

HB

178

<TARGET><BILL>HB 178</BILL><SUBJECT>HB
178</SUBJECT><COMM>SFIN29</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/15

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 178

HB 178 WORKERS' COMP MEDICAL FEES; DELAY

"An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

| Dept Abbr. | |
|------------|-----|
| ADM | LWF |
| CED | LAW |
| COR | LEG |
| EED | MVA |
| DEC | DNR |
| DFG | DPS |
| GOV | REV |
| DHS | DOT |
| AJS | UA |

| NEW FISCAL NOTE(S) | | | | |
|--------------------|--------|--------|------|------|
| Dept. | Fiscal | Indet. | Zero | FN # |
| | | | | |
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| PREVIOUS FISCAL NOTE(S) | | | | |
|-------------------------|--------|--------|------|------|
| Dept. | Fiscal | Indet. | Zero | FN # |
| LWF | | | ✓ | 1 |
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APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|-------------------|---------|-------------|--------|-------|
| | MICCIONE | ✓ | | | |
| | BISHOP | ✓ | | | |
| | Hoffman | | | ✓ | |
| | Kelly | ✓ | | | |
| CO-CHAIR: | MacKinnon | ✓ | | | |

Fiscal Note

State of Alaska
2015 Legislative Session

| | |
|---------------------|----------|
| Bill Version: | HB 178 |
| Fiscal Note Number: | 1 |
| (H) Publish Date: | 4/9/2015 |

Identifier: HB178-DOLWD-WC-04-02-15
 Title: WORKERS' COMP MEDICAL FEES; DELAY
 Sponsor: LABOR & COMMERCE
 Requester: House Labor and Commerce

Department: Department of Labor and Workforce Development
 Appropriation: Workers' Compensation
 Allocation: Workers' Compensation
 OMB Component Number: 344

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2016 Appropriation Requested | Included in Governor's FY2016 Request | Out-Year Cost Estimates | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|------------|
| | | | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| OPERATING EXPENDITURES | FY 2016 | FY 2016 | | | | | |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Services | | | | | | | |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| None | | | | | | | |
| Total | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

| | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2015) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2016) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

| | | | |
|--------------|---|--------|---------------------|
| Prepared By: | Michael Monagle, Director | Phone: | (907)465-6059 |
| Division: | Workers' Compensation | Date: | 04/02/2015 04:00 PM |
| Approved By: | Heidi Drygas, Commissioner | Date: | 04/03/15 |
| Agency: | Department of Labor and Workforce Development | | |

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2015 LEGISLATIVE SESSION

Analysis

With the passage of HB 316 in 2014, the Medical Services Review Committee was tasked with creating conversion factors for a fee schedule produced by the Centers for Medicare and Medicaid Services for Workers' Compensation medical billings. This bill postpones the effective date of the new fee schedule from July 1, 2015 to December 1, 2015.

There is no fiscal impact to the Department of Labor and Workforce Development anticipated as a result of this legislation.



ALASKA STATE LEGISLATURE

HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON

Chairman
State Capitol, Room 24
Juneau, AK 99801-1182
(907) 465-4954 Fax 465-3835

Rep. Shelley Hughes, Vice-Chair
Rep. James Colver
Rep. Gabrielle LeDoux

Rep. Cathy Tilton
Rep. Andrew Josephson
Rep. Sam Kito III

Sponsor Statement

House Bill 178

"An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

For many years Alaska has faced the highest workers' compensation rates in the nation. During the second session of the 28th Legislature, House Bill 316 was passed. The bill was a more sweeping solution to the challenge of the previous medical services fee schedule than we have experienced in many years.

HB 316 tasked the Medical Services Review Committee (MSRC) with setting a conversion factor and a geographic differential to be used in conjunction with a basic fee schedule based on a relative value unit methodology. Once set, the conversion factor will be approved by the Commissioner of the Department of Labor prior to adoption by regulation by the Workers' Compensation Board. All this was to be accomplished by July 1, 2015.

Since passage of HB 316, the MSRC has been reactivated and met numerous times. They have nearly completed their part in establishing the conversion factors. More work remains to be done to ensure the reform can take effect.

