REPORT OF THE SPECIAL ADVISORY COMMISSION ON MANDATED HEALTH INSURANCE BENEFITS ON

THE MANDATED DIRECT REIMBURSEMENT OF PHYSICAL THERAPISTS PURSUANT TO SECTIONS 38.2-3408 AND 38.2-4221 OF THE CODE OF VIRGINIA

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

SENATE DOCUMENT NO. 19

COMMONWEALTH OF VIRGINIA
RICHMOND
1994

SENATE OF VIRGINIA

CLARENCE A. HOLLAND
7TH SENATORIAL DISTRICT
VIRGINIA BEACH, MOST OF NORTHWESTERN PART
P. O. BOX 5622
VIRGINIA BEACH, VIRGINIA 23455

December 17, 1993

To: The Honorable L. Douglas Wilder
Governor of Virginia
and
The General Assembly of Virginia

The report contained herein has been prepared pursuant to §§ 9-298 and 9-299 of the Code of Virginia.

This report documents a study conducted by the Special Advisory Commission on Mandated Health Insurance Benefits to assess the social and financial impact and the medical efficacy of mandated direct reimbursement of physical therapists by health insurers pursuant to §§ 38.2-3408 and 38.2-4221 of the Code of Virginia.

Respectfully submitted,

Clarence A. Holland, M.D., Chairman
Special Advisory Commission on
Mandated Health Insurance Benefits

Special Advisory Commission on Mandated Health Insurance Benefits

Clarence A. Holland, M.D., Chairman
George H. Heilig, Jr., Vice Chairman

Jean W. Cunningham
William C. Wampler, Jr.
Bruce E. Carlson
Phyllis L. Cothran
Clara J. Crouch
Thomas W. Hubbard, M.D.
Douglas Johnson, Ph.D.

Carolyn Lambert
Roger W. Litwiller, M.D.
Sidney D. Mason
Reginia G. Palmer
James W. Walker, D.C.
Steven T. Foster, ex-officio
Robert B. Stroube, M.D., ex-officio

TABLE OF CONTENTS

SECTION	PAGE
Introduction	1
Licensing Requirements	1
Financial Impact	2
Legislation in Other States	4
Review Criteria	
Social Impact	4
Financial Impact	6
Medical Efficacy	8
Effects of Balancing the Social, Financial, and Medical Efficacy Considerations	8
Recommendations	10
Conclusion	10
Appendix: *§§ 38.2-3408 and 38.2-4221 of the Code of Virginia*	A-1

INTRODUCTION

Sections 38.2-3408 and 38.2-4221 of the Code of Virginia require insurers regulated by the state to reimburse directly physical therapists who provide covered services within the scope of their licensure. These statutes do not extend coverage to additional services offered by physical therapists, but only require that physical therapists be reimbursed for services that are otherwise covered by a policy. Virginia has mandated the direct reimbursement of physical therapists for covered services since 1987.

The Special Advisory Commission on Mandated Health Insurance Benefits (Advisory Commission) reviewed the physical therapist mandate as part of its review of Virginia's existing mandated benefit and provider requirements pursuant to §§ 9-298 and 9-299 of the Code of Virginia. The Advisory Commission held a public hearing on June 7, 1993 to receive comments on the mandated provider category.

LICENSING REQUIREMENTS

According to §54.1-2944 of the Code of Virginia, the qualification, examination, licensure, and regulation of physical therapists is the responsibility of the Board of Medicine (the Board) which is assisted by the Advisory Board on Physical Therapy. In order to be licensed as a physical therapist, a candidate must be at least eighteen years of age, be of good moral character, and have graduated from a school of physical therapy approved by the Council on Medical Education and Hospitals of the American Medical Association or by the American Physical Therapists Association. In addition, candidates must pass a one-part comprehensive written examination approved by the Board of Medicine. In lieu of the examination, candidates can gain licensure through endorsement if they are already licensed in another state or territory of the United States and have successfully completed a physical therapy examination equivalent to the examination administered here in Virginia.

Physical therapists are required to renew their licenses every two years. Renewal is granted by the Board if the therapist provides documented proof that he or she has remained active within the profession for at least 320 hours over the preceding two years. As of January 1, 1992, the Department of Health Professions reported the licensure of 1,860 physical therapists living in the state of Virginia and the licensure of 2,347 physical therapists overall.

Section 54.1-2900 of the Code of Virginia defines the practice of physical therapy as the evaluation, testing, treatment, reeducation, and rehabilitation by physical,

mechanical, or electronic procedures of individuals who because of trauma, disease, or birth defect, present physical and emotional disorders. According to the statute, physical therapy does not include the use of Roentgen rays and radium for diagnostic or therapeutic purposes, or the use of electricity for shock therapy and surgical purpose including cauterization. According to the Board of Medicine, a physical therapist has the responsibility of evaluating a patient, planning the treatment program, and administering treatment only within the scope of his or her knowledge and professional skills. By law, all services rendered by a physical therapist are performed only upon medical referral by a doctor of medicine, osteopathy, chiropractic, podiatry, or dental surgery. Accordingly, the Board requires that a physical therapist maintain continuing communication with the referring practitioner.

