fee Schedule Comparison 11-5-2014.xls, has the FH data in a column entitled “HC Average Bill”. It also has a column for displaying the difference between the 2010 workers’ compensation fee schedule maximum allowable reimbursement rate (MAR) and the “revised” MAR based on the conversion factor used.
- CMS has not yet released its relative values for CY2015, but that is expected any day. CMS relative values and conversion factors are expected to have little change in CY15.
- The comparison spreadsheet is not weighted for frequency, so the values derived from the projected conversion factor should be used for general guidance and not an indicator of overall impact on pricing.
- It is also important to take into consideration modifiers and whether the data has been screened to account for them. For example, modifier 51 provides for a 50% reduction when multiple procedures are performed in the same session. FH screens out all modifiers, except for procedures that have both a professional component (modifier 26) and a technical component (modifier TC). NCCI data is not screened for modifiers.
- Optum will be provided both NCCI and FH data and will obtain CMS CY2015 relative values. They will use this information to project weighted averages based on frequency to determine the impact of conversion factors on overall fee schedules. Optum will also be screening for modifiers that reduce payments to mitigate their impact on the data.
- The consensus of the Committee is that the fee schedule comparison compiled by the Division does not meet the Committee’s needs, as it does not take into account frequency or the impact of modifiers that reduce reimbursement. The Committee believes that the analysis being performed by Optum will give a more accurate projection of conversion factor impacts on fee schedules.
- The Workers’ Compensation Board will be tasked with adopting modifier rules in regulation. The MSRC may make specific recommendations to the Board on the adoption and use of modifiers.

*Break 10:00am-10:17am*

## **VI. Discussion on Data (continued)**

- Optum is still working on nondisclosure agreements with FH and NCCI, and waiting on CMS to release relative values for CY2015. Once this information is obtained, Optum will pull this information into a management tool, such as an Excel spreadsheet, for the Committee’s use. It will take several weeks to complete this task, therefore it is unlikely that this analysis will be completed by the scheduled November 21<sup>st</sup> meeting. However, Optum believes they should have their analysis completed before the December 12<sup>th</sup> meeting.

- The Committee discussed modifiers 26 (professional component) and TC (technical component). Certain procedures may involve a combination of services by a physician and other health care professional. In radiology for example, a technician commonly performs the technical component (takes the x-ray) and a radiologist performs the professional component (reads the x-ray).

Given the existing data, the Committee discussed whether there was sufficient information to be able to make decisions on conversion factors at this meeting. The general consensus was that the Committee would like to see Optum's analysis before making decisions on conversion factors. There is concern that with the holidays coming up, the Committee may not finish their work until early CY2015, which will push regulatory work by the Board further into next year. Director Monagle said the Committee may have to ask the legislature to push the effective date from July 1, 2015 to January 1, 2016 if it looks like stakeholders will need additional time for implementation.

While waiting for the Optum analysis, the Committee discussed whether they can act on other areas, such as air ambulance rates, prescription drug fees, and durable medical equipment fees. While the MSRC is not specifically tasked with coming up with conversion factors for these areas, it does have authority under the statute to make recommendations to the Board.

- CMS produces a durable medical equipment (DME) fee schedule, but many HCPCS codes that pertain to workers' compensation are not included in the CMS schedule. The Committee could recommend establishing a MAR of CMS plus a percentage, with invoice plus 20% for HCPCS codes not in the CMS schedule. Member Scott stated her preference for staying with invoice plus 20%.
- For prescription drugs, the existing fee schedule provides for reimbursement at average wholesale price (AWP) x 1.20 for brand name and AWP x 1.25 for generics. The Committee could recommend staying with the existing methodology, or another schedule based on a different measure of "original manufacturer's invoice". It was noted that Medicaid now uses wholesale acquisition cost (WAC) plus 8%, with a dispensing fee of \$26.74 for prescriptions under 29,500/year; \$16.98 for prescriptions between 29,500 and 85,000/year; and \$12.12 for prescriptions more than 85,000 per year. Director Monagle has taken Coventry up on their offer to provide some comparative pricing under AWP and WAC using the prescription provided by NCCI, and should have this information by the December 12<sup>th</sup> meeting.

