

AMENDED IN ASSEMBLY AUGUST 29, 2011

AMENDED IN SENATE MAY 3, 2011

SENATE BILL

No. 127

Introduced by Senator Emmerson

January 27, 2011

An act to ~~amend Section 5307.1 of~~ *add Section 5307.12 to* the Labor Code, relating to workers' compensation.

LEGISLATIVE COUNSEL'S DIGEST

SB 127, as amended, Emmerson. Official medical fee schedule: physician services.

Existing law establishes a workers' compensation system, administered by the Administrative Director of the Division of Workers' Compensation, to compensate an employee for injuries sustained in the course of his or her employment.

Existing law requires the administrative director, after public hearings, to adopt and revise periodically an official medical fee schedule that establishes reasonable maximum fees paid for medical services, other than physician services and other prescribed goods and services, in accordance with specified requirements.

Existing law, notwithstanding the above provisions, further authorizes the administrative director, after public hearings, to adopt and revise, no less frequently than biennially, an official medical fee schedule for physician services, in accordance with specified requirements.

This bill would require the administrative director, in order to keep the fee schedule for physician services appropriately updated, to annually adopt the Current Procedural Terminology (CPT) codes, descriptors, and modifiers published by the American Medical Association.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5307.12 is added to the Labor Code, to
 2 read:

3 5307.12. In order to keep the official medical fee schedule for
 4 physician services, adopted pursuant to subdivision (l) of Section
 5 5307.1, appropriately updated to include current procedures and
 6 services, the administrative director shall annually adopt the
 7 Current Procedural Terminology (CPT) codes, descriptors, and
 8 modifiers published by the American Medical Association.

9 SECTION 1. ~~Section 5307.1 of the Labor Code is amended to~~
 10 read:

11 ~~5307.1. (a) The administrative director, after public hearings,~~
 12 ~~shall adopt and revise periodically an official medical fee schedule~~
 13 ~~that shall establish reasonable maximum fees paid for medical~~
 14 ~~services other than physician services, drugs and pharmacy~~
 15 ~~services, health care facility fees, home health care, and all other~~
 16 ~~treatment, care, services, and goods described in Section 4600 and~~
 17 ~~provided pursuant to this section. Except for physician services,~~
 18 ~~all fees shall be in accordance with the fee-related structure and~~
 19 ~~rules of the relevant Medicare and Medi-Cal payment systems,~~
 20 ~~provided that employer liability for medical treatment, including~~
 21 ~~issues of reasonableness, necessity, frequency, and duration, shall~~
 22 ~~be determined in accordance with Section 4600. Commencing~~
 23 ~~January 1, 2004, and continuing until the time the administrative~~
 24 ~~director has adopted an official medical fee schedule in accordance~~
 25 ~~with the fee-related structure and rules of the relevant Medicare~~
 26 ~~payment systems, except for the components listed in subdivision~~
 27 ~~(j), maximum reasonable fees shall be 120 percent of the estimated~~
 28 ~~aggregate fees prescribed in the relevant Medicare payment system~~
 29 ~~for the same class of services before application of the inflation~~
 30 ~~factors provided in subdivision (g), except that for pharmacy~~
 31 ~~services and drugs that are not otherwise covered by a Medicare~~
 32 ~~fee schedule payment for facility services, the maximum reasonable~~
 33 ~~fees shall be 100 percent of fees prescribed in the relevant Medi-Cal~~
 34 ~~payment system. Upon adoption by the administrative director of~~
 35 ~~an official medical fee schedule pursuant to this section, the~~

1 maximum reasonable fees paid shall not exceed 120 percent of
2 estimated aggregate fees prescribed in the Medicare payment
3 system for the same class of services before application of the
4 inflation factors provided in subdivision (g). Pharmacy services
5 and drugs shall be subject to the requirements of this section,
6 whether furnished through a pharmacy or dispensed directly by
7 the practitioner pursuant to subdivision (b) of Section 4024 of the
8 Business and Professions Code.

9 (b) In order to comply with the standards specified in subdivision
10 (f), the administrative director may adopt different conversion
11 factors, diagnostic related group weights, and other factors affecting
12 payment amounts from those used in the Medicare payment system,
13 provided estimated aggregate fees do not exceed 120 percent of
14 the estimated aggregate fees paid for the same class of services in
15 the relevant Medicare payment system.

