

**STATE OF CALIFORNIA
DEPARTMENT OF INDUSTRIAL RELATIONS
DIVISION OF WORKERS' COMPENSATION**

INITIAL STATEMENT OF REASONS

**Subject Matter of Regulations: Official Medical Fee Schedule
Physicians' Fees – Table A**

**TITLE 8, CALIFORNIA CODE OF REGULATIONS
SECTION 9789.11**

Section 9789.11 Physician Services Rendered on or after July 1, 2004

BACKGROUND TO REGULATORY PROCEEDING

The Legislature amended Labor Code Section 5307.1 (Senate Bill 228, effective January 1, 2004) to provide that for years 2004 and 2005, the existing Official Medical Fee Schedule (OMFS) for physician services was to remain in effect, but that maximum reasonable fees were to be reduced by five percent, except that fees were not to be reduced below 2003 Medicare fee levels. The bill also provided that, commencing January 1, 2006, the Administrative Director was to adopt and revise the fee schedule for physician services. This regulation would increase physician fees for ten Evaluation and Management procedures to approximate 2006 Medicare levels for the same procedures.

Section 9789.11 Physician Services Rendered on or after July 1, 2004

Specific Purpose of Section 9789.11:

Section 9789.11 establishes the maximum reasonable fees that can be charged for physician services. It incorporates by reference the "General Information and Instructions, Effective for dates of service on or after July 1, 2004", and also the "Table A, OMFS Physician Services Fees for Services Rendered on or after July 1, 2004." The change in the regulation creates a new paragraph (f) which incorporates by reference the February, 2007 Addendum to Table A, for services rendered on or after February 15, 2007. This addendum establishes maximum reasonable fees for ten Evaluation & Management procedure codes.

Necessity:

It is necessary to adopt the addendum to the Table A, and incorporate it by reference in order to set forth the increased fees for the specified services.

Consideration of Alternatives:

No more effective alternative to this change, nor equally effective and less burdensome alternative, has been identified by the Administrative Director at this time.

Table A changes:

Specific Purpose of changes to Codes 99201, 99202, 99203, 99204, 99205, 99211, 99212, 99213, 99214, and 99215:

The maximum reasonable fees for these ten procedure codes were increased. The Administrative Director is, after January 1, 2006, to adopt and revise the physician fee schedule at least biennially. The existing fee schedule had reduced physician fees by five percent, except those that were already at or below the Medicare fee levels of 2003. These ten procedure codes were already at or below 2003 Medicare levels, and so were not reduced. The adoption by the legislature of the American Medical Association's Guide Guides to the Evaluation of Permanent Impairment and of utilization review procedures substantially increased the time required to be expended by treating physicians in the workers' compensation system.

The Administrative Director proposes to increase the maximum reasonable fees for these ten procedure codes to the 2006 Medicare fee levels. To do this, because Medicare has varying fees for nine different regions in California, the Administrative Director has used a weighted average to obtain an approximate equivalent of 2006 Medicare fee levels for these ten procedures.

Necessity:

It is necessary to increase the maximum reasonable fees payable to physicians in the workers' compensation system for these ten procedure codes, because these Evaluation and Management procedures are used by all physicians in the workers' compensation system, and represent the procedures that are most impacted by the added reporting requirements of recent legislation.

Consideration of Alternatives:

No more effective alternative to these increases, nor equally effective and less burdensome alternative, has been identified by the Administrative Director at this time.