## **VII. Public Comment**

Lisa Anne Forsythe, Coventry Health Care.

- Coventry is working on obtaining the prescription drug pricing requested by the Committee.
- Coventry reiterates the comments that providers and payers will need adequate lead time to program their systems once the new fee schedules are adopted by the Board.

Sheila Hanson - Corvel

- Corvel would like to see the Committee and the Board adopt a requirement that pharmacies bill using the universal claim form prescribed by the National Council for Prescription Drug Programs. This is to standardize billing forms being used by pharmacies, similar to standardized forms used by physicians and hospitals.

Misty Steed - PACBLU

- There are two AWP's - an original manufacturer's average wholesale price and repackaged AWP. If the Committee chooses to go with AWP, it will want to make sure and clarify which AWP is to be used.

### **VIII. Discussion on Data (continued)**

The Committee discussed the inpatient and outpatient data provided by FairHealth, which is based on CMS Medicare Provider Analysis and Review (MEDPAR) data, and Outpatient Standard Analytical File (OPSAF) data respectively. MEDPAR data is claims data for services provided at CMS certified inpatient hospitals. MEDPAR records represent final action claims data in which all adjustments have been resolved. OPSAF data is based on CMS billed charges for services offered in an outpatient setting, excluding professional services.

Member Pfeifer questioned whether this adequate data to price workers' compensation because the care mix is so different. Member Griffith noted that the payment methodologies for workers' compensation are different from CMS. What you don't see in the FH MEDPAR data are the actual hospital charges. In addition, each acute care hospital in Alaska has its own DRG weight, so a single conversion factor will impact each facility a bit differently. Director Monagle acknowledged that each hospital has their own wage indexes, capital costs, and resultant CMS allowable fees, but for simplicity it is better to build the conversion factor off the CMS DRG.

Member Griffith says she knows what conversion factor will keep Providence at the current fee schedule rate, and says other hospitals have gone through the same exercise and provided that information to ASHNHA. While the CMS labor and expense multipliers are different for each facility in Alaska, they aren't that far apart. She said the hospital industry in Alaska has discussed and is prepared for a single conversion factor.

Regarding outpatient fee schedules, the existing workers' compensation fee schedule has one MAR for outpatient and ambulatory surgical centers (ASC). HB316 likewise seemingly lumps outpatient and ASC's into a single fee schedule based on ambulatory payment classifications. However, it would be within the scope of the legislation to have separate fee schedules should the Committee choose to do so.

There was discussion on the transition from UCR to RBRVS fee schedules in Montana, beginning in 2012. Optum assisted Montana with their transition. Once Optum has a chance to analyze the NCCI and FH data, they will be able to identify areas of medical procedures that might have to be phased in to mitigate the impact of the transition to RBRVS.

*Lunch Break 11:57am-1:30pm*

#### **IX. Fee Schedule Development**

Director Monagle provided Committee members with flash drives containing the FH and NCCI data. He reminded the Committee members that the data is proprietary and may only be distributed to third parties with the written consent of FH and NCCI.

Director Monagle opined that the Committee is at the point of awaiting Optum's analysis before moving forward. Optum had also mentioned waiting for CMS CY2015 relative values, which has not yet been released. Therefore, it might be best to cancel the November 21<sup>st</sup> meeting if Optum has not completed their work by then. He stated he will be talking to Optum and will have an answer for the committee on this question by sometime next week.

He also mentioned that Guardian is interested in making a presentation at the next meeting, and he will coordinate with them to fit that in the agenda. He has also asked NCCI to update their air ambulance data, and will distribute that as soon as it is made available.

Member Griffith stated she would also like to see CMS information on hospital index costs. Member Pfeifer would also like to see CMS's DME and Pathology and Lab fee schedules. The Committee would also like to obtain a copy Idaho's fee schedule regulations.

*Meeting Adjourned 2:18 pm*