



**STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

830 PUNCHBOWL STREET, ROOM 321  
HONOLULU, HAWAII 96813  
[www.hawaii.gov/labor](http://www.hawaii.gov/labor)  
Phone: (808) 586-8842 / Fax: (808) 586-9099  
Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

March 12, 2013

To: The Honorable Clayton Hee, Chair,  
The Honorable Maile S.L. Shimabukuro, Vice Chair, and  
Members of the Senate Committee on Judiciary & Labor

Date: Tuesday, March 12, 2013  
Time: 10:30 a.m.  
Place: Conference Room 016, State Capitol

From: Dwight Y. Takamine, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: H.B. No. 152, H.D. 1 Relating to Workers' Compensation Fee Schedules**

**I. OVERVIEW OF PROPOSED LEGISLATION**

HB152HD1 proposes to amend section 386-21, Hawaii Revised Statutes (HRS), by increasing the charges for medical care, services and supplies to not exceed one hundred thirty (130%) percent of fees prescribed in the Medicare Resources Based Relative Value Scale system applicable to Hawaii, effective January 1, 2113.

The department favors immediate relief in the form of a percentage increase over the Medicare Resource Based Relative Value Scale as this is consistent with the intent of the statute that states in part, "The rates or fees provided for in this section shall be adequate to ensure at all times the standard of services and care intended by this chapter to injured employees." §386-21.

The insufficient reimbursement for the services and care of injured workers contributes to the shortage of doctors and healthcare service providers in many areas of the state, especially in rural areas.

The department strongly supports this measure and suggests the Committee consider amending the definition of Medical Fee Schedule in section 431:10C-103, HRS to avoid an unintentional raise in motor vehicle premiums. Recommended language appears in the Comments Section below should the Committee choose to amend the measure.

**II. CURRENT LAW**

Section 386-21, HRS, allows for charges for medical care, services and supplies to not exceed one hundred ten percent (110%) of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii.

Section 386-21, HRS, also allows the Director to increase fees for specific services if the fees provided under Medicare are not reasonable. The Department may adjust reimbursement rates through Exhibit A of the Workers' Compensation Medical Fee Schedule Administrative Rules when surveys indicate that Medicare plus 10% is not sufficient reimbursement for health care treatment.

However, with over 10,000 codes in the Medicare system, the Department believes it was not the Legislature's intent to have the Director adjust all the codes via the Medical Fee Schedule and in keeping with the intent of the statute to ensure adequate services and care for injured workers at this point in time an increase in fees over the current 110% is appropriate.

**III. COMMENTS ON THE HOUSE BILL**

1. ACT 234, effective June 29, 1995, amended Section 386-21 to provide that charges for services shall not exceed 110% of Medicare Resource Based Relative Value Scale system. Over time, the reimbursement rates of providers have failed to keep pace with the higher costs of medical care, leading some physicians to opt out of providing treatment to injured workers in the workers' compensation system.

**Hawaii Medical Fee Supplemental Schedule Average & Change in CPT<sup>1</sup> 1995-2012<sup>2</sup>**

CPT Sections	1995 Medicare Average	2012 Medicare Average	Percentage Change	CPI-U <sup>3</sup> Change 1995-2011	CPI-U Medical Costs <sup>4</sup> 1995-2011
Surgery	\$522.38	\$548.17	5%	<b>+45%</b>	<b>+55%</b>
Radiology	\$208.60	\$171.00	-18%		
Medicine	\$178.89	\$133.62	-25%		
Eval & Mgmt	\$50.07	\$51.92	4%		
All CPT	\$355.25	\$347.36	-2%		

<sup>1</sup> Current Procedural Terminology

<sup>2</sup> Data by DLIR's Research and Statistics Office

<sup>3</sup> Consumer Price Index, Bureau of Labor Statistics (BLS), U.S. Department of Labor (USDOL)

<sup>4</sup> Consumer Price Index, Medical Care Costs Only, BLS, U.S. DOL

2. The U.S. Department of Labor's Office of Workers' Compensation Program Medical Fee Schedule (OWCP) conversion factor (CF) for Hawaii was **143%** of Medicare in 2012, illustrating the need to increase charges beyond the 110% currently allowable. The 2013 Medicare and OWCP conversion factors are due to be released in May 2013.

**Comparison of Medicare and OWCP Conversion Factors**  
**2002-2012**

Year	Medicare CF	OWCP <sup>1</sup> CF	OWCP CF % over Medicare CF
2002	\$36.20	\$48.32	33.5%
2003	\$36.79	\$49.10	33.5%
2004	\$37.34	\$49.84	33.5%
2005	\$37.90	\$50.58	33.5%
2006	\$37.90	\$50.58	33.5%
2007	\$37.90	\$51.60	36.2%
2008	\$38.09	\$51.86	36.2%
2009	\$36.07	\$53.10	47.2%
2010	\$36.87	\$53.10	44.0%
2011	\$33.98	\$48.52	42.8%
2012	\$34.04	\$48.52	<b>42.5%</b>

<sup>1</sup> U.S. Department of Labor, Office of Workers' Compensation Programs (OWCP) Medical Fee Schedule conversion factor used for only those medical services with a Relative Value Unit (RVU).

**Conversion Factor (CF)** – The conversion factor converts the relative value units into an actual dollar amount. The dollar multiplier (CF) is updated on an annual basis. For Medicare this factor is according to a formula specified by statute The OWCP devises its own conversion factors (CF) based on program-specific data, and national billing data from other federal programs, state workers' compensation programs and the U. S. Department of Labor's Bureau of Labor Statistics consumer price index (CPI) data.

3. The Department is aware that any increase in reimbursement to medical providers may result in additional cost and higher insurance fee premiums for employers. The Department notes that from 2005 - 2013, Workers'

Compensation premium levels have cumulatively decreased by over 50% (see chart below). This trend of decreasing premiums may be reversing, however, as evidenced by the slight rise in premium costs last year and the approval by the Insurance Commissioner for a 5.2% increase this year. DLIR notes that an analysis by the National Council on Compensation Insurance estimated the impact of increasing the reimbursement rate to 130% in 2014 would increase medical costs by 5.7% and overall costs in the workers' compensation system by 3%, or \$5.7 million. The total cost of Workers' Compensation cases processed in 2011, the last year for which data is available, was nearly \$247,000,000.

Year	Premium Level Change (%)
2005	-3.0
2006	-18.2
2007	-12.3
2007	3.9
2008	-19.3
2009	-11.6
2010	-4.1
2011	0.0
2012	3.6
2013	5.2
<b>Total Decrease: 55.8%</b>	

4. The recommended amendment to avoid an unintentional raise in motor vehicle premiums referred to in the Overview Section above amends section 431:10C-103, HRS by amending the definition of "medical fee schedule" to read as follows:

"Medical fee schedule refers to one hundred ten per cent of the fees prescribed in the Medicare Resource Based Relative Value Scale System applicable to Hawaii, entitled "Workers' Compensation Supplemental Fee Schedule"."

