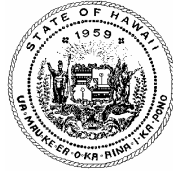


NEIL ABERCROMBIE  
GOVERNOR



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 25, 2014

**TESTIMONY TO THE  
SENATE COMMITTEE ON WAYS AND MEANS**

For Hearing on Friday, March 28, 2014  
9:25 a.m., Conference Room 211

BY

BARBARA A. KRIEG  
DIRECTOR

**House Bill No. 1974, H.D. 2**  
**Relating to Workers' Compensation Medical Fee Schedule**

**WRITTEN TESTIMONY ONLY**

TO CHAIRPERSON DAVID IGE AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to provide testimony on H.B. 1974, H.D. 2.

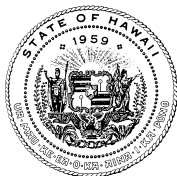
The purposes of H.B. 1974, H.D. 2, are to require the Department of Labor and Industrial Relations (DLIR) to update the workers' compensation medical fee schedule annually; authorize DLIR to establish a workers' compensation medical fee ceiling that exceeds 110% of the fees prescribed in the Medicare Resource Based Relative Value Scale for Hawaii; and make appropriations.

**The Department of Human Resources Development (DHRD) submits the following comments on this bill.**

First, to be consistent with the recommendations of the State Auditor's Report No. 13-10, we recommend that Section 4. also require the Director of Labor's report to include an analysis of the cost impact of this proposal. We note that your committee adopted our suggestion in a substantially similar bill, S.B. 2923, S.D. 2, which would have required that "the director of labor and industrial relations shall report an analysis

of this Act's cost impact and effect on workers' compensation claimants' access to appropriate treatment." (Emphasis added.) (The current S.B. 2923, S.D. 2, H.D. 1, iteration of that bill again does not contain the cost impact provision but we will request that the House Committee on Finance re-insert it for the reason set forth above.)

Second, to the extent any annual changes to the medical fee schedule would increase our costs for the State's self-insured workers' compensation program, DHRD would have to request additional appropriations from the Legislature. Workers' compensation is a mandatory benefit for injured employees under Chapter 386, Hawaii Revised Statutes.



**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 28, 2014

To: The Honorable David Y. Ige, Chair,  
The Honorable Michelle N. Kidani, Vice Chair, and  
Members of the Senate Committee on Ways & Means

Date: Friday, March 28, 2014  
Time: 9:25 a.m.  
Place: Conference Room 211, State Capitol

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

**Re: H.B. No. 1974 H.D. 2 Relating to Workers'  
Compensation Medical Fee Schedule**

**I. OVERVIEW OF PROPOSED LEGISLATION**

HB1974HD2 proposes to amend Section 386-21(c), Hawaii Revised Statutes (HRS), to carry out the recommendations of the State Auditor's report no. 13-10, ***A Report on Methodology for the Department of Labor and Industrial Relations' Workers' Compensation Medical Fee Schedule***, pursuant to Act 97, Session Laws of Hawaii 2013. Act 97 required the state auditor to assist the director of labor and industrial relations in administratively adjusting the workers' compensation medical fee schedule and identifying a methodology for conducting surveys.

The DLIR appreciates the assistance provided by the State Auditor and strongly supports the Auditor's recommendations as long as sufficient funding is appropriated to support the annual fee schedule rule-making process.

As the proposal has progressed through the legislative process a provision has remained that allows employment of the personnel without regard to chapter 76. The DLIR is unsure why this provision has persisted as the intent is for the two positions to

be regular civil service positions and therefore requests the measure be amended to strike this provision.

The DLIR also requests amending the measure to insert the language of Section 4 of the SD1 of the companion measure SB2923, which would add an analysis of the cost impact of the measure's enactment into law. The department shares the concern regarding increasing costs in the Workers' Compensation system.

HB1974 HD2 proposes the following:

1. Require the director to update the medical fee schedule annually instead of every three years;
2. Allow the annual establishment of a maximum allowable fee ceiling higher than one hundred ten percent of Medicare for Evaluation and Management codes;
3. Appropriate funding for 2 full-time positions to include one research statistician III and one office assistant IV position to support the annual fee schedule rule-making process;
4. Conduct a trend analysis of this Act's impact on workers' compensation claimants' access to appropriate treatment and appropriate funding to conduct the trend analysis;
5. Repeal this measure on June 30, 2019 and reenact section 386-21(c), HRS, to the form in which it existed on June 30, 2014.