House Bill 178 grants a 5 month extension to complete this important step in lowering workers' comp costs in both the public and private sector. Without this extension, time may run out before the comprehensive reforms instituted last year can be implemented.

I encourage you to support this legislation.

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules
- Member: Resources, Community & Regional Affairs,
Economic Development Trade & Tourism,
Fisheries, Legislative Budget & Audit

Session: January - April
State Capitol, Room 24
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Official Business

Interim: May - December
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CSHB 316 Sectional Analysis ver. R

Section 1. Amends the physician, outpatient and ambulatory surgical center, and inpatient hospital fee schedules to be based on the federal Centers for Medicare and Medicaid Services fees.

Section 2. Requires the Workers' Compensation Board to annually review and adjust fees set by the Medical Services Review Committee under Section 1. The conversion factor for the fee schedules is established by the Medical Services Review Committee and adopted by the Board in regulation. Provides for maximum reimbursement for fees rendered in another state. Requires the Board to set the rate for air ambulance service. Requires the Board to set the markup, and reimbursement limits for durable medical equipment. Requires the Board to set the markup, dispensing fee, and reimbursement limits for prescription drugs. Requires a prescription drug dispensed by a physician to include in an invoice the original manufacturer's code from the National Drug Code Directory published by the USFDA. Exempts critical access hospitals from the fee schedules established in Section 1. Allows the Board to apply a geographic adjustment factor to fee schedules in Section 1. Requires the Commissioner of Labor to approve the conversion factors formulated by the Medical Services Review Committee.

Section 3. Lists reference materials the department may incorporate, including future amended versions, into regulations.

Section 4. Defines the Medical Services Review Committee under AS. 23.30.095(j).

Section 5. Section 1 and Section 3(j)-(0) are effective on July 1, 2015.

Section 6. Excluding Sections 6 and 7 of the Act, this Act is effective on July 1, 2014.



LAWS OF ALASKA

2014

Source
CSHB 316(FIN)

Chapter No.

AN ACT

Relating to workers' compensation fees for medical treatment and services; relating to workers' compensation regulations; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

Enrolled HB 316

AN ACT

1 Relating to workers' compensation fees for medical treatment and services; relating to
2 workers' compensation regulations; and providing for an effective date.

3

4 * **Section 1.** AS 23.30.097(a) is amended to read:

5 (a) All fees and other charges for medical treatment or service are subject to
6 regulation by the board consistent with this section. A fee or other charge for medical
7 treatment or service **rendered in the state** may not exceed the lowest of

8 (1) the usual, customary, and reasonable fees for the treatment or
9 service in the community in which it is rendered, for treatment or service provided on
10 or after December 31, 2010, not to exceed the fees or other charges as specified in **the**
11 **[A] fee schedules [SCHEDULE]** established by the **medical services review**
12 **committee [BOARD]** and adopted by **the board [REFERENCE]** in regulation; the fee
13 **schedules [SCHEDULE]** must **include [BE BASED ON STATISTICALLY**
14 **CREDIBLE DATA, INCLUDING CHARGES FOR THE MOST RECENT**

1 CATEGORY I, II, AND III MEDICAL SERVICES MAINTAINED BY THE
2 AMERICAN MEDICAL ASSOCIATION AND THE HEALTH CARE
3 PROCEDURE CODING SYSTEM FOR MEDICAL SUPPLIES, INJECTIONS,
4 EMERGENCY TRANSPORTATION, AND OTHER MEDICALLY RELATED
5 SERVICES, AND MUST RESULT IN A SCHEDULE THAT]

6 (A) a physician fee schedule based on the federal Centers
7 for Medicare and Medicaid Services' resource-based relative value scale;
8 [REFLECTS THE COST IN THE GEOGRAPHICAL AREA WHERE
9 SERVICES ARE PROVIDED; AND]

10 (B) an outpatient and ambulatory surgical center fee
11 schedule based on the federal Centers for Medicare and Medicaid
12 Services' ambulatory payment classification; and

13 (C) an inpatient hospital fee schedule based on the federal
14 Centers for Medicare and Medicaid Services' Medicare severity diagnosis
15 related group [IS AT THE 90TH PERCENTILE];

16 (2) the fee or charge for the treatment or service when provided to the
17 general public; or

18 (3) the fee or charge for the treatment or service negotiated by the
19 provider and the employer under (c) of this section.