5. The Department believes a reimbursement of 110% of Medicare to medical providers who treat injured workers is inadequate. The Department, however, notes that health care providers who are already adequately compensated for their services would receive an increase in allowable charges if the ceiling for charges were raised to 130% of Medicare.

The Department can and has adjusted reimbursement rates based upon surveys of prevalent charges when the surveys indicated reimbursement rates were higher than Medicare. Changes to reimbursement rates are made to the Department's Supplemental Fee Schedule known as Exhibit A of the Medical Fee Schedule Administrative rules. The Department is currently in the process of updating parts of the Medical Fee Schedule.

The provision for a medical fee schedule in 386-21, HRS, permits the Director to adjust allowances for medical costs if the reimbursement rate is either not reasonable or not covered under the Medicare Resource Based Relative Value Scale System applicable to Hawaii. However, the Department does not believe the Legislature intended the Director to make a determination about the allowances of all 10,000 plus codes in the Medicare system. Moreover, the Department does not have either the medical expertise to make those decisions or the resources to undertake a survey of the 10,000 plus codes in the Medicare Resource Based Relative Value Scale system.

NEIL ABERCROMBIE  
GOVERNOR



BARBARA A. KRIEG  
DIRECTOR

LEILA A. KAGAWA  
DEPUTY DIRECTOR

STATE OF HAWAII  
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

March 11, 2013

TESTIMONY TO THE  
SENATE COMMITTEE ON JUDICIARY AND LABOR

For Hearing on Tuesday, March 12, 2013  
10:30 a.m., Conference Room 016

BY

BARBARA A. KRIEG  
DIRECTOR

**House Bill No. 152, H.D. 1**  
**Relating to Workers' Compensation Medical Fee Schedules**

TO CHAIRPERSON CLAYTON HEE AND MEMBERS OF THE COMMITTEE:

The purpose of H.B. 152, H.D. 1, is to increase maximum allowable medical fees under workers' compensation to 130 percent of the Medicare Resource Based Relative Value Scale effective January 1, 2113.

The Department of Human Resources Development (DHRD) has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds. **In that regard, DHRD appreciates the intent of this bill, but is concerned about its significant cost implications on State funds appropriated for workers' compensation.**

We are aware that more physicians and medical providers are opting not to accept workers' compensation patients due to a variety of factors, including the limits on payments allowed under the statute and the administrative burdens of providing treatment to a claimant. This bill would provide a financial incentive for more providers to accept claimants as patients. We believe that having more physicians and medical

providers participating in workers' compensation would lead to more choices, better quality, and more timely provision of services to our injured workers.

However, the fiscal impact of the proposed 18% increase in the reimbursement for medical care, services, and supplies that fall under the Medicare fee schedule will be significant. Over the years, medical care has by far been the most expensive cost item in our workers' compensation program, consistently averaging at least 40% of our total costs. An across-the-board increase for services that fall under the Medicare fee schedule will drive our medical costs higher and will likely require an even greater increase in our HRD102 general fund appropriation to pay claims under Chapter 386. Since our WC allocation has remained unchanged at \$6,190,183 for several years, DHRD's budget request for the next fiscal biennium already requests an increase of \$457,000 for FY14 and \$545,000 for FY15 to cover additional anticipated costs, even without taking into account an 18% increase in the fee schedule. As applied to the \$2.6 million spend on medical costs in FY12, the proposed increase in medical expenses resulting from this bill would be \$468,000 annually.

Finally, we share the concern raised by the Director of the Department of Labor and Industrial Relations (Director) in his January 28, 2013 and February 21, 2013 testimonies on this bill to the House Committee on Labor and Public Employment and House Committee on Finance, respectively, that "health care providers who are already adequately compensated for their services would receive an increase in allowable charges if the ceiling for charges were raised to 130% of Medicare." Section 386-21, HRS, authorizes the Director to issue a supplemental fee schedule if the director determines that an allowance for a specific service under Medicare is not reasonable. However, that statute also mandates that any updates to the supplemental fee schedule shall be based on either: 1) future charges or additions prescribed in the Medicare Resource Based Relative Value Scale applicable to Hawaii as prepared by the United States Department of Health and Human Services; or 2) a statistically valid survey by the director of prevalent charges for fees for services actually received by providers of health care services or based upon the information provided to the director by the

appropriate state agency having access to prevalent charges for medical fee information. In that regard, and as a fiscally responsible alternative to an across-the-board increase in the fee schedule, we urge this committee to allow the Director to complete DLIR's process of updating parts of the WCMFS by adjusting reimbursement rates based upon surveys of prevalent charges.

Thank you for the opportunity to provide testimony on H.B. 152, H.D. 1.





NEIL ABERCROMBIE  
GOVERNOR

SHAN S. TSUTSUI  
LT. GOVERNOR

STATE OF HAWAII  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, ROOM 310  
P.O. Box 541  
HONOLULU, HAWAII 96809  
Phone Number: 586-2850  
Fax Number: 586-2856  
[www.hawaii.gov/dcca](http://www.hawaii.gov/dcca)

KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR

TWENTY-SEVENTH LEGISLATURE  
Regular Session of 2013

Tuesday, March 12, 2013  
10:30 a.m.

**WRITTEN TESTIMONY ONLY**

**TESTIMONY ON HOUSE BILL NO. 152, H.D. 1 – RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULES.**

TO THE HONORABLE CLAYTON HEE, CHAIR, AND MEMBERS OF THE COMMITTEE:

My name is Gordon Ito, State Insurance Commissioner ("Commissioner"), testifying on behalf of the Department of Commerce and Consumer Affairs ("Department").

The Department defers to Department of Labor & Industrial Relations ("DLIR") on the merits of the bill and submits the following comments.

The purpose of this bill is to amend Hawaii Revised Statutes ("HRS") § 386-21(c) by increasing the fee schedule of compensation for medical care, services, and supplies in workers' compensation cases from 110 to 130 percent of the Medicare Resource Based Relative Value Scale applicable to Hawaii, as prepared by the U.S. Department of Health and Human Services ("Medicare fee schedule"). The H.D. 1 changed the effective date to January 1, 2013.

The intent of this bill is to improve access and availability of medical providers to treat workers' compensation claimants.

Under current law, the medical fee schedule for motor vehicle insurance cases is tied to the workers' compensation supplemental fee schedule, per HRS § 431:10C-308.5. This was intended to reduce motor vehicle insurance premiums and to provide administrative efficiency.

The definition of "medical fee schedule" in HRS § 431:10C-103 refers to the Medicare Resources Based Relative Value Scale System applicable to Hawaii, entitled "Workers' Compensation Supplemental Medical Fee Schedule".