## **II. CURRENT LAW**

Section 386-21(c), HRS, specifies that the liability of the employer for medical care, services, and supplies shall be limited to charges up to 110 percent of the federal Medicare fee schedule applicable to Hawaii. The director may also establish an additional fee schedule if charges under Medicare are considered unreasonable or if a medical treatment, service, accommodation, or product is not covered by Medicare.

This additional fee schedule is referred to as the Workers' Compensation Supplemental Medical Fee Schedule, or Exhibit A. The law also requires the director to update the fee

schedules at least once every three years. The primary guideline for establishing prevalent charges is a schedule of all maximum allowable medical fees provided to the director by prepaid health care plan contractors.

### **III. COMMENTS ON THE HOUSE BILL**

The Department supports this measure to follow the auditor's recommendations for an annual review of the workers' compensation medical fee schedule, to refine the methodology of developing the medical fee schedule, and to establish a second maximum allowable fee ceiling for Evaluation and Management (E/M) medical services to improve access to medical treatment in workers' compensation cases.

The State Auditor reported that there was initial, positive feedback among affected stakeholders that these E/M codes should be reimbursed at a higher rate and treated differently from other codes because they are the codes that represent the entry point for medical treatment in workers' compensation cases. Increasing the allowable charges for these entry point codes has the potential to both draw more physicians to accept injured workers and to retain physicians currently treating injured workers.

The State Auditor also noted that the reimbursement costs for Medicare have gone down while costs have risen for health care providers, "This growing differential supports our proposal to narrow the gap by providing an incentive to doctors to treat workers' compensation cases by establishing a higher maximum allowable fee ceiling for qualified E/M codes." Greater reimbursement for the E/M codes will improve the access to medical treatment for injured workers.

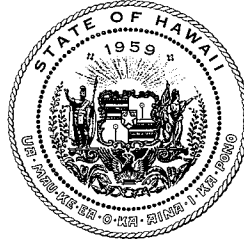
Access to medical treatment for injured workers is critical, especially on the Neighbor Islands where there are fewer doctors and few doctors willing to do workers' compensation cases. This can provide barriers to the purpose of the workers' compensation law, to return workers back to work as soon as possible, especially where geographic distances can be greater. The result of delays and barriers to access to medical care include higher costs to employers for workers' compensation.

DLIR notes that the purpose of the appropriation in Section 4 is to carry out the State Auditor's recommendation [pg. 28(c)] for the legislature, "Providing sufficient resources to the department to hire one or more contractors to perform an on-going trend analysis

of the impact the methodology may have on access.” The Department does not have the expertise or resources in house to perform this function, and if enacted and appropriated, intends to contract out this portion of the recommendations as suggested. The Department recommends the sum of \$150,000.00 be appropriated to conduct the trend analysis.

The Department recommends the appropriation of \$72,600.00 or so for the establishment of two full-time positions as noted in Section 5 for one Research Statistician III position and one Office Assistant IV position to support the annual fee schedule rule-making process.

The Department supports this measure if sufficient funding is appropriated for the two additional positions to assist in the annual review process and for the trend analysis and its passage does not adversely affect the funding priorities as identified in the executive supplemental budget.



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**TESTIMONY OF JAN K. YAMANE, ACTING STATE AUDITOR  
ON HOUSE BILL NO. 1974, HOUSE DRAFT 2,  
RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULE**

**Senate Committee on Ways and Means**

March 28, 2014

Chair Ige and Members of the Committee:

Thank you for the opportunity to testify in strong support of this bill, the purpose of which is to carry out the recommendations made in our Report No. 13-10, *A Report on Methodology for the Department of Labor and Industrial Relations' Workers' Compensation Medical Fee Schedule*.

As you are aware, Act 97, Session Laws of Hawai'i 2013, tasked my office with assisting the Department of Labor and Industrial Relations (DLIR) to create a methodology for administratively adjusting the State's workers' compensation medical fee schedule. The purpose of defining such a methodology was to identify health care services for which fee adjustments are needed and help ensure injured employees have better access to treatment.

