Workers’ Compensation Medical Fee
Schedule Recommendations

July 27, 2018

Medical Services Review Committee

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Christopher Twiford, DC
Mary Ann Foland, MD
Jennifer House
Misty Steed
Pamla Scott
Vince Beltrami
Tammi Lindsey
July 27, 2018

To: Heidi Drygas, Commissioner of the Department of Labor and Workforce Development

The Medical Services Review Committee (MSRC) is pleased to present the following report outlining workers’ compensation medical fee schedule recommendations. The Committee is an advisory body established by the Alaska Legislature in 2005 to assist and advise the Department of Labor and Workforce Development and the Alaska Workers’ Compensation Board (Board) in matters involving the appropriateness, necessity, and cost of medical and related services provided under the Alaska Workers’ Compensation Act.

In this report the committee presents its recommendations for your review. It is the committee’s belief that these recommendations will maintain employee access to medical care while improving medical cost stability and predictability to the employers who are required by law to pay for those benefits.

Sincerely,
Marie Y. Marx
Chair, Medical Services Review Committee
Director, Division of Workers’ Compensation
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ACKNOWLEDGEMENTS

As Chair of the Medical Services Review Committee (MSRC), I would like to acknowledge the tremendous amount of time the committee members have dedicated to this task. In 2018, the MSRC held three meetings: June 15, 2018; July 13, 2018; and July 27, 2018. As full-time professionals, the time these committee members took away from their practices and professions is deeply appreciated.

At these meetings, the MSRC analyzed data, reviewed reports, listened to testimony, and learned the complex rules of medical billing and payment formulas. All of these meetings were open to the public, and public comment was taken at each meeting. The agenda and minutes of those meetings are posted online at http://labor.alaska.gov/wc/med-serv-comm.htm.

I would also like to acknowledge Eric Anderson and Carla Gee with Optum, whose input and subject matter expertise was invaluable to the committee’s work.
EXECUTIVE SUMMARY

PURPOSE OF THIS REPORT
The purpose of this report is to convey the additional recommendations of the MSRC.

While HB316 only specifically tasked the committee with proposing conversion factors for physicians and facilities, the committee finds that it has subject matter expertise and statutory authority to make further fee schedule, billing, and payment recommendations that would be helpful and provide guidance to the Alaska Workers’ Compensation Board in adopting regulations.

BACKGROUND
The MSRC is composed of

- one member who is a member of the Alaska State Medical Association;
- one member who is a member of the Alaska Chiropractic Society;
- one member who is a member of the Alaska State Hospital and Nursing Home Association;
- one member who is a health care provider, as defined in AS 09.55.560;
- four public members who are not within the definition of "health care provider" in AS 09.55.560; and
- one member who is the designee of the commissioner and who shall serve as chair.

The members are appointed by the Commissioner of Labor and Workforce Development. No terms for the members are set out in statute or regulation - they serve at the will of the Commissioner.

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<th>First Name</th>
<th>Affiliation</th>
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<td>Marie</td>
<td>Director, Division of Workers’ Compensation</td>
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<td>Hall, MD</td>
<td>Robert J.</td>
<td>Orthopedic Physicians Anchorage, Inc.</td>
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Medical Services Review Committee
Medical Fee Schedule Summary Report
July 27, 2018
RECOMMENDATIONS OF THE MSRC

Alaska Workers’ Compensation Medical Fee Schedule Guidelines
The committee finds that incorporating its recommendations into guidelines would best serve the public. The committee’s full recommendations may be found in the attached Alaska Medical Fee Schedule Guidelines (Guidelines). For convenience, significant new recommendations are set forth below.

Rounding Calculations
The MSRC recommends that when calculating maximum allowable reimbursement (MAR) under the Guidelines, the Alaska MAR payment is rounded to two decimals after the conversion factor (CF) is applied.

Physician Fee Example data for CPT code 10021 with the 2018 Alaska GPCI using the non-facility RVUs:

<table>
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<tr>
<th>RVUs</th>
<th>GPCI</th>
<th>Subtotal</th>
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<tr>
<td>Work RVU x Work GPCI</td>
<td>1.27</td>
<td>1.500</td>
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<tr>
<td>Practice Expense RVU x Practice Expense GPCI</td>
<td>2.03</td>
<td>1.117</td>
</tr>
<tr>
<td>Malpractice RVU x Malpractice GPCI</td>
<td>0.17</td>
<td>0.708</td>
</tr>
<tr>
<td>Total RVU</td>
<td></td>
<td></td>
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</table>

**Example calculation:**

\[
\begin{align*}
1.27 \times 1.500 &= 1.905 \\
+ 2.03 \times 1.117 &= 2.26751 \\
+ 0.17 \times 0.708 &= 0.12036 \\
= 4.29287 \\
4.29287 \times \$174.00 (CF) &= 746.95938 \\
\text{Payment is rounded to } \$746.96
\end{align*}
\]

**Physician Fee Schedule**
The current physician fee schedule conversion factors are:
1. Evaluation & Management $80.00
2. Medicine $80.00
3. Surgery $174.00
4. Radiology $206.00
5. Pathology and Laboratory $142.00
6. Anesthesiology $121.82

The MSRC recommends the following conversion factor changes:
1. Surgery $165.00
2. Radiology $196.00
3. Pathology and Laboratory $135.00
**Critical Access Hospitals**
Mt. Edgecumbe Hospital is now a critical access hospital. The MSRC recommends the Guidelines be updated to reflect this change.

**Hearing Aids**
The MSRC recommends the dispensing of hearing aids be reported with the appropriate HCPCS Level II codes and a copy of the invoice. It also recommends the MAR be the lower of billed charges or invoice plus 30 percent.

**Pathology and Laboratory**
The MSRC recommends laboratory services not found in the Resource-Based Relative Value Scale (RBRVS) but found in the Centers for Medicare and Medicaid Services (CMS) Clinical Diagnostic Laboratory Fee Schedule (CLAB) file use a multiplier of 6.33 for the values in the payment rate column in effect at the time of treatment or service. For example, if CPT code 81001 has a payment rate of $3.92 in the CLAB file, this is multiplied by 6.33 for a MAR of $24.81.

**Anesthesia Modifiers**
The MSRC recommends the Guidelines explicitly include all anesthesia “Q” modifier codes.

**Multiple Procedure Payment Reduction (MPPR)**
The MSRC recommends CMS MPPR guidelines be followed except where superseded by the Alaska Medical Fee Schedule Guidelines, such as for modifier 50 and 51.

**2019 Objectives**
In 2019, the committee intends to fully analyze all fee schedule categories, and make more progressive reductions.