HRS § 431:10C-308.5(a) defines the term "workers' compensation supplemental medical fee schedule" as "the schedule adopted and as may be amended by the director of labor and industrial relations for workers' compensation cases under chapter 386, establishing fees and frequency of treatment guidelines."

As currently drafted, the bill will also likely result in an increase in workers compensation insurance premiums and may impact motor vehicle insurance rates.

Amending the statutory definition of "medical fee schedule" in HRS § 431:10C-103 (as suggested by DLIR) would not provide a workable solution, because the proposed definition would conflict with the statutory definition of "workers' compensation supplemental medical fee schedule" in HRS § 431:10C-308.5(a).

We thank this Committee for the opportunity to present testimony on this matter.

DEPARTMENT OF HUMAN RESOURCES  
**CITY AND COUNTY OF HONOLULU**  
650 SOUTH KING STREET 10<sup>TH</sup> FLOOR • HONOLULU, HAWAII 96813  
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

KIRK CALDWELL  
MAYOR



CAROLEE C. KUBO  
DIRECTOR DESIGNATE

NOEL T. ONO  
ASSISTANT DIRECTOR

March 12, 2013

The Honorable Clayton Hee, Chair  
and Members  
Committee on Judiciary and Labor  
State Senate  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, Hawaii 96813

Dear Chair Hee and Members of the Committee:

Subject: House Bill No. 152, HD1, Relating to Workers'  
Compensation Medical Fees Schedules

House Bill No. 152, HD 1, proposes to increase the workers' compensation reimbursement rate for health care providers to 130% of the Medicare Resource Based Relative Value Scale for Hawaii. The City and County of Honolulu, Department of Human Resources, respectfully opposes the measure as an increase to the reimbursement rate for the entire Medical Fee Schedule is both unnecessary and ill-advised.

The measure is unnecessary because there is already an established procedure which allows the Director of the Department of Labor and Industrial Relations ("Director") to adjust the Medical Fee Schedule to ensure reasonable allowances for reimbursement. Hawaii Revised Statutes ("HRS") Section 386-21(c) specifically provides that "[i]f the director determines that an allowance under the Medicare program is not reasonable the director, at any time, may establish an additional fee schedule or schedules not exceeding the prevalent charge for fees for services actually received by providers of health care services, to cover charges for that treatment, accommodation, product, or service." Thus, with proper justification, the Director already has the authority to increase allowances for medical care and services that are not considered reasonable or adequate.

HB 152, HD1, is also ill-advised as the fiscal impact of the proposal to the public will be significant. An 18% across-the-board increase for all services under the Medicare Fee Schedule will undoubtedly escalate the City's already increasing workers' compensation costs. The State of Hawaii, Department of Human Resources Development, has already testified that HB 152, HD1 will drive its medical costs higher,

The Honorable Clayton Hee, Chair  
and Members of the Committee on Judiciary and Labor  
State Senate  
March 12, 2013  
Page 2

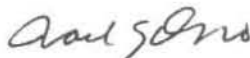
estimating that if the measure passes, its workers' compensation medical costs will increase by close to half a million dollars.

Moreover, the proposed wholesale change to the fee schedule and the resultant significant increase in costs is simply not required for many of the medical services that fall under the Medical Fee Schedule. As the Department of Labor and Industrial Relations ("DLIR") noted in its January 28, 2013 testimony to the House Committee on Labor and Public Employment, H.B. 152 "health care providers **who are already adequately compensated for their services** would receive an increase in allowable charges if the ceiling for charges were raised to 130% of Medicare."

The City suggests that rather than providing an unwarranted across the board increase in the Medical Fee Schedule, this committee convene a task group to identify the specific areas and services where workers' compensation reimbursements in Hawaii are causing providers to not accept workers' compensation patients. The Director can then include the group's findings as part of the DLIR's process of adjusting allowances for those medical care and services for which the current reimbursement is found to be inadequate.

In light of the foregoing, we respectfully urge this committee to file House Bill No. 152, HD 1. Thank you for the opportunity to testify.

Sincerely,



*for* Carolee C. Kubo  
Director Designate

Testimony of  
John M. Kirimitsu  
Legal & Government Relations Consultant

Before:

Senate Committee on Judiciary and Labor  
The Honorable Clayton Hee, Chair  
The Honorable Maile S.L. Shimabukuro, Vice Chair

March 12, 2013  
10:30 am  
Conference Room 016

**Re: HB 152, HD1 - Relating to Workers' Compensation**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 152, HD1, providing for an increase in the fee schedule for medical services in workers' compensation cases.

**Kaiser Permanente Hawaii supports this bill.**

Basing the medical fee schedule on the Medicare RBRVS began in 1995, and to date, the payments to health care providers has remain unchanged at 110% of Medicare RBRVS. Therefore, this bill's proposed increase to 130% is long overdue.

This issue of increasing the medical services reimbursement for workers' compensation cases has a long standing history before the Hawaii legislature. In 1998, the Hawaii legislature requested a study to determine if the 110% ceiling on the workers' compensation medical fee schedule based on the Medicare-RBRVS should be adjusted. In that study, the Legislative Reference Bureau recommended an increase in the 110% medical fee schedule, and attributed the low medical fee schedule for the trend in health care providers not accepting new patients for workers' compensation cases. The complete Legislative Reference Bureau report and its findings may be viewed at <http://hawaii.gov/lrb/rpts98/fee.pdf>.

Traditionally, workers' compensation fee schedules do not properly recognize and reimburse physicians who go beyond traditional medical services and perform the extra work required to promote an employee's rapid return to work. It is well documented that workers' compensation cases require more physician time in caring for and educating the patient, increasing the cost of delivering workers' compensation services compared with routine health care. As a result, low

fee schedules can discourage the participation of qualified physicians and have a consequential negative impact on access through a reduction of available physicians. On the other hand, an appropriate fee schedule promotes the development of quality occupational health programs and services, which in turn ensures higher quality of health care and increased access to injured workers without passing on higher costs to employers and insurers.

Thank you for the opportunity to comment.

THE SENATE  
TWENTY-SEVENTH LEGISLATURE, 2013  
STATE OF HAWAII

COMMITTEE ON JUDICIARY & LABOR

Sen. Clayton Hee, Chair  
Sen. Maile Shimabukuro Vice Chair

Date: Tuesday, March 12, 2013

Time: 10:30 a.m.

Place: Conference Room 016, State Capitol

TESTIMONY OF ILWU LOCAL 142 RE: HB 152, HD 1.  
RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULES

Chair Hee, Vice Chair Shimabukuro, Members of the Committee on Judiciary & Labor:

Thank you for the opportunity to present testimony re: HB 152, HD 1. We support this useful and constructive measure.

Access to quality medical care is perhaps the single most important factor in the successful functioning of our workers' compensation system. Effective medical care enables injured workers to resume productive lives or to make the necessary adaptations to transition to other occupations. Sound medical treatment also permits employers and insurers to minimize their expenses in paying for lengthy temporary or permanent disability.

