Workers' Compensation
Medical Services Review Committee
Meeting Minutes

July 7, 2014

I. Call to order

Director Monagle, acting as Chair of the Medical Services Review Committee, called the Committee to order at 9:03 am on Monday, July 7, 2014, in Anchorage, Alaska.

II. Roll call

Director Monagle conducted a roll call. The following Committee members were present:

Dr. Robert Hall	Dr. William Pfeifer	Dr. Mary Ann Foland
Kevin Smith	Pamela Scott	Vince Beltrami
Tammi Lindsey		

Director Monagle noted that Alaska State Hospital and Nursing Home Association delegate Jane Griffith was in attendance, but had not yet been formally appointed by the Commissioner of Labor and Workforce Development.

III. Agenda Approval

A motion to approve the agenda was made and seconded. The agenda was approved by unanimous vote.

IV. Introduction of New Members and Guests

Director Monagle introduced new Committee member Dr. Mary Ann Foland and nominee Jane Griffith. He also introduced Workers' Compensation Division Administrative Officer Alan Ezzell, Chief of Adjudications, Janel Wright, and Legislative Liaison Anna Latham. Mr. Monagle covered some housekeeping items regarding Committee member travel, reimbursements, and per diem.

V. Chair's Report

Director Monagle led the Committee through a PowerPoint overview of the Alaska workers' compensation system. Highlights of the presentation included the following points:

- Despite declining frequency of workers' compensation injuries, costs have continued to rise, to approximately $280 million in 2013.
- Alaska has the highest workers' compensation premium rates in the nation.
- The largest cost driver of workers' compensation premium rates is medical costs, which comprise $.76 of every dollar spent on benefits, which compares to $.59 per dollar countrywide.

- In the past 10 years, workers' compensation medical costs increased 46.0%, from $120.0 million in 2004 to $179.7 million in 2013. Over that time medical costs have increased on average 4.9%/year.
- The average medical cost per workers' compensation indemnity claim in Alaska is $54,000, compared to a countrywide average of $28,000.
- Alaska's workers' compensation reimbursement rates are 170% of allowable Medicare rates, the highest percentage over Medicare in the nation.
- Maximum allowable reimbursement (MAR) rates for workers' compensation medical treatment is higher than MAR rates for general healthcare in Alaska, and significantly higher than MAR rates for regional states.
- The cost of prescription drugs is a factor in medical costs, making up approximately 10% of workers' compensation medical expenditures. Related issues include the dispensing of opioid pain killers and physician dispensing.
- Legislative reforms since 2005 include the formation of the Medical Services Review Committee and the establishment of a Workers' Compensation Task Force, culminating with the passage of HB316 by the Alaska Legislature in 2014.

Director Monagle concluded his presentation by summarizing the MSRC's goal, as set for in HB316, which is to recommend conversion factors for

- a physician fee schedule based on the Centers for Medicaid and Medicare (CMS) resource based relative value scale (RBRVS);
- outpatient and ambulatory surgical fee schedules based on CMS' ambulatory payment classifications (APC); and
- inpatient fee schedule based on CMS' Medicare Severity Diagnosis Related Groups (MS-DRG).

The MSRC's recommendations will be presented to the Commissioner of Labor and Workforce Development for approval, then forwarded to the Alaska Workers' Compensation Board for adoption by regulation.

The goal is to have these recommendations submitted to the Board by the end of calendar year 2014, so that the Board can finish its regulatory work by March 1, 2015. This will give providers and payers time to program their systems before these new fee schedules become effective on July 1, 2015.

Director Monagle acknowledged the legislative intent of HB316 was not to lower workers' compensation premium rates by making draconian cuts to workers' compensation fee schedule rates, but rather to bring those rates more in line with healthcare costs. He acknowledged that this doesn't mean there will not be reductions in some practice areas. He opined that he thought a single across the board conversion factor would likely not work given the significant differences in practice categories. Dr. Pfeifer stated the RBRVS system is scientifically based, and having multiple conversion factors in essence invalidates the scientific process used to

produce those relative values. He speculated that the Committee may wish to come up some other way of approaching this problem without invalidating relative values.

Director Monagle stated the Division is working on issuing a request for proposals (RFP) to hire a consultant with specific subject matter expertise to advise the Division, the Committee, and the Board in their deliberations. He is hopeful that the contract can be awarded by the next Committee meeting.

Break 10:00am-10:18am

VI. Public Comment Period 10:15 am -11:00 am

Sheila (last name inaudible), CorVel.
CorVel has seen an uptick in physician repackaging. These repackaged drugs often do not use a FDA NDC code. CorVel recommends Alaska does what many other states have done, which is to base reimbursement on original manufacture's NDC value.

Cory Wedding, Healthcare Solutions
Healthcare Solutions has concern with section 2, subsection (l) of HB316. Most pharmacy transactions at the retail level are done electronically. Most retail pharmacies do not have access to the original manufacturer's invoice price, as they purchase from distributors. The concern is that retail pharmacies will not be able to use their electronic system to pay because of this requirement.

VII. Review of formulas

Director Monagle stepped through the formulary process used to produce relative values: work relative values; practice expense relative values, and malpractice relative values. He also noted CMS provides adjustments for geographic practice cost indices (GPCI) and sustainable growth rate (SGR). He opined that the MSRC will be including the GPCI when considering relative values, but excluding SGR adjustments.

It was pointed out that there are two GPCI adjustments for Alaska. One for urban and one for rural communities.

There was general discussion on adopting relative values vs adopting CMS rates. It was clarified that the MSRC will be working off relative values and not CMS rates.

Director Monagle went on to review the CMS formulas for the outpatient prospective payment system (OPPS), and the CMS inpatient prospective payment system (IPPS).

Director Monagle presented for Committee members, copies of the Idaho RBRVS fee schedule and the Utah RBRVS fee schedule.

There followed a general discussion on treatment guidelines and dispute resolution.

VIII. Data

Director Monagle next discussed which workers' compensation medical data sources the Committee might consider. One readily available source is medical data from NCCI. Beginning in 2010, NCCI started collecting medical data from insurers. This data was first produced for Alaska in January 2013, and updated in September 2013. An update is expected in September 2014. NCCI produces paid data for the top 25 procedure codes based on payment, and a separate list based on frequency.

Director Monagle envisions obtaining paid data from NCCI for the top 25 procedure codes for each category & obtaining pay data from healthcare for a side-by-side comparison. Other possible sources of healthcare data include self-insureds, such as the State of Alaska, and the Alaska Health Trust.

Doctor Pfeifer said that in addition to average pay data, he would like to see pricing broken out by percentile. He also suggested that having charge data might be helpful in decision making for Committee members.

There were no objections from the Committee members on this data collection approach.

Lunch Break 12:05 pm-2:01 p.m.

IX. Closing Remarks

There was a general discussion concerning quality outcomes in workers' compensation. It was observed that pricing is just one component of care, that more needs to be done to ensure quality care and measurement of treatment outcomes. It was noted that these same discussion's are being held by the Alaska Healthcare Commission, and the need for more collaboration among stakeholders in the various healthcare systems. There was also acknowledgement that treatment under workers' compensation differs from treatment in general health, in that there is a greater time commitment for providers in workers' compensation, completing reports for insurers, employers, claims administrators, and depositions.

In closing, Director Monagle stated that the material from this meeting will be posted online on the Division's website, and that future meetings will include opportunities for public comment from stakeholders.

Meeting Adjourned 11:20 am