16 (e) Notwithstanding subdivisions (a) and (d), the maximum
17 facility fee for services performed in an ambulatory surgical center,
18 or in a hospital outpatient department, may not exceed 120 percent
19 of the fee paid by Medicare for the same services performed in a
20 hospital outpatient department.

21 (d) If the administrative director determines that a medical
22 treatment, facility use, product, or service is not covered by a
23 Medicare payment system, the administrative director shall
24 establish maximum fees for that item, provided that the maximum
25 fee paid shall not exceed 120 percent of the fees paid by Medicare
26 for services that require comparable resources. If the administrative
27 director determines that a pharmacy service or drug is not covered
28 by a Medi-Cal payment system, the administrative director shall
29 establish maximum fees for that item. However, the maximum fee
30 paid shall not exceed 100 percent of the fees paid by Medi-Cal for
31 pharmacy services or drugs that require comparable resources.

32 (e) Prior to the adoption by the administrative director of a
33 medical fee schedule pursuant to this section, for any treatment,
34 facility use, product, or service not covered by a Medicare payment
35 system, including acupuncture services, or, with regard to
36 pharmacy services and drugs, for a pharmacy service or drug that
37 is not covered by a Medi-Cal payment system, the maximum
38 reasonable fee paid shall not exceed the fee specified in the official
39 medical fee schedule in effect on December 31, 2003.

1 (f) ~~Within the limits provided by this section, the rates or fees~~
2 ~~established shall be adequate to ensure a reasonable standard of~~
3 ~~services and care for injured employees.~~

4 (g) (1) (A) ~~Notwithstanding any other provision of law, the~~
5 ~~official medical fee schedule shall be adjusted to conform to any~~
6 ~~relevant changes in the Medicare and Medi-Cal payment systems~~
7 ~~no later than 60 days after the effective date of those changes,~~
8 ~~provided that both of the following conditions are met:~~

9 (i) ~~The annual inflation adjustment for facility fees for inpatient~~
10 ~~hospital services provided by acute care hospitals and for hospital~~
11 ~~outpatient services shall be determined solely by the estimated~~
12 ~~increase in the hospital market basket for the 12 months beginning~~
13 ~~October 1 of the preceding calendar year.~~

14 (ii) ~~The annual update in the operating standardized amount and~~
15 ~~capital standard rate for inpatient hospital services provided by~~
16 ~~hospitals excluded from the Medicare prospective payment system~~
17 ~~for acute care hospitals and the conversion factor for hospital~~
18 ~~outpatient services shall be determined solely by the estimated~~
19 ~~increase in the hospital market basket for excluded hospitals for~~
20 ~~the 12 months beginning October 1 of the preceding calendar year.~~

21 (B) ~~The update factors contained in clauses (i) and (ii) of~~
22 ~~subparagraph (A) shall be applied beginning with the first update~~
23 ~~in the Medicare fee schedule payment amounts after December~~
24 ~~31, 2003.~~

25 (2) ~~The administrative director shall determine the effective~~
26 ~~date of the changes, and shall issue an order, exempt from Sections~~
27 ~~5307.3 and 5307.4 and the rulemaking provisions of the~~
28 ~~Administrative Procedure Act (Chapter 3.5 (commencing with~~
29 ~~Section 11340) of Part 1 of Division 3 of Title 2 of the Government~~
30 ~~Code), informing the public of the changes and their effective date.~~
31 ~~All orders issued pursuant to this paragraph shall be published on~~
32 ~~the Internet Web site of the Division of Workers' Compensation.~~

33 (3) ~~For the purposes of this subdivision, the following definitions~~
34 ~~apply:~~

35 (A) ~~“Medicare Economic Index” means the input price index~~
36 ~~used by the federal Centers for Medicare and Medicaid Services~~
37 ~~to measure changes in the costs of a providing physician and other~~
38 ~~services paid under the resource-based relative value scale.~~

39 (B) ~~“Hospital market basket” means the input price index used~~
40 ~~by the federal Centers for Medicare and Medicaid Services to~~

1 ~~measure changes in the costs of providing inpatient hospital~~
2 ~~services provided by acute care hospitals that are included in the~~
3 ~~Medicare prospective payment system.~~

4 (C) ~~“Hospital market basket for excluded hospitals” means the~~
5 ~~input price index used by the federal Centers for Medicare and~~
6 ~~Medicaid Services to measure changes in the costs of providing~~
7 ~~inpatient services by hospitals that are excluded from the Medicare~~
8 ~~prospective payment system.~~

