

*Workers' Compensation  
Medical Services Review Committee  
Meeting Minutes  
September 5, 2014*

**I. Call to order**

Director Monagle, acting as Chair of the Medical Services Review Committee, called the Committee to order at 9:00 am on Friday, September 5, 2014, in Anchorage, Alaska.

**II. Roll call**

The following Committee members were present, constituting a quorum:

|                     |                     |               |
|---------------------|---------------------|---------------|
| Dr. Robert Hall     | Dr. William Pfeifer | Jane Griffith |
| Dr. Mary Ann Foland | Kevin Smith         | Pamela Scott  |
| Kevin Smith         | Tammi Lindsey       |               |

Director Monagle noted that member Vince Beltrami was excused.

**III. Approval of Agenda**

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

**IV. Approval of Minutes**

A motion to approve the minutes from the July 7, 2014 meeting was made and seconded. The minutes were approved by unanimous vote.

**V. Chair's Report**

- The Division has completed a request for proposal (RFP) for vendors to provide professional services to the Committee and the Board. There was only one bidder, Optum. The Division has issued an Intent to Award, which closes 9/12/14, and hopes to have Optum available at the next meeting.
- The Division has obtained medical bill payment data from the National Council on Compensation Insurance (NCCI), which lists the top 25 procedure codes by service category. Procedures are sorted by total dollars paid, by service category, and includes transaction counts. Director Monagle noted that the spreadsheet had been previously sent to the committee members. Dr. Pfeifer stated he would like to see the pay data at the 90 percentile. Director Monagle said the Committee will have to decide which data sources it would like and how much data is required to make decisions.
- The Division has requested health claims data from several healthcare insurers, including Primera Blue Cross, Aetna Life Insurance Co., United Health Ins Co., and the ASEA Health Trust. These insurers have been asked to voluntarily

provide their average claims costs for the same 25 procedure codes provided by NCCI. The Director acknowledged these insurers may have concerns with the proprietary nature of this information.

- At the July meeting, the Committee requested additional information on provider billing data. The Division has been in communication with FairHealth to provide average billed data in Alaska for the same procedure codes identified by NCCI. Obtaining this additional data will require contracting with FairHealth. The Division is currently exploring whether there are other vendors to determine whether a sole source contract may be issued, or whether a competitive bid must be issued.
- HB316 tasks the Alaska Workers' Compensation Board (Board) with producing a prescription drug fee schedule, an air ambulance fee schedule, and a durable medical equipment fee schedule. While these tasks are not specifically subject to MSRC review, Director Monagle said he would like the Committee to make recommendations for these items as well.
  - The prescription drug fee schedule is based on the "original manufacturer's invoice", plus a dispensing fee and markup. Public comment received from several prescription benefit management (PBM) companies state this language poses a challenge for payers, as retailers and PBM's do not pay off "invoice" pricing. The committee will need to determine which benchmark to use in determining "manufacturer's invoice" pricing. Benchmark options include average wholesale price (AWP), wholesale acquisition cost (WAC), average manufacturer price (AMP), or some other benchmark.
  - Establishing an air ambulance fee schedule may prove problematic, as state regulation of the pricing of an air carrier may conflict with the Airline Deregulation Act of 1978. Unlike general healthcare, under the Alaska Workers' Compensation Act, providers may not balance bill injured workers. There was a general discussion on air ambulance services and charges in Alaska, and membership enrollment plans offered by carriers. Member Griffith stated for the record that she serves as treasurer for one of the regional air ambulance providers. Director Monagle said he would forward some case law on point to the committee members, and would contact carriers to solicit their input.

*Break 10:05am-10:22am*

## **VI. Public Comment**

Cathy Wilson - Automated Healthcare Solutions

AHS has been working with stakeholders and regulators to ensure physician repackaging is based on the original manufacturer's average wholesale price (AWP) and not the repackaged AWP. This ensures that the same pricing structure is used whether prescription drugs are obtained from a dispensing physician or a retail pharmacy. The language in HB316 concerning "manufacturer's invoice" will be impossible to implement because each dispenser has different acquisition costs, based on volume purchases, discounts, etc. For a fee schedule to be workable, it will have to

be based on AWP, which is still the most widely accepted benchmark for determining wholesale pricing, as collected by national data collection companies such as Medi-Span, First Databank, and Red Book.

