



TEXAS DEPARTMENT OF INSURANCE

Division of Workers' Compensation - Medical Fee Dispute Resolution (MS-48)
7551 Metro Center Drive, Suite 100, Austin, Texas 78744-1645
(512) 804-4000 | F: (512) 804-4811 | (800) 252-7031 | TDI.texas.gov | @TexasTDI

MEDICAL FEE DISPUTE RESOLUTION FINDINGS AND DECISION

GENERAL INFORMATION

Requestor Name

EAGLE MED, LLC

Respondent Name

AMERICAN HALLMARK INSURANCE COMPANY OF TEXAS

MFDR Tracking Number

M4-14-0886-01

Carrier's Austin Representative

Box Number 01

MFDR Date Received

November 18, 2013

REQUESTOR'S POSITION SUMMARY

Requestor's Position Summary:

According to the United States Code Title 49, 41713, the Airline Deregulation Act (ADA) of 1978 states that individual states cannot regulate the prices, routes or services of the air ambulance industry, therefore, it is inappropriate that air ambulance services be subject to state workers' compensation allowance and should be reimbursed at 100% of billed charges.

Requestor's Position Summary dated June 6, 2014:

if the Division continues to apply the Texas statute in contravention of the ADA, both statute and rules require application of the 'fair and reasonable' standard. . . . The Airline Deregulation Act ("ADA") imposes a single federal regulatory scheme on air carriers that precludes state regulation of rates and certain other issues

Requestor's Position Summary dated July 8, 2014:

The air ambulance providers have submitted documentation demonstrating that their market-driven charges represent the cost of doing business, plus a very modest profit margin . . . The Statute and Rules Do Not Allow for Default-to-Medicare Reimbursement

Amount in Dispute: \$31,064.11

RESPONDENT'S POSITION SUMMARY

Respondent's Position Summary:

The Carrier reviewed the billing and reimbursed the Provider at 125% of the Medicare rate relevant to these services. . . .

Under the Balanced Budget Act of 1997, §1834 (1) was added to the Social Security Act, mandating the implementation of a national fee schedule for ambulance services furnished as a benefit under Medicare Part B. The fee schedule applies to all ambulance services. . . .

Therefore, it is clear that the Federal Government has set the rate at which air ambulance carrier's are to be reimbursed using Medicare. . . .

However, the Carrier actually reimbursed Provider at a rate higher than Medicare (Medicare plus 25%). Therefore, Provider has been reimbursed in excess of that amount allowed under Federal Regulations.

Response Submitted by: Parker & Associates, L.L.C.

SUMMARY OF FINDINGS

Dates of Service	Disputed Services	Amount In Dispute	Amount Due
June 25, 2013	Air Ambulance Services	\$31,064.11	\$30,750.65

FINDINGS AND DECISION

This medical fee dispute is decided pursuant to Texas Labor Code §413.031 and applicable rules of the Texas Department of Insurance, Division of Workers' Compensation.

Background

1. 28 Texas Administrative Code §133.307 sets out the procedures for resolving medical fee disputes.
2. 28 Texas Administrative Code §134.1 sets out general provisions regarding medical reimbursement.
3. 28 Texas Administrative Code §134.203 sets out the fee guideline for professional medical services.
4. Former 28 Texas Administrative Code §134.202 sets out the guideline for such services before March 1, 2008.
5. Texas Labor Code §413.011 sets out general provisions regarding reimbursement policies and guidelines.
6. Texas Labor Code §413.031 sets out provisions regarding medical dispute resolution.
7. The insurance carrier reduced payment for the disputed services with the following claim adjustment codes:
 - W1 – Workers Compensation State Fee Schedule Adj
 - B15 – Procedure/Service is not paid separately
 - IH – Site of transfer to Hospital
 - RG3 – Included in another billed procedure
 - 168 – No additional allowance recommended
 - 18 – Duplicate Claim/Service
 - 193 – Original payment decision maintained
 - B13 – Payment for service may have been previously paid.
 - R1 – Duplicate Billing

