



# WIMAH

WORK INJURY MEDICAL ASSOCIATION OF HAWAII  
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MAULI OLA  
THE POWER OF HEALING

MARCH 28, 2014

## COMMITTEE ON WAYS AND MEANS

### HOUSE BILL HB 1974 HD2 RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULE

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 RELATIVE VALUE SCALE FOR HAWAII. MAKES APPROPRIATIONS. EFFECTIVE JULY 1, 2030. SUNSETS JUNE 30, 2019 (HB1974 HD2)

WORK INJURY MEDICAL ASSOCIATION OF HAWAII STRONGLY SUPPORTS HOUSE BILL 1974 HD2.

WORK INJURY MEDICAL ASSOCIATION OF HAWAII BELIEVES THIS WILL BILL WILL PROVIDE A MORE ACCURATE FEE SCHEDULE WITH AN ANNUAL REVUE.

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



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**Alison Powers**  
Executive Director

## TESTIMONY OF JANICE FUKUDA

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SENATE COMMITTEE ON WAYS AND MEANS  
Senator David Y. Ige, Chair  
Senator Michelle N. Kidani, Vice Chair

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

### **HB 1974, HD2**

Chair Ige, Vice Chair Kidani, and members of the Committee, my name is Janice Fukuda, Assistant Vice President, Workers' Compensation Claims at First Insurance, testifying on behalf of 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 one third of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** this measure as it affects motor vehicle insurance costs as well as workers' compensation insurance costs. Although this measure was introduced as a recommendation by the Legislative Auditor's Office, we believe that the focus of the Auditor was on accessibility to physicians who treat those injured under workers' compensation insurance rather than motor vehicle accidents. However, any change to Section 386-21 in the workers' compensation law would also impact all motor vehicle insurance claims and could increase Personal Injury Protection costs and other related costs including UM, UIM, and BI.

As the Auditor testified in prior hearings, they are supporting increases in EM codes, which are office visits. Office visits are not limited to workers' compensation cases and would automatically increase motor vehicle insurance costs as well.

An ongoing concern is whether the Department has the resources and expertise to properly analyze the medical fee schedule on an annual basis and whether doing so will result in steady increases to the medical fee schedule putting pressure on rates in both motor vehicle insurance and workers' compensation insurance. One of the primary cost drivers in both motor vehicle insurance and workers' compensation insurance when premiums were unaffordable in the 1990's was the high level of medical reimbursement. This bill could serve to quickly erode this cost containing provision in the law and lead to high premiums once again.

A floor of 110% of Medicare will in addition, ensure that certain CPT codes are kept at this level, whether warranted or not. This may add unnecessary costs to both lines of insurance. If this bill is to move forward, we respectfully ask the committee to consider a legislative carve-out for motor vehicle insurance so that medical cost increases will not automatically increase for that line of insurance. We are happy to provide language to the committee, however, the title of this bill and its companion, SB 2923 may be too narrow.

Finally, an effective date of July 1 is not feasible as insurers must file rate adjustments if necessary, therefore we would recommend a January 1 effective date should this measure move forward.

Thank you for the opportunity to testify on this measure.



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

From: Mark Sektnan, Vice President

Re: **HB 1974 HD2 – Workers’ Compensation Medical Fee Schedule**  
**PCI Position: OPPOSE**

Date: Friday, March 28, 2014  
9:25 AM, Conference Room 211

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

The Property Casualty Insurers Association of America (PCI) is opposed to HB 1974 HD2 which would require the Department of Labor and Industrial Relations (DLIR) to update the medical fee schedule annually and allow the DLIR to establish a fee schedule that exceeds 110% of the Medicare fee schedule.

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 individual 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 on an individual basis as needed and to consider 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.

Last year, the Legislature passed HB 152 which required the auditor to assist the DLIR in reviewing and updating the medical fee schedule. The auditor has completed this work and the new fee schedule is now effective. Pressure to update the schedule annually in the absence of any actual need could result in an increased workload for an understaffed department and result in a higher fee schedule.

The Legislature may also want to maintain its traditional role in approving blanket increases to the medical fee schedule. It is important to note that in Hawaii the medical

fee schedule 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. Hawaii is already seeing increases in workers' compensation premiums. This year, the Commissioner approved an increase of more than 6%. This is the third straight year of increasing premiums which are the result of higher costs in the system. This bill could not only increase the costs of medical care in the workers' compensation system further driving up the cost of workers' compensation in Hawaii, but it could also drive up the costs of medical care expenses for automobile insurance. As a result, rates would increase for Hawaii's consumers.

For these reasons, PCI asks the committee to hold HB 1974 HD2.