At present, effective medical care is not available to all injured workers because the level of compensation received by those physicians willing to take workers' compensation is below that paid for regular prepaid health insurance. When the lower rate of reimbursement is coupled with administrative requirements for claims documentation and the added time this entails, many medical providers are simply refusing to accept workers' compensation patients. This problem is often most acute on the neighbor islands, where health care providers, especially in certain medical subspecialties like neurology and neurosurgery is limited or non-existent.

The result is that injured workers then can go untreated or cannot access quality medical care. Our best and busiest physicians can build successful practices without workers' compensation patients, and thus they are often the least available to care for injured workers.

HB 152, HD 1 would go far to correct the inadequate compensation of medical providers in the workers' compensation arena by increasing the base for compensation from 110 percent to 130 percent of the Medicare Resource Based Relative Value Scale. Significant adjustments in medical care compensation have rarely been made, and thus, enhancement is justified merely to keep pace with inflation, if for no other reason. It is

also vital to recognize that overall insurance premium costs for workers' compensation have declined 69% between 2005-2010, according to statistics provided by the Director of the Department of Labor and Industrial Relations in testimony on March 20, 2012 before the Senate Committee on Health regarding HB 2152, HD 2, a proposal to achieve a similar medical fee increase. Thus, a 20% increase that constitutes less than one-third of this 69% decline should not be viewed as overly generous.

By approving HB 152, HD 1 the legislature will not only increase the availability of quality medical care, but in the long run will ensure a more stable system of workers' compensation medical coverage, and we therefore urge its passage.



**hee2 - Kathleen**

---

**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Saturday, March 09, 2013 2:41 PM  
**To:** JDLTestimony  
**Cc:** batfish@hawaii.rr.com  
**Subject:** \*Submitted testimony for HB152 on Mar 12, 2013 10:30AM\*

**HB152**

Submitted on: 3/9/2013

Testimony for JDL on Mar 12, 2013 10:30AM in Conference Room 016

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Dr. Gary Saito, DC	Hawaii State Chiropractic Association	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email [webmaster@capitol.hawaii.gov](mailto:webmaster@capitol.hawaii.gov)



## HAWAII MEDICAL ASSOCIATION

1360 S. Beretania Street, Suite 200, Honolulu, Hawaii 96814  
Phone (808) 536-7702 Fax (808) 528-2376 www.hmaonline.net

DATE: Tuesday, 12th March 2013  
TIME: 10:30 a.m.  
PLACE: Conference Room 016  
State Capitol  
415 South Beretania Street

TO: COMMITTEE ON JUDICIARY AND LABOR  
Sen. Clayton Hee, Chair  
Sen. Maile S.L. Shimabukuro, Vice Chair

FROM: Hawaii Medical Association  
Dr. Steven Kemble, MD, President  
Dr. Linda Rasmussen, MD, Legislative Co-Chair  
Dr. Joseph Zobian, MD, Legislative Co-Chair  
Dr. Christopher Flanders, DO, Executive Director  
Lauren Zirbel, Community and Government Relations

### Re: HB 152 RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULES

Position: Strongly Support

The Hawaii Medical Association is submitting testimony in strong support of HB 152.

In 1995, a comprehensive package of legislative proposals was made to reform workers' compensation in response to rising insurance premiums. The Legislature couldn't agree on the more fair and meaningful reforms, so the medical fee schedule was arbitrarily slashed by 54%, basing reimbursement on Medicare plus 10%. Hawaii's medical fee schedule fell to fifth lowest in the nation, 18% below the national median. Counter-intuitively, costs per case continued to rise and soon exceeded pre-1995 levels.

The probable reason for this is the impact that inadequate reimbursement had on restricting access to care. A critical element in treating workers' compensation cases is immediate access to comprehensive medical care and management. Any delays tend to make the injury more costly, even to the extent of permanent impairments and disabilities. This also affects the time period the employee is off work, creating greater costs to employers for temporary disability payments.

The legislature must recognize that the practice of medicine is also a business and therefore follows the same economic rules under which any business operates. In short,

#### OFFICERS

PRESIDENT - STEPHEN KEMBLE, MD PRESIDENT-ELECT - WALTON SHIM, MD  
SECRETARY - THOMAS KOSASA, MD IMMEDIATE PAST PRESIDENT - ROGER KIMURA, MD  
TREASURER - BRANDON LEE, MD EXECUTIVE DIRECTOR - CHRISTOPHER FLANDERS, DO

no business or profession can exist if they are forced to take a loss on sales or services. Predictably, there has been a steady exodus of physicians willing to treat injured workers. Because no-fault automobile injuries are reimbursed according to the workers' compensation fee schedule, these patients also have been having an increasingly difficult time receiving care for their injuries. The situation has finally reached crisis proportion as demonstrated by a Hawaii Medical Association survey indicating that over 65% of doctors that had previously taken these cases now refuse to do so. It is now extremely common that physicians refuse care of these injuries even to their established patients.

We have come to the legislature regularly to correct this problem since Act 234 was passed in 1995 asking for recognition that injured workers and their families are suffering as a result of low reimbursements impeding access to medical care. We hope that now the legislature finally understands this to be true and takes action to correct the situation.

Mahalo for the opportunity to submit testimony on this important issue.

# WIMAH

WORK INJURY MEDICAL ASSOCIATION OF HAWAII  
91-2135 FORT WEAVER ROAD SUITE #170  
EWA BEACH, HAWAII 96706

MAULI OLA  
THE POWER OF HEALING

FEBRUARY 21, 2013

COMMITTEE ON FINANCE

## HOUSE BILL 152 HD1 RELATING TO WORKERS' COMPENSATION

INCREASES MAXIMUM ALLOWABLE MEDICAL FEE UNDER WORKERS' COMPENSATION TO 130% OF THE MEDICARE RESOURCE BASED RELATIVE VALUE SCALE.

WORK INJURY MEDICAL ASSOCIATION OF HAWAII STRONGLY SUPPORTS HOUSE BILL 152.

WORK INJURY MEDICAL ASSOCIATION OF HAWAII BELIEVES THIS IS A GOOD STEP. THIS WILL GET MORE PHYSICIANS TO PARTICIPATE IN HEALING THE INJURED WORKERS. THE PASSAGE OF THIS BILL WILL BENEFIT BOTH THE INJURED WORKER AND THEIR EMPLOYER.

YOUR PASSAGE OF THIS BILL WILL BE GREATLY APPRECIATED.

