



Medical Fee Dispute Resolution Findings and Decision

General Information

Requester Name

Memorial Hermann
Surgical Hospital

Respondent Name

Arch Insurance Co

MFDR Tracking Number

M4-25-2298-01

Carrier's Austin Representative

Box Number 19

DWC Date Received

May 19, 2025

Summary of Findings

Dates of Service	Disputed Services	Amount in Dispute	Amount Due
July 15, 2024	111-278	\$102,863.47	\$95,518.61

Requester's Position

The requester did not submit a position statement with this request for MFDR. They did submit a document titled, "Reconsideration" dated April 11, 2025 that states, "In accordance to the worker compensation guidelines the invoice should be processed and paid per the IPPS Pricer Calculations for the DRG times 108%. Please note that implants should be reimbursed at manual cost plus 10%."

Amount in Dispute: \$102,863.47

Respondent's Position

"We will provide a supplemental response once the bill auditing company has finalized their review."

Response Submitted by: Gallagher Bassett

Findings and Decision

Authority

This medical fee dispute is decided according to [Texas Labor Code §413.031](#) and applicable rules of the Texas Department of Insurance, Division of Workers' Compensation (DWC).

Statutes and Rules

1. [28 Texas Administrative Code §133.307](#) sets out the procedures for resolving medical fee disputes.
2. [28 TAC §134.404](#) sets out the reimbursement guidelines for inpatient hospital services.

Denial Reasons

The insurance carrier reduced or denied the payment for the disputed services with the following claim adjustment codes:

- P12/90223 – Workers' compensation jurisdictional fee schedule adjustment.
- 5406 – CV: Reconsideration. Additional allowance recommended. This bill and submitted documentation have been re-evaluated by clinical validation.
- 4896 – Payment made per Medicare's IPPS methodology with the applicable state markup.
- 5553 – The amount paid reflects a fee schedule reduction.

Issues

1. What services are in dispute?
2. What rule is applicable to reimbursement?
3. How is the Maximum Reimbursement Allowable (MAR) calculated?
4. Is requester entitled to additional reimbursement?

Findings

1. The requester is seeking additional reimbursement for implants utilized during an inpatient surgical procedure in July of 2024. The insurance carrier reduced the paid amount based on fee schedule reduction. The applicable DWC fee guideline per applicable rule is shown below.
2. DWC Rule 28 TAC §134.404(f), requires the maximum allowable reimbursement (MAR) to be the Medicare facility specific amount (including outlier payments) applying Medicare Inpatient Prospective Payment System (IPPS) formulas and factors, as published annually in the Federal Register, with modifications set forth in the rules. Medicare IPPS formulas and factors are available from the Centers for Medicare and Medicaid Services at <http://www.cms.gov>.

The division calculates the Medicare facility specific amount using Medicare's *Inpatient PPS PC*

Pricer as a tool to identify and apply IPPS formulas and factors. This software is freely available from www.cms.gov.

Note: the "VBP adjustment" listed in the *PC Pricer* was removed in calculating the facility amount for this admission. Medicare's Value-Based Purchasing (VBP) program is an initiative to improve quality of care in the Medicare system. However, such programs conflict with Texas Labor Code sections 413.0511 and 413.0512 regarding review and monitoring of health care quality in the Texas workers' compensation system. Rule §134.404(d)(1) requires that specific Labor Code provisions and division rules take precedence over conflicting CMS provisions for administering Medicare. Consequently, VBP adjustments are not considered in determining the facility reimbursement.

Review of the submitted documentation finds that separate reimbursement for implantables was requested; for that reason, the MAR is calculated according to §134.404(f)(1)(B).

3. Per §134.404(f)(1)(B), the sum of the Medicare facility specific reimbursement amount and any applicable outlier payment by 108%. Information regarding the calculation of Medicare IPPS payment rates may be found at <http://www.cms.gov>. Review of the submitted documentation finds that the DRG code assigned to the services in dispute is 455. The services were provided at Memorial Hermann Surgical Hospital. Based on the submitted DRG code, the service location, and bill-specific information, the Medicare facility specific amount is \$35,362.77. The IPPS priced indicates a VBP adjustment of \$377.00 making the adjusted Medicare facility specific amount \$34,985.77. This amount multiplied by 108% results in a MAR of \$37,784.63.

Additionally, the provider requested separate reimbursement of implantables. Per §134.404(g):

Implantables, when billed separately by the facility or a surgical implant provider in accordance with subsection (f)(1)(B) of this section, shall be reimbursed at the lesser of the manufacturer's invoice amount or the net amount (exclusive of rebates and discounts) plus 10 percent or \$1,000 per billed item add-on, whichever is less, but not to exceed \$2,000 in add-on's per admission.