FINANCIAL IMPACT

Results of a study conducted in 1989 on behalf of Blue Cross and Blue Shield of Virginia (BCBSVA) by KPMG Peat Marwick indicate that the cost per contract year for physical therapists was $2.76 in 1988. This figure represents the combined experience of BCBSVA's individual and group policies for the calendar year 1988. During that year, BCBSVA experienced claims of $2,253,906 for 85,262 visits to physical therapists at an average cost of $29.75 per visit. The BCBSVA study also indicated that claim expenditures for physical therapists represented 0.34% of total claims under both individual and group contracts in 1988.

In 1989, the State Corporation Commission's Bureau of Insurance also conducted a study of the impact of mandated benefits and mandated providers. Results of the initial survey indicate that 79% of the insurance companies responding to the survey reimbursed physical therapists before the mandate was enacted. In addition, two companies provided figures based solely on claims data which indicated that on average less than 0.5% of total premiums was attributable to reimbursement of physical therapists. This figure is consistent with the BCBSVA study.

In 1992, the State Corporation Commission (SCC) issued its first annual report on the financial impact of mandated benefits and mandated providers pursuant to § 38.2-3419.1 of the Code of Virginia (1993 House Document No. 9). Insurers were only required to submit data for the fourth quarter of 1991 for this initial report. Therefore, the results reported in 1993 House Document No. 9 may not be truly representative of insurer experience. Subsequent reports will cover full calendar years. The results printed in the Bureau's report are as follows:

Portion of Premium Attributable to Physical Therapists

INDIVIDUAL		GROUP	
Single	Family	Single	Family
0.32%	0.19%	0.29%	0.29%

Once again, these figures reveal the impact of reimbursement for physical therapists to be less than 0.5% and appear consistent with both of the 1989 studies.

The SCC's 1992 report also includes some limited information comparing provider costs for certain procedures. Three physical medicine procedures specifically are available for cost comparison among the various providers:

Physical Medicine Treatment, Therapeutic Exercise
(October 1, through December 31, 1991)

Provider Category	Avg. Cost Per Visit	Median Cost Per Visit
Chiropractor	$18.58	$15.49
Physical Therapist	25.48	25.50
Physician	25.49	28.86

Physical Medicine Treatment, Massage
(October 1, through December 31, 1991)

Provider Category	Avg. Cost Per Visit	Median Cost Per Visit
Chiropractor	$19.53	$15.33
Physical Therapist	19.17	18.54
Podiatrist	23.26	25.71
Physician	22.52	23.29

Physical Medicine Treatment, Ultrasound
(October 1, through December 31, 1991)

Provider Category	Avg. Cost Per Visit	Median Cost Per Visit
Chiropractor	$14.68	$14.00
Physical Therapist	18.21	17.53
Podiatrist	20.18	21.73
Physician	17.41	17.36

As the figures reveal, costs associated with services obtained through various providers follow no specific trend. For some procedures, physical therapists appear to charge more for their services than physicians, and for others they appear to charge

less. The difference, however, may not be statistically significant considering the small size of the respondent pool used in the survey and the fact that these figures only represent the last quarter of 1991.

The SCC's 1992 report also includes figures that compare the cost of office visits among the various providers. These figures indicate an average cost per visit which is somewhat higher than that for physicians and significantly higher than those for chiropractors and podiatrists. The difference, however, may not be statistically significant considering the small size of the respondent pool used in the survey and the fact that these figures only represent the last quarter of 1991. The figures as reported by the SCC are as follows:

Office Visit, Intermediate Service to New Patient
(October 1, through December 31, 1991)

Provider Category	*Avg. Cost Per Visit*	*Median Cost Per Visit*
Chiropractor	*$24.32*	*$25.27*
Physical Therapist	*41.80*	*38.27*
Podiatrist	*25.86*	*23.16*
Physician	*31.13*	*32.16*

LEGISLATION IN OTHER STATES

According to the National Association of Insurance Commissioners (NAIC) 11 states, including Virginia, mandate that physical therapists be reimbursed for rendering covered services within the scope of licensure.

REVIEW CRITERIA

Social Impact

a. The extent to which the treatment or service is generally utilized by a significant portion of the population.

The Virginia Physical Therapy Association (VPTA) estimates that about 78,000 physical therapists assist 900,000 individuals daily nationwide. Between two and three percent of Americans under the age of 65 receive outpatient physical therapist services annually. A significantly larger percentage of the elderly receive outpatient physical therapy every year.

b. The extent to which insurance coverage for the treatment or service is already available.