Ms. Wilson's comments were followed by questions and discussion on AWP. There was also a discussion whether there should be a separate geozip adjustment for bush Alaska.

Sheila – CorVel

Repackaged drugs have their own national drug code (NDC). Fee schedules should crosswalk back to the original manufacturer's NDC for pricing. Oregon's fee schedule is AWP less 50%. CorVel can provide a comparison of AWP rates in other states.

Director Monagle pulled up the September 2013 NCCI medical data report for Alaska. He reviewed the distribution of physician payments by physician specialty.

## **VII. Review of conversion factors**

Director Monagle reviewed a spreadsheet listing the average price paid by workers' compensation insurers for the top 25 procedure codes provided by NCCI. He expanded the spreadsheet to include the average price paid by Medicare, the maximum allowable reimbursement (MAR) under the existing workers' compensation fee schedule, and a column for calculating the MAR based on CMS relative values.

He then discussed using a single conversion factor, and how that would impact fees in the various service categories. The Department of Law has opined that multiple conversion factors are within the legal scope of HB316. A discussion followed on whether CMS will continue to have a single geographic adjustment for Alaska, or whether that will be lowered. It was pointed out that the MSRC is tasked with reviewing conversion factors on an annual basis, so could react to a lowered geographic adjustment by adjusting the conversion factor accordingly.

A general discussion ensued on the relative values produced by CMS. Several members noted that the values established do not cover actual costs in Alaska. It was noted that this is why the Board has been given authority to set the conversion factor, rather than relying on the CMS conversion factor.

A discussion followed on the impact of utilization, which HB316 does not address. It was noted this question was raised repeatedly during legislative hearings. This led into a general discussion on the adoption of evidence based medicine and the adoption of treatment guidelines.

Member Scott moved that the Committee may adopt multiple conversion factors. Seconded by member Lindsey. Following discussion, the motion passed, with 6 members voting for the motion, and one member voting against.

*Lunch Break 11:58am-1:28pm*

### **VIII. Review of Data**

Director Monagle distributed several handouts; a briefing paper on AWP, an analysis of relative value methodology, and an overview of CMS payment formulas.

He discussed other tasks falling under HB316, including the development of a durable medical equipment fee schedule, language to address unlisted codes and procedures, language to address care at critical access hospitals and other specialty hospitals, and additional geographical adjustments.

The next item discussed by the Committee was the issue of medical data. The Committee would like to see some general health data for side-by-side comparisons to NCCI's pay data. Director Monagle stated the challenge is that there is no statutory requirement for healthcare insurers to provide this information on a voluntary basis. Insurers have a proprietary interest in protecting actual paid data due to negotiated rates with policy holders. He also stated that the Division can obtain provider bill data from FairHealth, but that data will be based on billed charges, not paid amounts. The Committee would also like to see more robust inpatient hospital data, as the dataset from NCCI was for a limited number of DRG codes.

The consensus of the Committee is that additional provider billing data is necessary. Director Monagle stated he will work with the department's procurement staff to issue a Request for Interested Parties to see if there are other vendors able to supply medical billing data, and depending on the response, the Division will either enter into a sole source contract or will issue a bid request. Director Monagle said he would try to get FairHealth and NCCI present at the next meeting to discuss their data and answer additional questions the Committee members may have.

### **IX. Closing Remarks**

The Committee was asked whether they wished to continue having meetings in-person, telephonically, or by video conference. The Committee's preference was to continue meeting in-person.

Director Monagle said there would be an interpretive memo coming out on HB141 and HB316 to address some overlapping language.

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.

For the next meeting, he will

- Attempt to have Optum available;
- line up someone from NCCI and FairHealth to speak to the Committee about their data sets;
- consult with Dr. Pfeifer to try to get someone from the Chiropractic Society to discuss the RUC committee process;
- get a synopsis from on the air ambulance legal question; and
- contact air ambulance providers to see if they wish to address the Committee.

*Meeting Adjourned 2:45 pm*