GEORGE M. WAIALEALE  
EXECUTIVE DIRECTOR  
WORK INJURY MEDICAL ASSOCIATION OF HAWAII



Randy Perreira  
President

# HAWAII STATE AFL-CIO

320 Ward Avenue, Suite 209 • Honolulu, Hawaii 96814

Telephone: (808) 597-1441

Fax: (808) 593-2149

The Twenty-Seventh Legislature, State of Hawaii  
Hawaii State Senate  
Committee on Judiciary and Labor

Testimony by  
Hawaii State AFL-CIO  
March 12, 2013

H.B. 152, HD1 – RELATING TO  
WORKERS' COMPENSATION

The Hawaii State AFL-CIO strongly supports H.B. 152, HD1 which increases the maximum allowable medical fees under workers' compensation to 130% of the Medicare Resource Based Relative Value Scale.

We believe it is important to encourage more physicians to accept workers' compensation patients. Unfortunately, the current reimbursement rates result in fewer doctors willing to accept them. An increase to 130% would hopefully boost the number of doctors willing to examine and treat injured workers.

Thank you for the opportunity to testify.

Respectfully submitted,

Randy Perreira  
President

COMMITTEE ON JUDICIARY AND LABOR

Sen. Clayton Hee, chair  
Sen. Maile Shimabukuro, Vice Chair

HEARING

Date: Tuesday, March 12, 2013  
TIME: 10:30 am  
PLACE: Conf Rm 016

Chair Hee, Vice Chair Shimabukuro, and committee members:

Allow me to submit testimony on this bill on behalf of the Hawaii State Chiropractic Association. The HSCA fully **supports** this bill and has done so for the past many sessions that this subject has been introduced. I am the current President and Executive Director of the HSCA.

We have been waiting since the legislature's own LRB study concluded in 2007 that the work comp fee schedule fixed at 110% of the Medicare RBRVS was inadequate to reimburse providers of service for the work they do. Since 2007, our economic picture has changed and grown dramatically, but our work comp reimbursement rate has remained stagnant. The LRB study summarized that the fee of 110% of Medicare was inadequate even in 2007, and recommended that it be raised to 130% of Medicare. In the last 5 years, the legislature has failed to act on the LRB's recommendation. In addition, the Medicare RBRVS has not kept up with the cost of living or the cost of doing business, compounding the problem faced by providers today.

Medicare should never have been the model on which to base work comp reimbursements because the demographic populations are so very different, as are the causes of their need for care. Medicare beneficiaries and work injured employees have little in common and a fee based on the former does not compensate providers adequately for the care of the latter.

The HSCA urges the legislature to finally recognize this problem as one needing remedy. Too much time has gone by without any action of the legislature and too much has already been lost for providers and for injured workers. Please pass HB 152 HD1 without delay.

Sincerely,



Dr. Gary Saito  
President and Executive Director  
Hawaii State Chiropractic Association



To: The Honorable Clayton Hee, Chair  
Senate Committee on Judiciary and Labor

From: Mark Sektan, Vice President

Re: **HB 152 HD1 – Workers’ Compensation Medical Fee Schedules**  
**PCI Position: OPPOSE**

Date: Tuesday, March 12, 2013  
10:30 a.m.; conference room 016

Aloha Chair Hee and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is opposed to HB 152 HD1 which would increase the workers’ compensation fee schedule from 110 percent of the Medicare fee schedule for Hawaii to 130 percent of the Medicare fee schedule for Hawaii.

PCI believes this bill is unnecessary. Title 21, Chapter 386 – 21 (c) of the Hawaii Revised Statutes already gives the Director of the Labor and Industrial Relations Department the authority to increase the allowance under the Medicare fee schedule to ensure “rates or fees provided for in this section shall be adequate to ensure at all times the standard of services and care intended by this chapter to injured employees.” The Director has exercised this authority and has increased reimbursement rates when those who are asking for the increase are able to justify the need. PCI believes it is appropriate to continue to allow the Director to assess the reimbursement needs and the cost implications of changes to the medical fee schedule to ensure that injured workers are protected and the costs to employers are kept reasonable. It is also important to note that the 110 percent is effectively the floor and not the ceiling for charges.

The medical fee schedule in Hawaii applies not only to workers’ compensation but also to medical care provided under a personal auto policy and for medical care provided under a commercial personal injury policy. The bill could not only increase the costs of medical care in the workers’ compensation system and hence drive up the cost of workers’ compensation in Hawaii but it could also drive up the costs of medical care expenses for automobile insurance and therefore increase rates on Hawaii’s consumers.

For these reasons, PCI asks the committee to hold this bill in committee.

TESTIMONY BEFORE THE  
COMMITTEE ON JUDICIARY AND LABOR

Tuesday, March 12, 2013  
10:30 a.m.

HB 152, HD1  
RELATING TO WORKERS' COMPENSATION

By Marleen Silva  
Director, Workers' Compensation  
Hawaiian Electric Company, Inc.

Chair Hee, Vice Chair Shimabukuro, and Members of the Committee:

Hawaiian Electric Co. Inc., its subsidiaries, Maui Electric Company, LTD., and Hawaii Electric Light Company, Inc. **respectfully oppose H.B. 152, HD1.** Our companies represent over 2,000 employees throughout the State.

This bill proposes to amend Section 386-21, HRS increasing the fee schedule of compensation for medical care in workers' compensation cases from 110% to 130% of the Medicare Resource Based Relative Value Scale system applicable to Hawaii.

While we can appreciate the intent of the bill, we would not support an "across the board" increase of the entire fee schedule as proposed. The current statutes have a process in place to allow the Director of the DLIR to create an additional fee schedule, or adjust the allowable fees at any time. A majority of health care providers are already compensated adequately for their services.

We recognize that reimbursement rates in some medical specialty areas may have discouraged physicians to treat both work-related injuries and motor vehicle injuries, since they both use the same medical fee schedules. However, the current statutes also has a process for the medical community to submit proposals and supporting evidence, to the Director to review and determine if a change to reimbursement rates for specific codes for services are warranted.

We suggest that a study be done to examine the scope of the issues raised and adequacy of workers' compensation reimbursements in Hawaii to ensure healthcare providers are currently being adequately compensated. Any increase in the reimbursement rate to health care providers will have an equivalent increase in costs for employers, and also to consumers with higher motor vehicle insurance premiums.

For these reasons, we respectfully oppose H.B. 152, HD1 and request that this measure be held.

Thank you for this opportunity to submit testimony.



## TESTIMONY OF ALISON POWERS

---

SENATE COMMITTEE ON JUDICIARY AND LABOR  
Senator Clayton Hee, Chair  
Senator Maile Shimabukuro, Vice Chair

March 12, 2013  
10:30 a.m.

### **HB 152, HD1**

Chair Hee, Vice Chair Shimabukuro, and members of the Committee, my name is Alison Powers, Executive Director of the Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately 40% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** HB 152, HD1. This bill increases the medical fee schedule reimbursement from 110% of Medicare to 130% of Medicare for Workers' Compensation *and* motor vehicle claims. We believe this bill is unnecessary because both the Director of the Department of Labor and Industrial Relations and the Insurance Commissioner have the ability to increase reimbursements. In fact, in 2006, the Department of Labor and Industrial Relations adjusted fees for approximately 1,300 CPT codes. The National Council on Compensation Insurance (NCCI) has recently estimated that a similar bill from 2012 would increase workers' compensation costs by 3.4% overall or \$6.2 million (see attached).