This is the companion bill to Senate Bill 2923. We prefer the House Bill; our reasons follow.

While both versions require the department to provide a trend analysis of the effect the new methodology has on workers' compensation claimants' access to appropriate treatment, the Senate bill in section 4 also includes an analysis on cost impact. We believe this is unnecessary

as the DLIR's current procedures call for a cost impact analysis from the Department of Commerce and Consumer Affairs (DCCA) whenever the medical fee schedule is adjusted. In addition, the National Council on Compensation Insurance (NCCI) also submits a cost impact analysis. These actuarial assessments are intended to comply with the Small Business Impact Statement requirements under Sections 201M-2 and 201M-3, Hawai'i Revised Statutes.

Any future adjustments to the fee schedule would include such cost impact analyses in order to comply with the previously mentioned statutes. Therefore, the inclusion of a cost impact element in this bill duplicates work already performed by DLIR, DCCA, and NCCI.

#### **Section 4 – Assessment of impact on access to medical care**

Section 4 of the bill addresses our recommendation 3(a)(iii) that DLIR be asked to assess the impact on access by performing a trend analysis that includes data both prior to and after implementation of the methodology. This section appropriates moneys to hire a consultant to produce such a report.

In Act 97, SLH 2013, my office was appropriated \$150,000 to use at our discretion for the purposes of developing a new workers' compensation medical fee schedule methodology. We have already committed to the Director of Labor that we would apply our \$150,000 appropriation to consultant services.

We issued a Request for Proposals (RFP) for this trend analysis on March 12, 2014 with a response date of April 15, 2014. Based on our timetable, we will evaluate and select a proposal



by the end of April. We have planned to issue the notice of award and finalize the contract by the end of May, with a contract start date of June 1<sup>st</sup>.

In the event we are unable to encumber the Act 97 (SLH 2013) money before it lapses at the end of fiscal year 2013-2014, moneys appropriated in this bill would replace those funds and would not require an additional commitment of moneys from the Legislature. Thus, we request on page 5, line 9 that the appropriation of \$150,000 be inserted in the bill. Finally, in the event proposals received exceed our \$150,000 appropriation, we may need to request that the amount be increased.

#### **Section 5 – Additional DLIR staff**

Section 5 of the bill addresses our recommendation 3(b) to fund additional DLIR personnel by appropriating an amount to establish two FTE positions at the DLIR, a Research Statistician III and an Office Assistant IV. As noted in our report on pages 19 and 20, these two positions would require an appropriation of at least \$72,600 and as much as \$111,000. The salary range for each position is: Research Statistician III (\$43,800 to \$64,900); Office Assistant IV (\$28,800 to \$46,100). DLIR has communicated to us that setting the salary range to the lower end would limit its ability to recruit more qualified candidates, including those who are already employed within the department. We ask that your committee carefully consider these salary ranges when allocating position funding.

As always, thank you for the opportunity to testify in strong support of House Bill 1974, HD2, with amendments. I am available to answer any questions you may have.



Chamber of Commerce HAWAII  
*The Voice of Business*

**Testimony to the Senate Committee on Ways and Means  
Friday, March 28, 2014 at 9:25 A.M.  
Conference Room 211, State Capitol**

**RE: HOUSE BILL 1974 HD2 RELATING TO WORKERS' COMPENSATION  
MEDICAL FEE SCHEDULE**

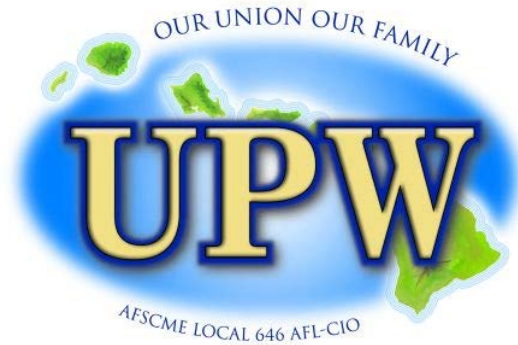
Chair Ige, Vice Chair Kidani, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** HB 1974 HD2, which requires DLIR to update the workers' compensation medical fee schedule annually and authorizes DLIR to establish a workers' compensation medical fee ceiling that exceeds 110% of the fees prescribed in the Medicare Resource Based Relative Value Scale for Hawaii.