Physical therapists are mandated providers in Virginia and must be reimbursed for the provision of covered services within their scope of licensure. The VPTA reports that some insurance companies, however, do limit coverage for physical therapy services. Though many insurance companies have these limitations, almost all insurance companies cover the most essential services provided by physical therapists. Both Medicare and Medicaid provide broad coverage for a wide range of physical therapy treatments. All state workers' compensation programs cover physical therapy services provided in both inpatient and outpatient settings.

c. If coverage is not generally available, the extent to which the lack of coverage results in persons being unable to obtain necessary health care treatments.

Physical therapists are mandated providers and must be reimbursed for covered services that they are licensed to provide. The extent to which persons would be unable to obtain necessary health care treatment in the absence of the physical therapist mandate is unknown.

d. If the coverage is not generally available, the extent to which the lack of coverage results in unreasonable financial hardship on those persons needing treatment.

Physical therapists are mandated providers and must be reimbursed for covered services that they are licensed to provide. The extent to which persons would incur unreasonable financial hardship in the absence of the physical therapist mandate is unknown. However, treatment for catastrophic conditions such as spinal cord or traumatic brain injuries can require intensive therapy for extended periods and be very costly without insurance coverage.

e. The level of public demand for the treatment or service.

There are approximately 78,000 active physical therapists in the country. The VPTA believes that to meet today's health care demands, conservative estimates call for at least 84,000 physical therapists. The VPTA also asserts that every year the demand for physical therapists out-paces the number who join the work-force by 2,300. As of January 1, 1992, there were 2,347 physical therapists licensed in Virginia.

f. The level of public demand and the level of demand from providers for individual and group insurance coverage of the treatment or service.

The VPTA presented a letter from Dr. Douglas E. Jessup, an orthopedist and the President of the Virginia Orthopedic Society, supporting the current physical therapist mandate. The VPTA also presented a letter from the Virginia Health Care Association, which represents over 90% of Virginia's 250 non-hospital based nursing homes, that voices support for the current physical therapist mandate.

g. The level of interest of collective bargaining organizations in negotiating privately for inclusion of this coverage in group contracts.

The Advisory Commission did not receive any information regarding the interest of collective bargaining organizations in negotiating privately for the reimbursement of physical therapists during the course of its review.

h. Any relevant findings of the state health planning agency or the appropriate health system agency relating to the social impact of the mandated benefit.

Proponents of the mandate cite the Virginia Essential Health Services Panel which has included inpatient physical therapy service as an essential service. The Panel has also included outpatient physical therapy service under referral from a primary care provider as a standard service. The Panel's recommendations, however, were not provider specific and by design did not address the issue of which providers should be covered.

Financial Impact

a. The extent to which the proposed insurance coverage would increase or decrease the cost of treatment or service over the next five years.

BCBSVA reports that as a percent of total claims physical therapist claims have risen from 0.15% in 1986 to 0.45% in 1992. It is unlikely that premiums or the cost of services will increase or decrease significantly over the next five years as a result of maintaining the physical therapist mandate.

b. The extent to which the proposed insurance coverage might increase the appropriate or inappropriate use of the treatment or service.

It is unknown whether the continuation of the physical therapist mandate will significantly increase either the appropriate or inappropriate use of podiatric services. However, it should be noted that physical therapists can only administer treatment upon medical referral by a doctor of medicine, osteopathy, chiropractic, podiatry, or dental surgery.

c. The extent to which the mandated treatment or service might serve as an alternative for more expensive or less expensive treatment or service.

The VPTA claims that the physical therapist mandate should result in a net decrease in health care costs because physical therapists use conservative (i.e. non-surgical) regimens, emphasize patient self-care, and promote early intervention and prevention.

d. The extent to which the insurance coverage may affect the number and types of providers of the mandated treatment or service over the next five years.

According to a 1989 report by the U.S. Department of Labor's Bureau of Labor Statistics, physical therapist jobs will increase 57% by the next decade. Proponents of the mandate attribute this growth to market-based demand pressures. Physical therapists are of special importance to older people, and as the population grows older, more physical therapists will be needed. Also, with increasing participation in sports and other fitness activities, more physical therapists will be needed to treat and prevent related injuries.

e. The extent to which insurance coverage might be expected to increase or decrease the administrative expenses of insurance companies and the premium and administrative expenses of policyholders.

The greatest administrative expenses associated with mandates are generally incurred when a mandate is initially enacted. The ongoing cost for the mandate of physical therapists is not expected to be substantial.

f. The impact of coverage on the total cost of health care.

Physical therapist claims accounted for less than one half

of one percent of total claims cost for accident and sickness coverage in 1989 studies done by the SCC's Bureau of Insurance and BCBSVA and the SCC's 1992 report pursuant to S38.2-3419.1.

