

Honolulu, Hawaii

Feb 10, 2006

RE: H.B. No. 2450  
H.D. 1

Honorable Calvin K.Y. Say  
Speaker, House of Representatives  
Twenty-Third State Legislature  
Regular Session of 2006  
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 2450 entitled:

"A BILL FOR AN ACT RELATING TO WORKERS' COMPENSATION,"

begs leave to report as follows:

The purpose of this bill is to improve Hawaii's workers' compensation system by:

- (1) Requiring the application of all Medicare fee schedules, rather than just the Medicare Resource Based Value Scale, to workers' compensation claims beginning January 1, 2007;
- (2) Requiring workers' compensation insurers to identify overall cost savings and apply them to rates on new and renewal policies issued between February 1, 2007, and January 31, 2010; and
- (3) Establishing a six-month moratorium on workers' compensation insurance rate increases.

The Hawaii Chapter, American Physical Therapy Association testified in support of this bill. The Hawaii State Chiropractic Association and Hawaii Employers' Mutual Insurance Company testified in support of the intent of this measure. The Hawaii Medical Association opposed this bill. The Department of Labor



and Industrial Relations, ILWU Local 142, and Hawaii Insurers Council offered comments.

Your Committee finds that access to workers' compensation care can be limited in Hawaii. While there are many reasons for this, inequity in medical reimbursement has been problematic for some medical providers causing them to no longer provide medical services for workers' compensation cases.

Workers' compensation insurance premiums for employers have also risen. Expanding the workers' compensation fee schedule to include all Medicare fee schedules provides equity across the medical provider community while appropriately controlling medical costs, while establishing a mechanism for the return of worker's compensation cost savings in the form of lower premiums helps employers.

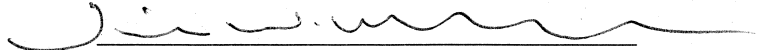
However, your Committee notes that requiring the Insurance Commissioner to effect a six-month moratorium on workers' compensation insurance premium rate increases may have an adverse impact on the ability of insurers to underwrite workers' compensation policies. Accordingly, your Committee has amended this measure by:

- (1) Deleting language requiring the Insurance Commissioner to effect a six-month moratorium on workers' compensation insurance premium rate increases; and
- (2) Making technical, nonsubstantive amendments for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2450, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2450, H.D. 1, and be referred to the Committee on Consumer Protection & Commerce.



Respectfully submitted on  
behalf of the members of the  
Committee on Labor & Public  
Employment,

  
KIRK CALDWELL, Chair



