



Government Affairs Alert

November 19, 2009

California Continues Reform Efforts—Issues Twelve Point Plan

Fresh off a contentious legislative session, key policy makers in California look to dive into another hot issue, workers' compensation. In the summer of 2009, Insurance Commissioner Poizner held several Workers' Compensation stakeholder meetings across the state to investigate the impact of 2003 reform efforts and uncover new reform ideas from employers, insurers, providers and injured workers. It appears these stakeholder meetings have given the Insurance Commissioner an outline for a new and improved workers' compensation reform plan.

In October the California Division of Workers' Compensation (DWC) released a *Twelve Point Plan* aimed at building upon 2003 reforms and bringing further cost savings to the system. The twelve point plan is designed to assist DWC in reviewing and monitoring the impact of reforms enacted in 2003—to ensure positive outcomes—and through not yet released regulatory proposals, further inject control measures and streamline provision of medical care to injured workers. Administrative Director Carrie Nevans stated, "Implementation of reforms since 2003 have seen dramatic reduction in system costs—\$50 billion in savings. But medical costs which initially declined have begun to escalate again, and the twelve point plan allows us to more closely monitor and act as needed to control costs."

So What Does the Twelve Point Plan Consist of?

DWC's twelve point plan consists of tweaking already existing regulations aimed at controlling medical costs, and injecting new costs savings measures into the system through the rulemaking processes. At present, DWC has not fully released a timeline for tweaking existing rules or implementing new rules, but PMSI has been informed that any/all changes will go thru DWC's formal rulemaking processes and procedures.

DWC's twelve point plan includes:

1. Tighten Treatment Guidelines – Update existing MTUS rules on compounds and revise to include requirements for low back injuries
2. Provide a Network Option – Reduce current HCO fees to make HCOs more on par with MPNs and give employers another option for choosing a network of doctors
3. Simplify MPN Rules – Update MPN rules to simplify notice requirements
4. Improve Medical Cost Reporting – Update WCIS reporting regulations to clarify medical lien reporting, allowing DWC better monitoring of medical costs
5. Implement Electronic Billing – Medical eBilling regulations will encourage eBilling and provide savings
6. Create Pharmacy Networks – Allow employers to contain pharmacy costs, which are rising at a higher rate than other medical costs
7. Streamline Requests for Medical Authorization – Revise PR-2 and PR-4 to clarify physician requests for medical treatment approval
8. Update ASC Fees – Update OMFS to adopt Medicare's 2008 ambulatory surgical centers fee schedule



9. Eliminate Spinal Hardware Pass-Through – Amend OMFS to eliminate spinal hardware pass-through
10. Streamline Utilization Review – Amend UR regulations to streamline procedures and reduce administrative costs
11. Update Coding for Doctor Payments – Convert from current physician fee schedule to a RBRVS fee schedule
12. Consider a Drug Formulary – Consider additional revisions to MTUS or pharmacy fee schedule to include formulary restrictions

So What Now?

As a pharmacy and medical services and equipment provider, PMSI is extremely interested in several pieces of DWC's twelve point plan. Proposed implementation of *eBilling* and *Pharmacy Networks* are issues PMSI's Government Affairs team continues to monitor not only in California but also New York, Minnesota and Texas, and DWC's interest in these two issues indicates an attempt to bring intelligent and balanced cost savings measures to California. PMSI also continues to monitor DWC's interest in developing a drug formulary by revising the current pharmacy fee schedule or MTUS regulations, as our continued efforts with the Texas Division of Workers' Compensation on their closed formulary is beginning to make positive headway.

Shortly after release of the twelve point plan, DWC announced they would hold their first administrative hearing to review current EDI and Medical Reporting Rules, scheduled for December 15, 2009, in Oakland. Through the later part of 2009, DWC will establish various stakeholder groups to assist in rule development. Next, and pursuant to release of any draft rule proposals, DWC is required to hold public rulemaking hearings allowing all interested parties to provide feedback and input into final rule development. Look to see continued rulemaking efforts well into early 2010 with possible mid-year adoption and implementation dates for important issues such as eBilling and pharmacy networks.

What is PMSI's next step?

PMSI has established very strong relationships with Director Nevans and several key members of her staff, which allows our Government Affairs Department to be intimately involved in development and rulemaking on these and many other issues. PMSI will communicate with DWC staff and offer our assistance in shaping these policies, hopefully for the benefit of our client customers and their injured workers. PMSI's Government Affairs team will certainly participate in and monitor any rulemaking developments, and as necessary produce additional Government Affairs Alerts to educate our clients on pending changes, enactment and implementation dates and necessary compliance requirements. As always, PMSI strives to timely implement any regulatory or legislative requirement(s) and ensure that both PMSI and our clients operate in full compliance.

For more information, please contact your Account Manager or Sales Representative. You may also contact our Director of Government Affairs, Kevin Tribout, at Kevin.Tribout@pmsionline.com or 813.627.2445.

PMSI—The Only Solution You Need. PMSI is one of the nation's largest full-service providers of Pharmacy, Settlement Solutions, Medical Services and Equipment, and Clinical Services devoted exclusively to the workers' compensation and liability markets. For 33 years, PMSI has led the industry and served as the trusted resource for thousands of insurance payers, state workers' compensation funds, employers, and third-party administrators. Today, PMSI continues its leadership position by managing millions of pharmacy, medical services and equipment, and settlement transactions each year. For more information, please refer to the PMSI website at www.pmsionline.com.