The Chamber is the largest business organization in Hawaii, representing more than 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of its members, which employ more than 200,000 individuals, to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber has concerns that the increase in the medical fee schedule from 110% to a higher level of Medicare will raise workers' compensation costs and increase premiums paid by business. While we understand some of the concerns from the Auditor's report we believe that the workers compensation system already allows for reimbursement adjustments and this existing system has helped to maintain costs.

We ask that this bill be held. Thank you for this opportunity to express our views.



THE HAWAII STATE SENATE  
The Twenty-Seventh Legislature  
Regular Session of 2014

COMMITTEE ON WAYS AND MEANS  
The Honorable Sen. David Y. Ige Chair  
The Honorable Sen. Michelle N. Kidani, Vice Chair

DATE OF HEARING: Friday, March 28, 2014  
TIME OF HEARING: 9:25 AM  
PLACE OF HEARING: Conference Room 211

**TESTIMONY ON HB1974 HD2**  
**WORKERS' COMPENSATION MEDICAL FEE SCHEDULE**

By DAYTON M. NAKANELUA,  
State Director of the United Public Workers, AFSCME Local 646, AFL-CIO

My name is Dayton M. Nakanelua and I am the State Director of the United Public Workers, AFSCME, Local 646, AFL-CIO (UPW). The UPW is the exclusive representative for approximately 14,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties. The UPW also represents about 1,500 members of the private sector.

The UPW supports HB1974 HD2, which requires DLIR to update the workers' compensation medical fee schedule annually. Authorizes DLIR to establish a workers' compensation medical fee ceiling that exceeds 110% of the fees prescribed in the Medicare Resource Based Relative Value Scale for Hawaii.

We ask that the committee pass this bill

Thank you for the opportunity to testify on this measure.

The Twenty-Seventh Legislature  
Regular Session of 2014

THE SENATE

Committee on Ways and Means

Senator David Y. Ige, Chair

Senator Michelle N. Kidani, Vice Chair

State Capitol, Conference Room 211

Friday, March 28, 2014; 9:25 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 1974, HD2  
RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULE**

The ILWU Local 142 supports H.B. 1974, HD2, which requires the Department of Labor and Industrial Relations (DLIR) to update the workers' compensation medical fee schedule annually and authorizes DLIR to establish a workers' compensation medical fee ceiling that exceeds 110% of the fees prescribed in the Medicare Resource Relative Value Scale for Hawaii. The measure makes an appropriation and sunsets on 6/30/19.

For almost two decades, medical fees for providers treating injured workers have been artificially suppressed to no more than 110% of the Medicare Resource Relative Value Scale for Hawaii. The change was enacted those many years ago to curb the rising cost of workers' compensation with the thought that providers were the source of the costs.

However, as a consequence of this drastic adjustment in fees, fewer and fewer physicians choose to treat injured workers today, particularly on the neighbor islands. Workers injured on the job are hard-pressed to find anyone who will offer treatment that will allow them to return to work in a timely manner. And, ironically, this serves to increase the cost of workers' compensation as more money is paid out in indemnity benefits to workers unable to return to gainful employment.

The proposal offered by the Legislative Auditor will allow the Department of Labor and Industrial Relations to set the ceiling for fees at an amount higher than the current ceiling. It also requires the Department to update fee schedules annually. Together, these two proposals will encourage more physicians and providers to enter the workers' compensation market, which will mean workers will get treatment they need to return to work, and competition will improve the quality of care.

The only caveat is that this measure must be passed with an appropriation for the Department of Labor and Industrial Relations to have sufficient staff resources to carry out the requirements of the law. An unfunded mandate should not be permitted.

The ILWU urges passage of H.B. 1974, HD2. Thank you for considering our views.

Testimony of  
John M. Kirimitsu  
Legal & Government Relations Consultant

Before:  
Senate Committee on Ways and Means  
The Honorable David Ige, Chair  
The Honorable Michelle Kidani, Vice Chair

March 28, 2014  
9:25 am  
Conference Room 211

**Re: HB 1974, HD2 - Relating to Workers' Compensation Medical Fee Schedule**

Chair, Vice Chair, and committee members, thank you for this opportunity to provide testimony on HB 1974, HD2, relating to workers' compensation medical fee schedule.

