

**LATE**

Friday, Testimony in Opposition to  
HB 386  
RELATING TO WORKERS COMEPENSATION FRAUD

By  
Al Lardizabal, Director of Government Relations  
Hawaii Laborers' Union

Friday, January 28, 2011  
Room 309, 9:00 a.m.  
State Capitol

To the  
COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

Representative Karl Rhoads, Chair; Representative Kyle T. Yamashita, Vice Chair and  
Members of the Committee:

On behalf of Mr. Peter Ganaban, Business Manager, the officers and members of the  
Hawaii Laborers' Union, we respectfully oppose the transfer of the functions, authority  
and resources under HRS 386-98, (Fraud violations and penalties), from the Department  
of Labor and Industrial Relations to the Department of Commerce and Consumer Affairs.

We believe that it is premature to make any major restructuring of certain operations of  
the DLIR and the DCCA through legislation at this time, until the new administration has  
had ample opportunity to assess the operations of the departments especially while  
critical budget reviews are being conducted. We believe that the departments should be  
provided with the initial opportunity to propose any reorganization and strategic planning  
in accordance with their proposed budgets and subsequent disposition by the Legislature.

Thank you for the opportunity to submit this testimony.

The Twenty-Sixth Legislature  
Regular Session of 2011

LATE

HOUSE OF REPRESENTATIVES  
Committee on Labor and Public Employment  
Rep. Karl Rhoads, Chair  
Rep. Kyle T. Yamashita, Vice Chair

State Capitol, Conference Room 309  
Friday, January 28, 2011; 9:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 386  
RELATING TO WORKERS' COMPENSATION FRAUD**

The ILWU Local 142 opposes H.B. 386, which transfers jurisdiction over workers' compensation fraud from the Department of Labor and Industrial Relations to the Insurance Fraud Investigations Unit of the Insurance Division of the Department of Commerce and Consumer Affairs.

We oppose fraud of any kind, whether perpetrated by insurance carriers, health care providers, employers, and even workers. Workers' compensation fraud drives up cost and diminishes the ability of the workers' compensation system to provide needed care and support to workers who are injured on the job.

That said, however, we do not see any logical rationale to move workers' compensation fraud to the Insurance Division. Such a move could drive up the cost of workers' compensation premiums as, we understand, all insurance carriers regulated by the Department of Commerce and Consumer Affairs are assessed fees for the cost of programs, including investigation of fraud.

From January 2006 through December 2010, only 26 cases involving fraud were brought before the Department of Labor out of more than 7,000 cases adjudicated. There is no need for a drastic change in how workers' compensation fraud is handled. This experience confirms the findings of the Closed Claims Study which showed that fraud was not a cost driver for workers' compensation.

Workers who are injured on the job have justifiable claims for compensation, yet many have not received the medical care or financial compensation commensurate with the losses they have suffered. Some have not only lost income from their current jobs, they will also lose considerable future income due to their inability to return to gainful employment. Malingerers are few and far between within the workers' compensation system. Fraud among insurance carriers, health care providers, and employers is very rarely brought up, perhaps because of the lack of sophistication and resources of the injured workers themselves.

The ILWU respectfully requests that H.B. 386 be held. Thank you for the opportunity to share our views.

# Hawaii Injured Workers Alliance

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715 South King Street Suite #410  
Honolulu, Hawaii 96813

January 27, 2011

The Twenty-Sixth Legislature  
Regular Session of 2011  
Committee on Labor and Public Employment  
9:00 a.m. – 12:00 p.m.  
Conference Room #309  
State Capitol  
415 South Beretania Street

H.B. 386 relating to Worker's Compensation Fraud.

Transferring the jurisdiction of worker's compensation fraud from the department of labor and industrial relations to the insurance fraud unit of the insurance division of the department of commerce and consumer affairs.

The Hawaii Injured Workers Alliance strongly opposes this measure.

We believe the best people for the job are doing the job.

George Waialeale  
Executive Director  
Hawaii Injured Workers Alliance