Review of the submitted documentation finds that the separate implantables include:

- "Plate Interior 21mm" as identified in the itemized statement and labeled on the invoice as "21mm ant plate" with a cost per unit of \$7,500.00;
- "Screw Anterior 24 mm" as identified in the itemized statement and labeled on the invoice as "24mm ant screw" with a cost per unit of \$4,000.00 at 4 units, for a total cost of \$16,000.00;
- "Screw Pedicle 45mm" as identified in the itemized statement and labeled on the invoice as "45mm bed screw" with a cost per unit of \$4,300.00 at 4 units, for a total cost of \$17,200.00;
- "Rod 40mm" as identified in the itemized statement and labeled on the invoice as "40mm rod" with a cost per unit of \$2,000.00 at 2 units, for a total cost of \$4,000.00;
- "Screw set FX.SS.0010" as identified in the itemized statement and labeled on the

invoice as "set screws" with a cost per unit of \$1,200.00 at 4 units, for a total cost of \$4,800.00;

- "Plate anterior 25mm" as identified in the itemized statement and labeled on the invoice as "25mm Ant. Plate" with a cost per unit of \$3,750.00;
- "Rod 45mm" as identified in the itemized statement and labeled on the invoice as "45mm Rod" with a cost per unit of \$2,000.00;
- "Allograft bone chips" as identified in the itemized statement and labeled on the invoice as "CB-05G" with a cost per unit of \$2,500.00 at 8 units, for a total cost of \$20,000.00;
- "Putty Demineralized bone" as identified in the itemized statement and labeled on the invoice as "HG-10P" with a cost per unit of \$5,000.00 at 2 units, for a total cost of \$10,000.00;
- "Bone Strip 5cc" as identified in the itemized statement and labeled on the invoice as "802-005" with a cost per unit of \$6,000.00;
- "Cage Alif 9mm 8 degree" as identified in the itemized statement and labeled on the invoice as "9mm 8 degree ALIF Cage" with a cost per unit of \$27,000.00.

The total net invoice amount (exclusive of rebates and discounts) is \$118,250.00. The total add-on amount of 10% or \$1,000 per billed item add-on, whichever is less, but not to exceed \$2,000 in add-on's per admission is \$2,000.00. The total recommended reimbursement amount for the implantable items is \$120,250.00.

4. The total allowable reimbursement for the services in dispute is \$158,034.63. This amount is less than the amount previously paid by the insurance carrier of \$62,516.02, which leaves an additional amount due to the requester of \$95,518.61. This amount is recommended.

Conclusion

The outcome of this medical fee dispute is based on the evidence presented by the requester and the respondent at the time of adjudication. Though all evidence may not have been discussed, it was considered.

DWC finds the requester has established that additional reimbursement is due.

Order

Under Texas Labor Code §§413.031 and 413.019, DWC has determined the requester is entitled to \$95,518.61 additional reimbursement for the disputed services. Arch Insurance Company must remit to Memorial Hermann Surgical Hospital \$95,518.61 plus applicable accrued interest within 30 days of receiving this order in accordance with 28 TAC §134.130.

Authorized Signature

Signature

Medical Fee Dispute Resolution Officer

August 15, 2025

Date

Signature

Director of Medical Fee Dispute
Resolution

Date

Your Right to Appeal

Either party to this medical fee dispute has a right to seek review of this decision under 28 TAC §133.307, which applies to disputes filed on or after **June 1, 2012**.

A party seeking review must submit DWC Form-045M, *Request to Schedule, Reschedule, or Cancel a Benefit Review Conference to Appeal a Medical Fee Dispute Decision (BRC-MFD)* and follow the instructions on the form. You can find the form at www.tdi.texas.gov/forms/form20numeric.html. DWC must receive the request within **20 days** of when you receive this decision. You may fax, mail, or personally deliver your request to DWC using the contact information on the form or the field office handling the claim. If you have questions about DWC Form-045M, please call CompConnection at 1-800-252-7031, option 3 or email CompConnection@tdi.texas.gov.

The party seeking review of the MFDR decision must deliver a copy of the request to all other parties involved in the dispute at the same time the request is filed with DWC. **Please include a copy of the *Medical Fee Dispute Resolution Findings and Decision*** with any other required information listed in 28 TAC §141.1(d).

Si prefiere hablar con una persona en español acerca de ésta correspondencia, favor de llamar a 1-800-252-7031, opción 3 o correo electrónico CompConnection@tdi.texas.gov.