Issues

1. Does the Federal Aviation Act preempt the authority of the Texas Labor Code to regulate air ambulance fees?
2. Did the respondent support that payment for disputed services was included in the payment for other services?
3. What is the reimbursement for the disputed professional medical services?
4. Should air ambulance services be reimbursed according to the Medicare ambulance fee schedule?
5. What is the applicable rule for determining reimbursement of the disputed air ambulance services?
6. Has the requestor justified that the payment amount sought is a fair and reasonable rate of reimbursement?
7. Has the respondent justified that the payment made is a fair and reasonable rate of reimbursement?
8. Is additional reimbursement due?

Findings

1. The requestor maintains that the Federal Aviation Act, as amended by the Airline Deregulation Act of 1978, 49 U.S.C. §41713, preempts the authority of the Texas Labor Code to apply the Division's medical fee guidelines to air ambulance services. This threshold legal issue was considered by the State Office of Administrative Hearings (SOAH) in *PHI Air Medical v. Texas Mutual Insurance Company, et al.*, Docket number 454-12-7770.M4, which held that "the Airline Deregulation Act does not preempt state worker's compensation rules and guidelines that establish the reimbursement allowed for the air ambulance services . . . rendered to injured workers (claimants)." In particular, SOAH found that:

the McCarran-Ferguson Act explicitly reserves the regulation of insurance to the states and provides that any federal law that infringes upon that regulation is preempted by the state insurance laws, unless the federal law specifically relates to the business of insurance. In this case, there is little doubt that the worker's compensation system adopted in Texas is directly related to the business of insurance . . .

The Division agrees. The Division concludes that its jurisdiction to consider the medical fee issues in this dispute is not preempted by the Federal Aviation Act, or the Airline Deregulation Act of 1978, based upon SOAH's threshold issue discussion and the information provided by the parties in this medical fee dispute. The disputed services will therefore be decided pursuant to Texas Labor Code §413.031 and applicable rules of the Texas Department of Insurance, Division of Workers' Compensation.

2. The insurance carrier reduced payment for disputed services, in part, with claim adjustment reason codes B15 – "Procedure/Service is not paid separately"; and RG3 – "Included in another billed procedure." The insurance carrier did not present documentation to support that the disputed services are not paid separately or are included in another billed procedure. These payment denial reasons are not supported.
3. This dispute relates, in part, to professional medical services with reimbursement subject to the provisions of 28 Texas Administrative Code §134.203(c), which requires that:

To determine the MAR [Maximum Allowable Reimbursement] for professional services, system participants shall apply the Medicare payment policies with minimal modifications.

- (1) For service categories of Evaluation & Management, General Medicine, Physical Medicine and Rehabilitation, Radiology, Pathology, Anesthesia, and Surgery when performed in an office setting, the established conversion factor to be applied is \$52.83 . . .
- (2) The conversion factors listed in paragraph (1) of this subsection shall be the conversion factors for calendar year 2008. Subsequent year's conversion factors shall be determined by applying the annual percentage adjustment of the Medicare Economic Index (MEI) to the previous year's conversion factors, and shall be effective January 1st of the new calendar year.

The applicable Division conversion factor for calendar year 2013 is \$55.30. Reimbursement is calculated as follows:

- Procedure code 96374 represents intravenous push injection, a professional service with reimbursement determined per §134.203(c). The Medicare fee is the sum of the geographically adjusted work, practice expense and malpractice values multiplied by the conversion factor. The MAR is calculated by substituting the Division conversion factor. For this procedure, the relative value (RVU) for work of 0.18 multiplied by the geographic practice cost index (GPCI) for work of 1 is 0.18. The practice expense (PE) RVU of 1.48 multiplied by the PE GPCI of 0.856 is 1.26688. The malpractice RVU of 0.03 multiplied by the malpractice GPCI of 0.734 is 0.02202. The sum of 1.4689 is multiplied by the Division conversion factor of \$55.30 for a MAR of \$81.23. The provider billed 2 units. The definition of this code is for a single, initial injection. Subsequent or concurrent injections of the same or additional substances must be billed with different codes. Only one unit is supported; payment for any additional units is not recommended. The recommended reimbursement is \$81.23.
- Procedure code 93041 represents rhythm electrocardiogram, a professional service with reimbursement determined per §134.203(c). The Medicare fee is the sum of the geographically adjusted work, practice expense and malpractice values multiplied by the conversion factor. The MAR is calculated by substituting the Division conversion factor. For this procedure, the relative value (RVU) for work of 0 multiplied by the geographic practice cost index (GPCI) for work of 1 is 0. The practice expense (PE) RVU of 0.17 multiplied by the PE GPCI of 0.856 is 0.14552. The malpractice RVU of 0.01 multiplied by the malpractice GPCI of 0.734 is 0.00734. The sum of 0.15286 is multiplied by the Division conversion factor of \$55.30 for a MAR of \$8.45.
- Procedure code J2405 represents ondansetron HCl injection. This code has a status indicator of E, which denotes codes that are excluded from the Medicare Physician Fee Schedule by regulation. This code is not assigned a relative value or payment amount. Per §134.203(f), reimbursement is provided in accordance with 28 Texas Administrative Code §134.1 regarding fair and reasonable reimbursement. The insurance carrier allowed \$0.00. The requestor did not discuss or submit documentation to support a fair and reasonable reimbursement for the ondansetron HCl injection. Review of the submitted information finds insufficient documentation to support a different payment amount from that determined by the insurance carrier.
- Procedure code J3010 represents fentanyl citrate injection. This code has a status indicator of E, which denotes codes that are excluded from the Medicare Physician Fee Schedule by regulation. This code is not assigned a relative value or payment amount. Per §134.203(f), reimbursement is provided in accordance with 28 Texas Administrative Code §134.1 regarding fair and reasonable reimbursement. The insurance carrier allowed \$0.00. The requestor did not discuss or submit documentation to support a fair and reasonable

reimbursement for the fentanyl citrate injection. Review of the submitted information finds insufficient documentation to support a different payment amount from that determined by the insurance carrier.

4. Additionally, the health care provider rendered air ambulance services billed under procedure codes A0422, A0431 and A0436 that are not addressed in the *Medical Fee Guideline for Professional Services* as set forth in 28 Texas Administrative Code §134.203.

The respondent argues that:

Under the Balanced Budget Act of 1997, §1834 (1) was added to the Social Security Act, mandating the implementation of a national fee schedule for ambulance services furnished as a benefit under Medicare Part B. The fee schedule applies to all ambulance services. . . . Therefore, it is clear that the Federal Government has set the rate at which air ambulance carrier's are to be reimbursed using Medicare.

As stated above, the Division has found that its authority to consider the medical fee issues in this dispute is not preempted by the Federal Aviation Act, or the Airline Deregulation Act of 1978; therefore, this dispute is decided pursuant to the Texas Labor Code and all applicable Division rules.

While the respondent is correct that the Social Security Act requires all ambulance providers to accept Medicare fee schedule payments for ambulance services furnished as a benefit under Medicare Part B, the disputed services were not furnished to a Medicare beneficiary as a benefit under Medicare Part B. The services in dispute were furnished to an injured employee as a medical benefit pursuant to the Texas Labor Code. The Division therefore takes notice that the Social Security Act is not applicable to the air ambulance services in this dispute.

Moreover, the Legislature has expressly prohibited the use of *unmodified* Medicare rates in Texas Labor Code §413.011(b), which states that:

In determining the appropriate fees, the commissioner shall also develop one or more conversion factors or other payment adjustment factors taking into account economic indicators in health care and the requirements of Subsection (d) . . . This section **does not adopt the Medicare fee schedule** [emphasis added], and the commissioner may not adopt conversion factors or other payment adjustment factors based solely on those factors as developed by the federal Centers for Medicare and Medicaid Services.

Therefore, the respondent's contention that the payment standard to apply is the *unmodified* Medicare rate does not meet the requirements of Labor Code §413.011(b).