20 * **Sec. 2.** AS 23.30.097 is amended by adding new subsections to read:

21 (h) The board shall annually renew and adjust fees on the fee schedules
22 established by the medical services review committee under (a)(1) of this section by a
23 conversion factor established by the medical services review committee and adopted
24 by the board in regulation.

25 (i) A fee or other charge for medical treatment or service rendered in another
26 state may not exceed the lowest of

27 (1) the fee or charge for a treatment or service set by the workers'
28 compensation statutes of the state where the service is rendered; or

29 (2) the fees specified in a fee schedule under (a)(1) of this section.

30 (j) A fee or other charge for air ambulance services rendered under this
31 chapter shall be reimbursed at a rate established by the board and adopted in

1 regulation.

2 (k) A fee or other charge for durable medical equipment not otherwise
3 included in a covered medical procedure under this section may not exceed the amount
4 of the manufacturer's invoice, plus a markup specified by the board and adopted in
5 regulation.

6 (l) Reimbursement for prescription drugs under this chapter may not exceed
7 the amount of the original manufacturer's invoice, plus a dispensing fee and markup
8 specified by the board and adopted in regulation.

9 (m) A prescription drug dispensed by a physician under this chapter shall
10 include in a bill or invoice the original manufacturer's code for the drug from the
11 national drug code directory published by the United States Food and Drug
12 Administration.

13 (n) A fee or other charge for medical treatment or service provided by a
14 hospital licensed by the Department of Health and Social Services to operate as a
15 critical access hospital is exempt from the fee schedules established under (a)(1) of
16 this section.

17 (o) The board may adjust the fee schedules established under (a)(1) of this
18 section to reflect the cost in the geographical area where the services are provided.

19 (p) The medical services review committee shall formulate a conversion factor
20 and submit the conversion factor to the commissioner of labor and workforce
21 development. If the commissioner does not approve the conversion factor, the medical
22 services review committee shall revise the conversion factor and submit the revised
23 conversion factor to the commissioner for approval.

24 * **Sec. 3.** AS 23.30 is amended by adding a new section to article 2 to read:

25 **Sec. 23.30.098. Regulations.** Under AS 44.62.245(a)(2), in adopting or
26 amending regulations under this chapter, the department may incorporate future
27 amended versions of a document or reference material incorporated by reference if the
28 document or reference material is one of the following:

29 (1) Current Procedural Terminology Codes, produced by the American
30 Medical Association;

31 (2) Healthcare Common Procedure Coding System, produced by the

- 1 American Medical Association;
- 2 (3) International Classification of Diseases, published by the American
3 Medical Association;
- 4 (4) Relative Value Guide, produced by the American Society of
5 Anesthesiologists;
- 6 (5) Diagnostic and Statistical Manual of Mental Disorders, produced
7 by the American Psychiatric Association;
- 8 (6) Current Dental Terminology, published by the American Dental
9 Association;
- 10 (7) Resource-Based Relative Value Scale, produced by the federal
11 Centers for Medicare and Medicaid Services;
- 12 (8) Ambulatory Payment Classifications, produced by the federal
13 Centers for Medicare and Medicaid Services; or
- 14 (9) Medicare Severity Diagnosis Related Groups, produced by the
15 federal Centers for Medicare and Medicaid Services.
- 16 * **Sec. 4.** AS 23.30.395 is amended by adding a new paragraph to read:
- 17 (42) "medical services review committee" means the committee
18 established under AS 23.30.095(j).
- 19 * **Sec. 5.** Section 1 of this Act and AS 23.30.097(j) - (p), added by sec. 2 of this Act, take
20 effect July 1, 2015.
- 21 * **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect July 1, 2014.