9 (h) ~~Nothing in this section shall prohibit an employer or insurer~~
10 ~~from contracting with a medical provider for reimbursement rates~~
11 ~~different from those prescribed in the official medical fee schedule.~~

12 (i) ~~Except as provided in Section 4626, the official medical fee~~
13 ~~schedule shall not apply to medical-legal expenses, as that term is~~
14 ~~defined by Section 4620.~~

15 (j) ~~The following Medicare payment system components may~~
16 ~~not become part of the official medical fee schedule until January~~
17 ~~1, 2005:~~

18 (1) ~~Inpatient skilled nursing facility care.~~

19 (2) ~~Home health agency services.~~

20 (3) ~~Inpatient services furnished by hospitals that are exempt~~
21 ~~from the prospective payment system for general acute care~~
22 ~~hospitals.~~

23 (4) ~~Outpatient renal dialysis services.~~

24 (k) ~~Notwithstanding subdivision (a), for the calendar years 2004~~
25 ~~and 2005, the existing official medical fee schedule rates for~~
26 ~~physician services shall remain in effect, but these rates shall be~~
27 ~~reduced by 5 percent. The administrative director may reduce fees~~
28 ~~of individual procedures by different amounts, but in no event~~
29 ~~shall the administrative director reduce the fee for a procedure that~~
30 ~~is currently reimbursed at a rate at or below the Medicare rate for~~
31 ~~the same procedure.~~

32 (l) (1) ~~Notwithstanding subdivision (a), the administrative~~
33 ~~director, commencing January 1, 2006, shall have the authority,~~
34 ~~after public hearings, to adopt and revise, no less frequently than~~
35 ~~biennially, an official medical fee schedule for physician services.~~
36 ~~If the administrative director fails to adopt an official medical fee~~
37 ~~schedule for physician services by January 1, 2006, the existing~~
38 ~~official medical fee schedule rates for physician services shall~~
39 ~~remain in effect until a new schedule is adopted or the existing~~
40 ~~schedule is revised.~~

1 ~~(2) In order to keep the official medical fee schedule for~~
2 ~~physician services appropriately updated to include current~~
3 ~~procedures and services, the administrative director shall annually~~
4 ~~adopt the Current Procedural Terminology (CPT) codes,~~
5 ~~descriptors, and modifiers published by the American Medical~~
6 ~~Association.~~

7 ~~(m) (1) Notwithstanding subdivisions (a), (b), (f), and (g),~~
8 ~~commencing January 1, 2008, the administrative director, after~~
9 ~~public hearings, may adopt and revise, no less frequently than~~
10 ~~biennially, an official medical fee schedule for inpatient facility~~
11 ~~fees for burn cases in accordance with this subdivision. Until the~~
12 ~~date that the administrative director adopts a fee schedule pursuant~~
13 ~~to this subdivision, the inpatient fee schedule adopted and revised~~
14 ~~in accordance with subdivisions (a) and (g) shall continue to apply~~
15 ~~to inpatient facility fees for burn cases.~~

16 ~~(2) In order to establish inpatient facility fees for burn cases~~
17 ~~that are adequate to ensure a reasonable standard of services and~~
18 ~~care, the administrative director may do any of the following:~~

19 ~~(A) Adopt a fee schedule in accordance with the Medicare~~
20 ~~payment system, or adopt different conversion factors, diagnostic~~
21 ~~related group weights, and other factors affecting payment amounts~~
22 ~~from those used in the Medicare payment system.~~

23 ~~(B) Adopt a fee schedule utilizing payment methodologies other~~
24 ~~than those utilized by the Medicare payment system.~~

25 ~~(C) Adopt a fee schedule that utilizes both Medicare and~~
26 ~~non-Medicare methodologies.~~

27 ~~(3) Inpatient facility fees for burn cases may exceed 120 percent,~~
28 ~~but in no case shall exceed 180 percent, of the fees paid by~~
29 ~~Medicare. Inpatient facility fees for burn cases shall be excluded~~
30 ~~from the calculation of estimated aggregate fees for purposes of~~
31 ~~other subdivisions of this section.~~

32 ~~(4) The changes to this section made by this subdivision shall~~
33 ~~remain in effect only until January 1, 2011.~~