For the past several years, workers' compensation premiums have dropped dramatically, to around 50% of what they were a few years ago. However, the trend has changed and loss costs are increasing. The Insurance Commissioner approved a 3.6% loss cost increase effective January 1, 2012 and another loss cost increase of 5.2% effective January 1, 2013. This means that pure losses for workers' compensation are

increasing and therefore premiums are increasing. This bill will add costs to a system where decreasing trends are over.

In addition, an across the board increase will adversely affect motor vehicle insurance costs. While the initial increase to personal injury protection (PIP) coverage may be small, PIP costs will drive higher bodily injury liability costs, uninsured motorist coverage costs, and uninsured motorist costs.

For these reasons, we respectfully request that HB 152, HD1 be held. If however, the bill advances from this committee, we respectfully submit the attached Proposed SD1 which includes the following provisions: Increases the workers' compensation medical fee schedule to 130% of Medicare for workers' compensation cases and maintains the motor vehicle medical reimbursement at its current 110% of Medicare.

Thank you for the opportunity to testify.

1 A BILL FOR AN ACT

2

3 RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULES.

4

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

6

7 SECTION 1. Section 386-21, Hawaii Revised Statutes, is amended by amending subsection  
8 (c) to read as follows:

9 "(c) The liability of the employer for medical care, services, and supplies shall be limited to  
10 the charges computed as set forth in this section. The director shall make determinations of the  
11 charges and adopt fee schedules based upon those determinations. Effective January 1, 1997,  
12 and for each succeeding calendar year thereafter, the charges shall not exceed one hundred ten  
13 per cent of fees prescribed in the Medicare Resource Based Relative Value Scale applicable to  
14 Hawaii as prepared by the United States Department of Health and Human Services, except as  
15 provided in this subsection. Effective January 1, 2014, and for each succeeding calendar year  
16 thereafter, the charges shall not exceed one hundred thirty per cent of fees prescribed in the  
17 Medicare Resource Based Relative Value Scale applicable to Hawaii as prepared by the United  
18 States Department of Health and Human Services, except as provided in this subsection. The

1 rates or fees provided for in this section shall be adequate to ensure at all times the standard of  
2 services and care intended by this chapter to injured employees.

3 If the director determines that an allowance under the medicare program is not reasonable or  
4 if a medical treatment, accommodation, product, or service existing as of June 29, 1995, is not  
5 covered under the medicare program, the director, at any time, may establish an additional fee  
6 schedule or schedules not exceeding the prevalent charge for fees for services actually received  
7 by providers of health care services, to cover charges for that treatment, accommodation,  
8 product, or service. If no prevalent charge for a fee for service has been established for a given  
9 service or procedure, the director shall adopt a reasonable rate which shall be the same for all  
10 providers of health care services to be paid for that service or procedure.

11 The director shall update the schedules required by this section every three years or annually,  
12 as required. The updates shall be based upon:

13 (1) Future charges or additions prescribed in the Medicare Resource Based Relative Value  
14 Scale applicable to Hawaii as prepared by the United States Department of Health and Human  
15 Services; or

16 (2) A statistically valid survey by the director of prevalent charges for fees for services  
17 actually received by providers of health care services or based upon the information provided to  
18 the director by the appropriate state agency having access to prevalent charges for medical fee  
19 information.

20 When a dispute exists between an insurer or self-insured employer and a medical services  
21 provider regarding the amount of a fee for medical services, the director may resolve the dispute

1 in a summary manner as the director may prescribe; provided that a provider shall not charge  
2 more than the provider's private patient charge for the service rendered.

3 When a dispute exists between an employee and the employer or the employer's insurer  
4 regarding the proposed treatment plan or whether medical services should be continued, the  
5 employee shall continue to receive essential medical services prescribed by the treating physician  
6 necessary to prevent deterioration of the employee's condition or further injury until the director  
7 issues a decision on whether the employee's medical treatment should be continued. The director  
8 shall make a decision within thirty days of the filing of a dispute. If the director determines that  
9 medical services pursuant to the treatment plan should be or should have been discontinued, the  
10 director shall designate the date after which medical services for that treatment plan are denied.  
11 The employer or the employer's insurer may recover from the employee's personal health care  
12 provider qualified pursuant to section 386-27, or from any other appropriate occupational or non-  
13 occupational insurer, all the sums paid for medical services rendered after the date designated by  
14 the director. Under no circumstances shall the employee be charged for the disallowed services,  
15 unless the services were obtained in violation of section 386-98. The attending physician,  
16 employee, employer, or insurance carrier may request in writing that the director review the  
17 denial of the treatment plan or the continuation of medical services."

18 SECTION 2. Section 431:10C-103, Hawaii Revised Statutes, is amended by amending the  
19 definition of "medical fee schedule" to read as follows:

20 "“Medical fee schedule” refers to one hundred ten per cent of the fees prescribed in the  
21 Medicare Resource Based Relative Value Scale System applicable to Hawaii or the [entitled]  
22 “Workers’ Compensation Supplemental Medical Fee Schedule”.”

1 SECTION 3. Section 431:10C-103.6, Hawaii Revised Statutes, is amended by amending  
2 subsection (a) to read as follows:

3 “(a) The benefits provided under section 431:10C-103.5 shall be substantially  
4 comparable to the requirements for prepaid health care plans, as provided in chapter 393 and  
5 rules of the department of labor and industrial relations, pertaining to the Prepaid Health Care  
6 Act. The reference to the Prepaid Health Care Act is only for purposes of describing the  
7 coverages and exclusions, without regard to any specific insurer or plan, and shall not be  
8 construed to transfer coverage to the prepaid health care plans. The [premise] charges and  
9 utilization rates shall be [as contained in the workers' compensation schedules] as provided under  
10 section 431:10C-308.5[~~unless modified by the commissioner by rule under chapter 91~~].”

11 SECTION 4. Section 431:10C-304, Hawaii Revised Statutes, is amended by amending  
12 subsection (6) to read as follows:

13 “(6) Disputes between the provider and the insurer over the amount of a charge or the  
14 correct fee or procedure code to be used under the [~~workers' compensation supplemental~~]  
15 medical fee schedule shall be governed by section 431:10C-308.5; and”

16 SECTION 5. Section 431:10C-308.5 Hawaii Revised Statutes, is amended to read as follows:

17 “**§431:10C-308.5 Limitation on charges.** [~~(a) As used in this article, the term "workers'~~  
18 ~~compensation supplemental medical fee schedule" means the schedule adopted and as may be~~  
19 ~~amended by the director of labor and industrial relations for workers' compensation cases under~~  
20 ~~chapter 386, establishing fees and frequency of treatment guidelines. References in the workers'~~  
21 ~~compensation supplemental medical fee schedule to "the employer", "the director", and "the~~

1 industrial injury", shall be respectively construed as references to "the insurer", "the  
2 commissioner", and "the injury covered by personal injury protection benefits" for purposes of  
3 this article.]