**Kaiser Permanente Hawaii supports the intent of this bill.**

Kaiser Permanente supports establishing the maximum allowable fee ceiling higher than one hundred ten per cent of the fees prescribed in the Medicare Resource Based Relative Value Scale ("RBRVS"). 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, an increase in excess of the 110% ceiling is long overdue.

In 1998, the state auditor 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, i.e. higher than the current 110% ceiling, 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.

TESTIMONY BEFORE THE SENATE  
COMMITTEE ON WAYS AND MEANS

Friday, March 28, 2014  
9:25 a.m.

HB 1974, HD2  
RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULE

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

Chair Ige, Vice Chair Kidani, and Members of the Committee:

Hawaiian Electric Co. Inc., its subsidiaries, Maui Electric Company, LTD., and Hawaii Electric Light Company, Inc. **strongly oppose H.B. 1974, HD2.** Our companies represent over 2,000 employees throughout the State.

This bill proposes to carry out the recommendations of the auditor's report and amend Section 386-21(c) HRS mandating annual reviews by the director of the DLIR and allowing the director to establish an increase over the existing 110% of the Hawaii Medicare program's medical fee schedule for Evaluation and Management (E/M) medical services as defined by the American Medical Associations Current Procedural Terminology code set, but with an undefined ceiling.

While we appreciate the intent of this measure, we believe it is unnecessary since an amenable methodology already exists to accomplish the same. The current statutes clearly define an equitable process to ensure the medical fees schedules are updated by the Director of the DLIR "every three years or annually, as required." It also provides guidance and discretion in determining if reimbursement rates for medical services are adequate and appropriate. In the current system the widely used Current Procedural Terminology (CPT) code set is published annually with guidelines developed jointly by the professional associations of the American Medical Association (AMA) and the Center for Medicare Services (CMS), effective January 1<sup>st</sup>. The E/M services are broad categories, subcategories, and classifications of CPT codes used by most physicians to report a significant portion of their services. They reflect the nature and amount of physician work, and documentation varies by the type of service, place of service, and patient's status.

Physicians have frequently raised concerns over the administrative requirements as their burden to participation in the workers' compensation system. However, physicians, employers, and insurance carriers share that duty and obligation to ensure charges billed are covered by the covered work injury, and supported by medical record documentation for the services provided and procedures billed. The current statutes maintain this balance.

**For these reasons, we strongly oppose H.B. 1974, HD2 and respectfully request this measure be held.** Thank you for this opportunity to submit testimony.

DENNIS W. S. CHANG, AAL, LLC  
Dillingham Transportation Building  
735 Bishop Street, Suite 320  
Honolulu, Hawai'i 96813

THE SENATE  
THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

March 26, 2014

To: David Y. Ige, Chair  
Michelle N. Kidani, Vice Chair  
And Members of the Committee on Ways and Means

Date: Tuesday, March 28, 2014  
Time: 9:25 a.m.  
Place: Conference Room 211, State Capitol

From: Dennis W.S. Chang, Labor and Workers' Compensation Attorney

**Re: Strong Support for Passage of H.B. 1974, HD 2, Relating to Workers' Compensation  
With Recommendation For Appropriations**

**I. Historical Perspective.**

I am submitting this as an individual labor attorney with the heavy concentration handling workers' compensation claims in my practice since 1977. I strongly encourage the passage of H.B. 1974, H.D. 2, which has gone through an evolution and amends section 386-21, Hawaii Revised Statutes (HRS).

Last session, the bill was changed calling for an auditor's report to assist in developing a methodology for the Department of Labor and Industrial Relations' (DLIR) Workers'



Compensation Fee Schedule. Yet, during nearly two decades, the reimbursement rates have languished at 110% of the fees prescribed in the Medicare Resource Relative Scale for Hawaii. That has hardly fulfilled the goal of attracting and maintaining medical providers in the system. Injured workers struggle to locate medical providers since the drastic change in the reimbursement rates in 1995.

With budget shortfalls, the DLNR has been falling behind in addressing the disputes of the employers and insurance carriers, and injured workers. The passage of Act 695, created more additional work, and distracted the department from hearing the true disputes on compensability, termination of temporary total disability, the extent of permanent partial disability, etc., because of the mandatory need to hear disputes on treatment plans. That has clogged the calendar aggravating the waiting time to hear their legitimate disputes.