5. The insurance carrier further reduced payment for the disputed air ambulance services with claim adjustment reason code W1 – "Workers Compensation State Fee Schedule Adj." The submitted documentation did not support that there is a workers' compensation state fee schedule or medical fee guideline applicable to the disputed air ambulance services. No documentation was found to support a negotiated contract or that the services were provided through a workers' compensation health care network. Payment is therefore subject to the general medical reimbursement provisions of 28 Texas Administrative Code §134.1(e), which requires that in the absence of an applicable fee guideline or a negotiated contract, medical reimbursement for health care not provided through a workers' compensation health care network shall be made in accordance with a fair and reasonable reimbursement amount as specified in §134.1(f).
6. In the following analysis, the positions of both parties and the evidence presented to support each party's proposed reimbursement are examined to determine which party presents the best evidence of a payment that will achieve a fair and reasonable reimbursement for the air ambulance services in dispute. The requestor has the burden of proof. The standard of proof required is by a preponderance of the evidence.

28 Texas Administrative Code §134.1(f) requires that:

Fair and reasonable reimbursement shall:

- (1) be consistent with the criteria of Labor Code §413.011;
- (2) ensure that similar procedures provided in similar circumstances receive similar reimbursement; and
- (3) be based on nationally recognized published studies, published Division medical dispute decisions, and/or values assigned for services involving similar work and resource commitments, if available.

The Texas Supreme Court has summarized the statutory standards and criteria applicable to “fair and reasonable” fee determinations as requiring “methodologies that determine fair and reasonable medical fees, ensure quality medical care to injured workers, and achieve effective cost control.” *Texas Workers’ Compensation Commission v. Patient Advocates of Texas*, 136 South Western Reporter Third 656 (Texas 2004).

Additionally, the Third Court of Appeals has held, in *All Saints Health System v. Texas Workers’ Compensation Commission*, 125 South Western Reporter Third 104 (Texas Appeals – Austin 2003, petition for review denied), that “each . . . reimbursement should be evaluated according to [Texas Labor Code] section 413.011(d)’s definition of ‘fair and reasonable’ fee guidelines as implemented by Rule 134.1 for case-by-case determinations.”

Texas Labor Code §413.011(d) requires that:

Fee guidelines must be fair and reasonable and designed to ensure the quality of medical care and to achieve effective medical cost control. The guidelines may not provide for payment of a fee in excess of the fee charged for similar treatment of an injured individual of an equivalent standard of living and paid by that individual or by someone acting on that individual's behalf. The commissioner shall consider the increased security of payment afforded by this subtitle in establishing the fee guidelines.

28 Texas Administrative Code §133.307(c)(2)(O), requires the requestor to provide “documentation that discusses, demonstrates, and justifies that the payment amount being sought is a fair and reasonable rate of reimbursement in accordance with §134.1 . . . when the dispute involves health care for which the division has not established a maximum allowable reimbursement (MAR) or reimbursement rate, as applicable.”

Review of the submitted documentation finds that:

- The requestor asserts that: “it is inappropriate that air ambulance services be subject to state workers’ compensation allowance and should be reimbursed at 100% of billed charges.”
- The Division has previously found, as stated in the adoption preamble to the former *Acute Care Inpatient Hospital Fee Guideline*, that “hospital charges are not a valid indicator of a hospital’s costs of providing services nor of what is being paid by other payors” (22 *Texas Register* 6271). The Division further considered alternative methods of reimbursement that use hospital charges as their basis; such methods were rejected because they “allow the hospitals to affect their reimbursement by inflating their charges” (22 *Texas Register* 6268-6269). While an air ambulance company is not a hospital, the above principle is of similar concern in the present case. A health care provider’s usual and customary charges are not evidence of a fair and reasonable rate or of what insurance companies are paying for the same or similar services. Payment of “100% of billed charges” is not acceptable when it leaves the ultimate reimbursement in the control of the health care provider—which would ignore the objective of effective cost control and the statutory standard not to pay more than for similar treatment of an injured individual of an equivalent standard of living. Therefore, the use of a health care provider’s “usual and customary” charges cannot be favorably considered unless other data or documentation is submitted to support that the payment amount being sought is a fair and reasonable reimbursement for the services in dispute.
- In the present dispute, however, the requestor has submitted additional documentation and data to support that the payment amount sought is a fair and reasonable reimbursement for the services in this dispute.
- The requestor asserts that the amount requested is designed to ensure the quality of medical care:

The Division has long construed this inquiry as one of patient access . . . To ensure patient access to emergency helicopter service, it is essential that air ambulance providers are reimbursed a sufficient amount to cover the costs of providing the service to patients. This amount is reflected in their usual and customary market rates.
- In support of the quality of medical care, the requestor submitted documentation of a study as described in an article of the *Journal of the American Medical Association*, volume 249, number 22 (1983), “The Impact of a Rotorcraft Aeromedical Emergency Care Service on Trauma Mortality,” by William G. Baxt, and Peggy Moody, which reported a “52% reduction in predicted mortality of the aeromedical group” in reviewing populations of trauma patients transported to a trauma center by standard land prehospital care services as compared to the same trauma center by a rotorcraft aeromedical service.

- Additionally the requestor submitted documentation of a study as described in an article of the *Journal of the American Medical Association*, volume 307, number 15 (2012), "Association Between Helicopter vs. Ground Emergency Medical Services and Survival for Adults With Major Trauma," by Samuel M. Galvagno, Jr., DO, PhD; et al., which the requestor asserts "indicate that helicopter EMS transport is independently associated with improved odds of survival for seriously injured adults."
- The requestor's July 8th position statement asserts that the amount requested achieves medical cost control: "Providers cannot and do not arbitrarily raise their rates to achieve higher profit margins, as evidenced by CMS data reflecting minimal variation in provider's billed charges in both statewide and national figures."
- The requestor further states:

Providers' Financial Data and the CMS Study Prove that the Billed Charges are Constrained by Market Forces . . . the air ambulance charge model achieves effective cost control because it does not reflect the type of high historical profit margins that would indicate a provider's ability to raise rates to an unfair or unsustainable level. . . . The air ambulance provider's market-driven price inflexibility is further strengthened by the national study published by CMS . . . CMS published provider charge data from every Texas provider and reported the average billed charges, along with the 25th percentile, 75th percentile, maximum submitted charge amounts and minimum submitted charges. Not only are the air ambulance charges similar across the Texas, they are also relatively consistent across the country. While variations volume and payor mix in different parts of the state and country necessitate slight disparities in charges, the lack of wide fluctuations in pricing prove that providers cannot and do not deviate from their usual and customary, market-driven charges.
- Review of the health care provider's billed charges finds that the charges for the services in this dispute are consistent with national aggregate charge range data compiled by CMS as found in requestor's Exhibit 11.
- The requestor asserts that the amount requested does not provide for payment of a fee in excess of the fee charged for similar treatment of an injured individual of an equivalent standard of living, stating "these providers apply usual and customary charges to all patients regardless of payor-type or standard of living, and expect payment in full except where prohibited by federal law."
- The requestor states:

Unlike hospitals, air ambulance providers (1) rarely, if ever, enter into discounted contracts with private insurance companies; (2) have not artificially inflated their billed charges to enable them to offer discounts to the insurance companies while maintaining the ability to recover their costs; and (3) routinely seek to balance bill the patient who is left with the remainder of the usual and customary charges that are not paid in full by a third-party payor.
- The requestor asserts that the amount requested accounts for the increased security of Workers' Compensation payment, stating "In the air ambulance context, limiting collections to any artificially-reduced rate is unreasonable because these providers consistently rely on collecting 100 percent of their billed charges from all patients except where prohibited by federal law."
- The requestor further asserts that the amount requested ensures that similar procedures provided in similar circumstances receive similar reimbursement:

air ambulance providers charge the same rates for all patients, regardless of payor-type or economic status. . . . the Division clearly noted when it reasoned, 'the objectives of the 1996 MFG were to move Texas MFG reimbursements toward a median position in comparison with other states, away from a charge-based structure [as applied by hospitals], and more toward a market-based system.' An air ambulance provider's usual and customary market rates are the only charges that achieve this result.
- The requestor asserts that the amount requested is based on nationally recognized published studies, published Division medical dispute decisions, and/or values assigned for services involving similar work and resource commitments, presenting documentation of the aggregated national and statewide charge data by HCPCS code, as compiled by CMS, to support that the requestor's billed charges are consistent with national averages.

- The requestor has explained and supported that the requested reimbursement methodology would satisfy the requirements of 28 Texas Administrative Code §134.1.

The request for additional reimbursement is supported. After thorough review of the submitted information, the Division concludes that the requestor has discussed, demonstrated, and justified—by a preponderance of the evidence—that the payment amount sought is a fair and reasonable rate of reimbursement for the air ambulance services in dispute.

7. Because the requestor has met its burden to prove that the amount it is seeking is a fair and reasonable rate of reimbursement, the Division now reviews the information presented by the respondent to support whether the amount it has paid is a fair and reasonable rate of reimbursement for the services in dispute.

28 Texas Administrative Code §133.307(d)(2)(E)(v), effective May 31, 2012, 37 *Texas Register* 3833, requires the respondent to provide:

documentation that discusses, demonstrates, and justifies that the amount the respondent paid is a fair and reasonable reimbursement in accordance with Labor Code §413.011 and §134.1 or §134.503 of this title if the dispute involves health care for which the division has not established a MAR or reimbursement rate, as applicable.

Review of the submitted documentation finds that:

- The respondent asserts, “it is clear that Medicare was used as the basis for the reimbursement of the charges at issue.”
- As stated above, the Legislature has expressly prohibited the use of *unmodified* Medicare rates in Texas Labor Code §413.011(b), therefore the Division may not consider this method as evidence of a fair and reasonable reimbursement in accordance with Labor Code §413.011.
- The respondent further states, “the Carrier actually reimbursed Provider at a rate higher than Medicare (Medicare plus 25%). Therefore, Provider has been reimbursed in excess of that amount allowed under Federal Regulations.”
- The respondent did not present documentation to support that an amount under federal regulations was applicable to the services in dispute, and as stated above, the Division has found that neither the Social Security Act nor the ADA are applicable to the air ambulance services in dispute.
- The respondent did not discuss or present documentation to support how reimbursement in excess of the amount allowed under federal regulations provides for a fair and reasonable payment for the services in dispute.
- Per 28 Texas Administrative Code §134.1(g), “The insurance carrier shall consistently apply fair and reasonable reimbursement amounts and maintain, in reproducible format, documentation of the insurance carrier’s methodology(ies) establishing fair and reasonable reimbursement amounts.” The respondent did not explain or submit documentation to support how its proposed 125% payment adjustment factor provides for a fair and reasonable reimbursement amount for the disputed air ambulance services in accordance with the requirements of §134.1(g).
- The respondent did not discuss or present documentation to support how the proposed reimbursement methodology is consistent with the criteria of Labor Code §413.011.
- The respondent did not support that the amount paid satisfies the requirements of §134.1(f).
- The respondent did not support that the amount paid represents a fair and reasonable reimbursement for the services in dispute.

The respondent’s position is not supported. Thorough review of the submitted documentation finds that the respondent has not demonstrated or justified that the amount paid is a fair and reasonable rate of reimbursement for the services in dispute. The Division concludes that the respondent has not met the requirements of 28 Texas Administrative Code §133.307(d)(2)(E)(v).

8. The Division finds, by a preponderance of the evidence, that the documentation submitted in support of the reimbursement amount proposed by the requestor is the best evidence of an amount that will achieve a fair and reasonable reimbursement for the air ambulance services in this dispute. Reimbursement is calculated as follows: review of the submitted medical bill finds that the total charge for the disputed air ambulance