4 ~~(b)~~(a) The charges and frequency of treatment for services specified in section 431:10C-  
5 103.5(a), except for emergency services provided within seventy-two hours following a motor  
6 vehicle accident resulting in injury, shall not exceed the charges and frequency of treatment  
7 permissible under the ~~[workers' compensation supplemental]~~ medical fee schedule. Charges for  
8 independent medical examinations, including record reviews, physical examinations, history  
9 taking, and reports, to be conducted by a licensed Hawaii provider unless the insured consents to  
10 an out-of-state provider, shall not exceed the charges permissible under the appropriate codes in  
11 the ~~[workers' compensation supplemental]~~ medical fee schedule. The ~~[workers' compensation  
12 supplemental]~~ medical fee schedule shall not apply to independent medical examinations  
13 conducted by out-of-state providers if the charges for the examination are reasonable. The  
14 independent medical examiner shall be selected by mutual agreement between the insurer and  
15 claimant; provided that if no agreement is reached, the selection may be submitted to the  
16 commissioner, arbitration or circuit court. The independent medical examiner shall be of the  
17 same specialty as the provider whose treatment is being reviewed, unless otherwise agreed by the  
18 insurer and claimant. All records and charges relating to an independent medical examination  
19 shall be made available to the claimant upon request. The commissioner may adopt  
20 administrative rules relating to fees or frequency of treatment for injuries covered by personal  
21 injury protection benefits. If adopted, these administrative rules shall prevail to the extent that  
22 they are inconsistent with the ~~[workers' compensation supplemental]~~ medical fee schedule.

1            ~~(e)~~(b) Charges for services for which no fee is set by the [~~workers' compensation~~  
2 ~~supplemental~~] medical fee schedule or other administrative rules adopted by the commissioner  
3 shall be limited to eighty per cent of the provider's usual and customary charges for these  
4 services.

5            ~~(d)~~(c) Services for which no frequency of treatment guidelines are set forth in the  
6 [~~workers' compensation supplemental~~] medical fee schedule or other administrative rules  
7 adopted by the commissioner shall be deemed appropriate and reasonable expenses necessarily  
8 incurred if so determined by a provider.

9            ~~(e)~~(d) In the event of a dispute between the provider and the insurer over the amount of  
10 a charge or the correct fee or procedure code to be used under the [~~workers' compensation~~  
11 ~~supplemental~~] medical fee schedule, the insurer shall:

12            (1) Pay all undisputed charges within thirty days after the insurer has received reasonable  
13            proof of the fact and amount of benefits accrued and demand for payment thereof;  
14            and

15            (2) Negotiate in good faith with the provider on the disputed charges for a period up to  
16            sixty days after the insurer has received reasonable proof of the fact and amount  
17            of benefits accrued and demand for payment thereof.

18 If the provider and the insurer are unable to resolve the dispute after a period of sixty days  
19 pursuant to paragraph (2), the provider, insurer, or claimant may submit the dispute to the  
20 commissioner, arbitration, or court of competent jurisdiction. The parties shall include  
21 documentation of the efforts of the insurer and the provider to reach a negotiated resolution of  
22 the dispute. This section shall not be subject to the requirements of section 431:10C-304(3) with  
23 respect to all disputes about the amount of a charge or the correct fee and procedure code to be



1 used under the [~~workers' compensation supplemental~~] medical fee schedule. An insurer who  
2 disputes the amount of a charge or the correct fee or procedure code under this section shall not  
3 be deemed to have denied a claim for benefits under section 431:10C-304(3); provided that the  
4 insurer shall pay what the insurer believes is the amount owed and shall furnish a written  
5 explanation of any adjustments to the provider and to the claimant at no charge, if requested. The  
6 provider, claimant, or insurer may submit any dispute involving the amount of a charge or the  
7 correct fee or procedure code to the commissioner, to arbitration, or to a court of competent  
8 jurisdiction.

9 ~~(f)~~(e) The provider of services described in section 431:10C-103.5(a) shall not bill the  
10 insured directly for those services but shall bill the insurer for a determination of the amount  
11 payable. The provider shall not bill or otherwise attempt to collect from the insured the  
12 difference between the provider's full charge and the amount paid by the insurer.

13 ~~(g)~~(f) A health care provider shall be compensated by the insurer for preparing reports  
14 documenting the need for treatments which exceed the [~~workers' compensation supplemental~~]  
15 medical fee schedule in accordance with the fee schedule for special reports. The health care  
16 provider may assess the cost of preparing a report to the insurer at no more than \$20 per page up  
17 to a maximum of \$75 for each report.”

18 SECTION 6. New statutory material is underscored.

19

20 SECTION 7. This Act shall take effect on January 1, 2113.

21

22



National  
Council on  
Compensation  
Insurance, Inc.

**ANALYSIS OF HAWAII  
HOUSE BILL 2152 / SENATE BILL 2204  
As Introduced on January 20, 2012**

**NCCI estimates that the impact of the changes to the Hawaii workers compensation physician fee schedule, proposed in Hawaii House Bill (HB) 2152 / Senate Bill (SB) 2204 to be effective January 1, 2013, would have a +3.4% (\$6.2M<sup>1</sup>) impact on overall workers compensation system costs in Hawaii. This impact may change significantly as it does not include the Medicare changes effective January 1, 2013 or changes to Hawaii's Supplemental Medical Fee Schedule which are not yet available.**

Summary of Changes

HB 2152/SB 2204 proposes that the Hawaii physician fee schedule be based partially on 130% of Medicare's Resource Based Relative Value Scale (RBRVS) and partially on the Hawaii administrative rule (Chapter 12-15 Exhibit A) known as the Supplemental Medical Fee Schedule (SMFS). Currently, the Hawaii physician fee schedule is based partially on 110% of Medicare's RBRVS and partially on the Hawaii SMFS. This bill also proposes to have the Hawaii Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) fee schedule be based on 130% of Medicare DMEPOS instead of the current 110% of Medicare DMEPOS.

Based on Hawaii workers compensation data licensed to NCCI for service years 2009 and 2010, those costs subject to the current SMFS represent 24.1% of total physician costs; the costs subject to 110% Medicare's RBRVS represent 72.2% of total physician costs and the remaining 3.7% of physician costs is not subject to the physician fee schedule.

Actuarial Analysis

**Physicians Fee Schedule**

NCCI's methodology assumes that the difference between the current and proposed Maximum Allowable Reimbursement (MARs) for each procedure is a reasonable estimate of the actual difference in costs due to the proposed changes in the fee schedule.