Medical Efficacy

a. **The contribution of the benefit to the quality of patient care and the health status of the population, including the results of any research demonstrating the medical efficacy of the treatment or service compared to alternatives or not providing the treatment or service.**

Not applicable.

b. **If the legislation seeks to mandate coverage of an additional class of practitioners:**

1) **The results of any professionally acceptable research demonstrating the medical results achieved by the additional class of practitioners relative to those already covered.**

Physical therapists are currently mandated providers and the medical efficacy of the services they provide were not called into question during the course of the Advisory Commission's review.

2) **The methods of the appropriate professional organization that assure clinical proficiency.**

The regulation of physical therapists in Virginia is the responsibility of the Board of Medicine (the Board) which is assisted by the Advisory Board on Physical Therapy. Physical therapists are required to renew their licenses every two years. As of January 1, 1992, the Department of Health Professions reported the licensure of 1,860 physical therapists living in the state of Virginia and the licensure of 2,347 physical therapists overall.

Effects of Balancing the Social, Financial and Medical Efficacy Considerations

a. **The extent to which the benefit addresses a medical or a broader social need and whether it is consistent with the role of health insurance.**

Mandating reimbursement for physical therapists appears to address a medical need and to be consistent with the role of health insurance.

b. The extent to which the need for coverage outweighs the costs of mandating the benefit for all policyholders.

Opponents note that most of the policies subject to the mandates service individuals and small businesses who are least able to absorb the additional premium increases which are normally associated with mandates. Opponents fear that these groups could be forced out of the insurance market because they cannot afford rising premiums. Proponents argue that any premium increases due to the physical therapist mandate are negligible. The costs of mandating reimbursement for physical therapists has been shown to be small.

c. The extent to which the need for coverage may be solved by mandating the availability of the coverage as an option for policyholders.

Mandating optional coverage has not proven effective in the past. Options are generally selected by those individuals who anticipate that it is very likely that they will need the offered coverage. Such adverse selection leads to higher costs for optional coverages which discourages their purchase.

RECOMMENDATIONS

It is the recommendation of the Special Advisory Commission on Mandated Health Insurance Benefits that the mandated provider category of physical therapist contained in §§ 38.2-3408 and 38.2-4221 of the Code of Virginia be maintained in its current form. The Advisory Commission adopted this position at its September 13, 1993 meeting (10-Yes, 0-No).

CONCLUSION

In reviewing the issues of mandated reimbursement for physical therapists, the Advisory Commission examined information concerning the social and financial impact of such requirements and the medical efficacy of the services provided by this type of provider. During the course of its review, no interested party recommended to the Advisory Commission, either orally or in writing, that the mandate be repealed. Evidence and testimony provided to the Advisory Commission during the course of its review supported the continuation of the current requirements of §§ 38.2-3408 and 38.2-4221 of the Code of Virginia with respect to physical therapists and have led the Advisory Commission to conclude that no change is necessary at this time.

APPENDIX

§ 38.2-3408. Policy providing for reimbursement for services that may be performed by certain practitioners other than physicians. --- A. If an accident and sickness insurance policy provides reimbursement for any service that may be legally performed by a person licensed in this Commonwealth as a chiropractor, optometrist, optician, professional counselor, psychologist, clinical social worker, podiatrist, physical therapist, chiropodist, clinical nurse specialist who renders mental health services, audiologist or speech pathologist, reimbursement under the policy shall not be denied because the service is rendered by the licensed practitioner.

B. This section shall not apply to Medicaid, or any state fund. (1968, c. 588, § 38.1-347.1; 1973, c. 428; 1979, c. 13; 1986, c. 562; 1987, cc. 549, 551, 557; 1989, cc. 7, 201.)

§ 38.2-4221. Services of certain practitioners other than physicians to be covered. --- A nonstock corporation shall not fail or refuse, either directly or indirectly, to allow or to pay to a subscriber for all or any part of the health services rendered by any doctor of podiatry, doctor of chiropody, optometrist, optician, chiropractor, professional counselor, psychologist, physical therapist, clinical social worker, clinical nurse specialist who renders mental health services, audiologist or speech pathologist licensed to practice in Virginia, if the services rendered (i) are services provided for by the subscription contract, and (ii) are services which the doctor of podiatry, doctor of chiropody, optometrist, optician, chiropractor, professional counselor, psychologist, physical therapist, clinical social worker, clinical nurse specialist who renders mental health services, audiologist or speech pathologist is licensed to render in this Commonwealth. (Code 1950, § 32.195.10:1; 1966, c. 276, § 38.1-824; 1973, c. 428; 1979, cc. 13,721; 1980, c. 682; 1986, c. 562; 1987, cc. 549, 551, 557; 1988, c. 522; 1989, cc. 7, 201.)