An assumption last session was made that the allocation of additional positions would alleviate much of the backlog. However, due to disputes over repackaging and other items relating to medical treatment plans, there are now more than approximately 2400 disputes on repackaging alone. It is now the most unprecedented delay in my entire legal career that I have witnessed where claimants are waiting longer than ever to get to their critical traditional disputes heard in a timely fashion.

We have also lost our commitment to the public policy of attracting more medical providers into the workers' compensation system and retaining those selected few who are still willing to treat injured workers. Based on personal experience, I have witnessed the closing of the occupational health clinic at Straub Hospital and Clinic. More recently, Kaiser Permanente may be folding as well due to the low reimbursement rates. Increasing numbers of medical providers are refusing to treat injured workers. Initially, the original bill was intended to attract more new and maintain existing medical providers to provide quality medical treatment for injured workers for a prompt medical recovery through quality medical treatment and a return to work at gainful employment. Sadly, the workers' compensation system is broken. Injured workers are having increasing difficulty locating medical providers who are willing to treat them under the workers' compensation process. Family physicians routinely reject treating injured workers.

Perhaps, a wise decision was made to call for the inclusion of the Auditor's Office last session, which has made practical recommendations for the DLNR to implement. Conditionally,

I support the Auditor's recommendations because it may attract new medical provider into and maintain dedicated medical providers to remain in the workers' compensation system.

## **II. Additional Comment.**

Implementing the Auditor's recommendations is a step in the right direction. However, more needs to be done. We need additional appropriations for positions to implement the recommendation so that the DLNR can carry out its true mission in the workers' compensation context. Injured workers are already waiting too long for a hearing to address their disputes and denial of benefits. No pun is intended, but "justice delayed is justice denied." Public policy dictates that if the DLNR is required to do more as recommended by the Auditor's report, appropriations as requested for additional positions should be added.

I thank you very much for allowing me to support my testimony.

THE SENATE  
THE TWENTY-SEVENTH LEGISLATURE  
REGULAR SESSION OF 2014

To: The Senate Committee on Ways and Means  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

Date: Friday, March 28, 2014

Time: 9:25 a.m.

Place: Conference Room 211, State Capitol

From: Derrick Ishihara, Physical Therapist

**Re: Support for Passage of H.B. 1974, HD 2, Relating to Workers' Compensation Medical Fee Schedule**

Dear Chair Ige, Vice Chair Kidani, and members of the Senate Ways and Means Committee,

I have been a practicing physical therapist in Honolulu for the past 32 years. During that time I have had the privilege of treating many injured workers, helping them get back to productive employment. In 1995, the legislature reduced the fees paid to medical providers by an average of 54%. The ensuing years saw less and less physicians willing to provide services for injured workers due to this decrease in reimbursement.

The inadequate fee schedule for medical providers has persisted all these years until the Department of Labor addressed the issue this past year. Nearly 20 years after the imposition of the Medicare + 10% fee schedule, there are very few physicians willing to treat Workers' Compensation patients. This has resulted in needless delays and prolonged suffering of injured workers as they search for a physician willing to take their case.

I support a regular, methodical review of the Medical Fee Schedule for Workers' Compensation cases in the Department of Labor.

It is equally important however to fund the positions required to perform the added duties within the department. Specifically, Section 4 addresses an unknown appropriation "to prepare the report analyzing this Act's impact on workers' compensation claimants' access to appropriate treatment."

Additionally Section 5 addresses the unknown appropriation needed for “the establishment of two full-time equivalent positions” to support the department staff in carrying out the annual fee schedule rule-making process.

Whether they know it or not, it is important to the injured worker that the department has adequate resources. One of the biggest problems for injured workers is getting disputes handled at the Department of Labor in a reasonable time frame. Disputes over treatment plans or billing essentially stop the medical care until these disputes are resolved. Due to inadequate funding and staffing, obtaining a hearing to address these disputes take months to schedule. In the meantime, patients languish without needed medical and rehabilitative care.

For the above reasons, please pass H.B. 1974, HD 2 with the appropriations requested by the Department of Labor.

Thank-you for considering this testimony,

Derrick Ishihara, PT