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November 1, 2005

Michael G. Trier
Workers' Compensation Commissioner
Division of Workers' Compensation
Iowa Workforce Development
1000 East Grand Avenue
Des Moines, IA 50319-0209

Via E-mail

RE: State-mandated Workers' Compensation Fee Schedule

Dear Commissioner Trier:

This letter is written in follow-up to informal conversations and communications that we have had regarding your consideration of the feasibility of a state-imposed workers' compensation fee schedule for Iowa and early expressions of concerns by the Iowa Medical Society (IMS) with such a proposal. Recognizing the limited staffing resources of your office to develop and manage an independently-developed fee schedule, you have clarified that any schedule considered by you would be Medicare-based bolstered by a minimal modifier of 1%-2%. You have emphasized that you would not pursue a state-mandated fee schedule absent solid support of the provider and insurance communities.

The IMS Committee on Medical Services met on the evening of October 27 and, among other things, reviewed the workers' compensation fee schedule considered by you. In doing so, the Committee was aware of substantial opposition to such a schedule expressed by IMS member medical practices; to date, no medical practice has expressed support. The Committee also reviewed formal policy of IMS favoring a uniform fee schedule for workers' compensation so long as it is negotiated between providers and payers, subject to periodic review, and reflective of increased intensity of service for injured/ill workers.

The Committee unanimously voiced opposition to a mandated fee schedule based off of Medicare. The Committee further directed that this issue be

referred to the IMS Board of Directors along with the existing IMS policy statement that favors a uniform workers' compensation fee schedule subject to the above-stated criteria. The Committee believes that this policy, adopted by the IMS House of Delegates in 1993, no longer reflects the financial realities that medical practices face nor the unique care management issues associated with patients eligible for workers' compensation relief. Regardless, the criteria of this existing policy are not satisfied by a state-imposed, Medicare-based fee schedule. Medicare rates are set and not negotiated; are not subject to periodic review but, rather, are driven primarily by faulty formulas and assumptions; and do not independently reflect increased intensity common in management of a workers' compensation patient's care needs.

The IMS recognizes the efficiencies that your office seeks to achieve in considering a fee schedule based on an established mechanism of payment such as Medicare. Iowa medical practices, however, cannot financially manage an even greater portion of their patients' care reimbursed under Medicare formulas, even payment supported by a minimal bump-up. Iowa is one of the lowest Medicare reimbursement payment localities in the nation.

For several years, IMS has aggressively pursued congressional relief from existing inequities in the Medicare payment system negatively and disproportionately impacting Iowa physicians who, according to Medicare data and reports, consistently provide among the highest quality of care (6th among all states). Elimination of the sustainable growth rate (SGR) formula and geographic practice cost indices (GPCIs), essential to Medicare payment equity for Iowa doctors, has not occurred.

Every year, Iowa doctors and doctors nationally are subject to substantial uncertainties relative to the Medicare payment rates for the upcoming fiscal year. For instance, next year doctors are slated for a 4.4% *decrease* in Medicare payment despite the fact that practice expenses, evidenced by the medical economic index (MEI, a conservative index of medical practice costs), clearly continue to rise. As a matter of fact, under the current payment system, Medicare payments to physicians are slated to be cut six years straight, amounting to an estimated \$1.17 billion loss to Iowa physicians. If that happens, Medicare physician payments in 2013, adjusted for inflation, will be a little more than half of what they were in 1991.

This result simply is not sustainable and certainly argues against bringing yet another base of patients, with unique medical demands and care needs, onto the Medicare payment system. A minimal bump-up cannot remedy the staggering loss that the current formula anticipates. Adequate congressional remedy remains very uncertain.

Michael Trier

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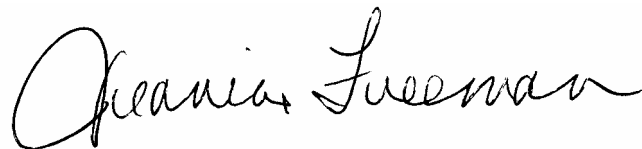
Iowa physicians are excellent partners in care with federal and state government payers as well as commercial payers. At times, however, financial realities mean that medical practices must balance their patient base among sources of payment to remain viable. For instance, the American Medical Association (AMA) predicts that if the anticipated cuts to Medicare in 2006 become a reality, more than one-third of the nation's physicians will need to decrease the number of Medicare patients they accept.

Workers' compensation patients, as a whole, require greater attention and, as such, are more costly for medical practices to care for and manage. A fixed payment system based on inadequate and inequitable formula factors most likely, and necessarily, will limit access for workers' compensation patients to better assure the financial ability of medical practices to serve the health care needs of all Iowans. Adequate numbers of physicians to provide patient care is an ongoing challenge in our state: the physician-to-population ratio in Iowa is nearly the worst (49th) of all states and the District of Columbia.

As you know, many of our medical practices are frustrated in their efforts to negotiate with certain workers' compensation carriers on a case-by-case basis. IMS will continue to seek avenues to assist our medical practices in receiving reasonable payment under such a system. A Medicare-based payment system, however, is not a remedy and we do not support that approach.

Thank you, Commissioner, for your attention to this letter. We respectfully request that you withdraw consideration of a state-mandated fee schedule at this time.

Yours truly,

A handwritten signature in black ink that reads "Jeanine Freeman". The signature is written in a cursive, flowing style.

Jeanine Freeman, JD
Senior Vice President of Legal Affairs

cc: Michael Abrams
IMS Executive Vice President

Tracy Warner
Iowa Hospital Association