The MAR for each procedure under the current and proposed physician fee schedule was calculated as follows:

Current Reimbursement:

Non-Anesthesia Services:

$$\text{MAR} = \{ [ (\text{Work RVU} \times \text{GPCI}_{\text{Work}}) ] + (\text{PE RVU} \times \text{GPCI}_{\text{PE}}) + (\text{MP RVU} \times \text{GPCI}_{\text{MP}}) \} \times \text{Medicare Conversion Factor (CF)} \times 110\%$$

<sup>1</sup> Overall system costs are based on NAIC Annual Statement data as provided by A.M. Best. The estimated dollar impact is the percent impact displayed multiplied by the average of the A.M. Best 2009-2010 written premium of \$184M for Hawaii. This figure does not include self-insurance, the policyholder retained portion of deductible policies, or adjustments for subsequent changes in premium levels. The use of premium as the basis for the dollar impact assumes that expenses and other premium adjustments will be affected proportionally to the change in benefit costs. The dollar impact on overall system costs inclusive of self-insurance is estimated to be \$9.5M, where data on self-insurance is approximated using the National Academy of Social Insurance's 2009 publication "Workers Compensation: Benefits, Coverages, and Costs."



**ANALYSIS OF HAWAII  
HOUSE BILL 2152 / SENATE BILL 2204  
As Introduced on January 20, 2012**

SMFS MAR = RVU Published in the Hawaii SMFS x Conversion Factor of \$33.54

Where: RVU = Medicare's Relative Value Unit for Physicians,  
GPCI = Medicare's Geographic Practice Cost Index  
PE = Practice Expense  
MP = Medical Malpractice Insurance  
2011 Medicare CF = \$33.9764

**Anesthesia Services:**

MAR = (Base Units + Time Units) x Medicare Anesthesia CF x 110%

Where: 2011 Medicare Anesthesia CF = \$21.01

Proposed Reimbursement:

**Non-Anesthesia Services:**

MAR = { [ (Work RVU x GPCI<sub>Work</sub>) ] + (PE RVU x GPCI<sub>PE</sub>) + (MP RVU x GPCI<sub>MP</sub>) } x  
Medicare Conversion Factor (CF) x 130%

SMFS MAR = RVU Published in the Hawaii SMFS x Conversion Factor of \$33.54

Where: RVU = Medicare's Relative Value Unit for Physicians,  
GPCI = Medicare's Geographic Practice Cost Index  
PE = Practice Expense  
MP = Medical Malpractice Insurance  
2011 Medicare CF = \$33.9764

**Anesthesia Services:**

MAR = (Base Units + Time Units) x Medicare Anesthesia CF x 130%

Where: 2011 Medicare Anesthesia CF = \$21.01

Note: The Medicare physician fee schedule that became effective 1/1/2011 is used in calculating the current and proposed reimbursements for procedures which are subject to the Medicare fee schedule. The SMFS that became effective 2/28/2011 is used for the procedures which are subject to the SMFS.

The current and proposed cost for each procedure is the MAR multiplied by the Hawaii frequency for that procedure based on workers compensation data licensed to NCCI for service years 2009 and 2010. The estimated impact on costs subject to the physician fee schedule is the ratio of the total costs of procedures under the proposed fee schedule to the total costs of procedures under the current fee schedule. The direct impact on physician costs due to the proposed physician fee schedule is +13.7%.



National  
Council on  
Compensation  
Insurance, Inc.

**ANALYSIS OF HAWAII  
HOUSE BILL 2152 / SENATE BILL 2204  
As Introduced on January 20, 2012**

The impacts by service category of the proposed physician fee schedule are shown below:

Service Category	Distribution of Costs <sup>2</sup>	Impact Due to Proposed Fee Schedule
Anesthesia	0.9%	+18.2%
Surgery	17.4%	+4.4%
Radiology	15.1%	+10.7%
Pathology	0.4%	+18.2%
Psychological	0.9%	+0.1%
General Medicine	2.0%	+12.3%
Physical Medicine	33.9%	+18.2%
Chiropractic	1.9%	+12.1%
Evaluation & Management	27.5%	+16.1%
<b>Total Physician Costs</b>	<b>100.0%</b>	<b>+13.7%</b>

The above impact on physician costs is then multiplied by the Hawaii percentage of medical costs that are subject to the physician fee schedule (52.5%<sup>2</sup>) to arrive at the impact on medical costs in Hawaii. The resulting impact on medical costs is then multiplied by the percentage of Hawaii benefit costs comprised of medical costs (46.8%<sup>3</sup>) to arrive at the impact on Hawaii overall workers compensation costs of +3.4% (\$6.2M).

**Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS)**

DMEPOS costs in Hawaii represent 0.5%<sup>2</sup> of medical costs. To estimate the impact of the DMEPOS fee schedule change, NCCI compared DMEPOS costs using the current fee schedule to DMEPOS costs using the proposed fee schedule. The direct impact on DMEPOS costs is +18.2%. This impact on DMEPOS costs is then multiplied by the Hawaii percentage of medical costs that are subject to the DMEPOS fee schedule (0.5%<sup>2</sup>) to arrive at a +0.1% impact on total medical costs and a negligible impact on overall workers compensation costs in Hawaii.

<sup>2</sup> Based on Hawaii workers compensation data licensed to NCCI for service years 2009 and 2010.

<sup>3</sup> Based on Policy Years 2007-2009 Financial Call data projected to 1/1/2013.



**ANALYSIS OF HAWAII  
HOUSE BILL 2152 / SENATE BILL 2204  
As Introduced on January 20, 2012**

**Summary of Impacts**

The impacts due to the proposed changes in fee schedules are summarized in the following table:

		<u>Impact</u>
(1)	Impact on Physician Costs Due to Proposed Fee Schedule Changes	+13.7%
(2)	Physician Costs as of % of Medical Costs in Hawaii	52.5% <sup>2</sup>
(3)	Impact on DMEPOS Costs Due to Proposed Fee Schedule Changes	+18.2%
(4)	DMEPOS Costs as of % of Medical Costs in Hawaii	0.5% <sup>2</sup>
(5)	<b>Impact of Proposed Fee Schedule Changes on Medical Costs in Hawaii = (1) x (2) + (3) x (4)</b>	<b>+7.3%</b>
(6)	Medical Costs as % of Total Workers Compensation Benefit Costs in Hawaii	46.8% <sup>3</sup>
(7)	<b>Impact on Overall Workers Compensation System Costs in Hawaii due to Proposed Fee Schedule Changes (5) x (6)</b>	<b>+3.4%</b>

<sup>2</sup> Based on Hawaii workers compensation data licensed to NCCI for service years 2009 and 2010.

<sup>3</sup> Based on Policy Years 2007-2009 Financial Call data projected to 1/1/2013.