NEIL ABERCROMBIE
GOVERNOR

DWIGHT TAKAMINE
DIRECTOR

JADE T. BUTAY
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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HONOLULU, HAWAII 96813
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January 24, 2014

To: The Honorable Mark M. Nakashima, Chair,
The Honorable Kyle T. Yamashita, Vice Chair, and
Members of the House Committee on Labor & Public Employment

Date: Friday, January 24, 2014
Time: 8:30 a.m.
Place: Conference Room 309, State Capitol

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

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

I. OVERVIEW OF PROPOSED LEGISLATION

HB 1974 proposes to amend Section 386-21(c), Hawaii Revised Statutes (HRS), to carry out the recommendations of the 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 resources are provided.

H.B. 1974 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; and
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

Currently, 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 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 Department supports this measure provided that sufficient funding is appropriated for the two additional positions to assist in the annual review process and for the trend analysis.

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

January 23, 2014

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

For Hearing on Friday, January 24, 2014
8:30 a.m., Conference Room 309

BY

BARBARA A. KRIEG
DIRECTOR

House Bill No. 1974
Relating to Workers' Compensation Medical Fee Schedule

WRITTEN TESTIMONY ONLY

TO CHAIRPERSON MARK NAKASHIMA AND MEMBERS OF THE COMMITTEE:

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

The purposes of H.B. 1974 are to require the Department of Labor and Industrial Relations (DLIR) to update the workers' compensation medical fee schedule annually; and authorize 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 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 analysis and report to include the cost impact of this proposal.

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 HAWAI'I
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawai'i 96813-2917

JAN K. YAMANE
Acting State Auditor

(808) 587-0800
FAX: (808) 587-0830

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

House Committee on Labor & Public Employment

January 24, 2014

Chair Nakashima and Members of the Committee:

Thank you for the opportunity to testify in 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 thereby ensure injured employees have better access to treatment.

Section 2 – Update the fee schedule annually

Section 2 of the bill addresses our recommendation 3(a)(i) that Section 386-21, Hawai'i Revised Statutes, be amended to empower the DLIR director to establish a maximum allowable fee ceiling annually for eligible medical codes. The section would require the DLIR director to

update the medical fee schedules annually; and allow the director to establish a maximum allowable fee ceiling that is higher than 110% of fees prescribed in the Medicare Resource Based Relative Value Scale (MRBRVS) applicable to Hawai'i for the evaluation and management of medical services as defined by the American Medical Association (AMA)'s Current Procedural Terminology (CPT) codes.

Currently, DLIR updates the medical fee schedule every three years, as required by law. The review process involves only medical codes listed on the supplemental fee schedule and any requested codes by a third-party. The methodology we recommend, and with which DLIR concurs, would enable an annual review of *all* transacted medical codes regarding workers' compensation cases over a three year period. Also, the review would apply to medical codes that are transacted on a consistent basis, thereby helping to ensure DLIR reviews the medical services that are actively being provided in workers' compensation cases.

The methodology also calls for creating a separate maximum allowable fee ceiling for Evaluation and Management (E/M) codes (which relate to the initial contact between patient and health care provider), and are considered the entry point for treatment in workers' compensation cases. We believe this would create an incentive for health care providers to treat workers' compensation cases, and thereby address the legislative objective of improving access.

Section 3 – Additional DLIR staff

Section 3 of the bill addresses our recommendation 3(b) to fund additional DLIR personnel, by appropriating an amount (to be specified) to establish two FTE positions, a Research Statistician III and an Office Assistant IV.

We found DLIR lacks adequate staff to be able to implement our recommended methodology annually. Two additional FTEs would enable DLIR to collect, correlate, and analyze thousands of transacted medical codes necessary to identify medical services eligible for possible fee adjustment. The added staff are also needed to update the administrative rules, which is required by law each time the medical fee schedule is updated.

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 prior to and after implementation of the methodology. The section requires the DLIR director, prior to sunset of this act, to report an analysis of this act's impact on workers' compensation claimants' access to appropriate treatment. The section appropriates an amount (to be specified) to hire a consultant to produce such a report.

Currently, two separate actuarial studies are performed to assess the impact that changes to the medical fee schedule have on insurance premiums. However, no study is performed on the impact that fee changes have on access to treatment. Therefore, we recommend DLIR perform a trend analysis to assess the impact fee changes under the new methodology have on access.

Results would be submitted to the Legislature prior to the year our proposed methodology would sunset (5 years hence) in order to help lawmakers make a more informed decision on whether to continue, amend, or discontinue our methodology in future years.

Section 6 – Sunset and reenactment provision

Section 6 of the bill addresses our recommendation 3(a)(ii) that our proposed methodology be given a sunset date of 5 years in order to provide DLIR with sufficient time to assess our methodology's impact on cost and access to medical treatment for workers' compensation cases. The section would repeal the new act in 5 years and reinstate the existing law as it currently stands.

I am available to answer any questions you may have.

The Chamber of Commerce of Hawaii
The Voice of Business in Hawaii

Testimony to the House Committee on Labor and Public Employment
Friday, January 24, 2014 at 8:30 A.M.
Conference Room 309, State Capitol

RE: HOUSE BILL 1974 RELATING TO WORKERS' COMPENSATION MEDICAL FEE SCHEDULES

Chair Nakashima, Vice Chair Yamashita, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **opposes** HB 1974 Relating to Workers' Compensation Medical Fee Schedules.

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.

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

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Hawaii State Legislature
House Committee on Labor and Public Employment
Hawaii State Capitol
415 South Beretania Street
Honolulu, HI 96813

January 23, 2014

Filed via electronic testimony submission system

RE: HB 1974, Workers' Compensation Medical Fee Schedule - NAMIC's Written Testimony for Committee Hearing

Dear Representative Mark M. Nakashima, Chair; Representative Kyle T. Yamashita, Vice Chair; and members of the House Committee on Labor and Public Employment:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the January 24, 2014, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than $196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC's members appreciate the importance of having a medical fee schedule that is fair and commensurate with reasonable medical costs. However, the very purpose of a medical fee schedule is to act a cost-containment mechanism to prevent the ever-rising cost of medical care from adversely impacting the cost of workers' compensation insurance coverage for employers and their workers. NAMIC is concerned that the proposed legislation will be an insurance rate

cost driver that will be detrimental to the entire workers' compensation insurance system in the State of Hawaii.

NAMIC respectfully tenders the following concerns with HB 1974:

1) The proposed amendment Section 386-21(c), Hawaii Revised Statutes will create needless administrative work for the Director and increase the political pressure on the department to continually increase the medical fee schedule ceiling

HB 1974 would require the Director to update the medical fee schedule annually, whether a revision is needed or not. Current law provides the Director with discretion to update the medical fee schedule "every three years or annually, as required."

Since current law already allows for an annual update of the fee schedule if one is needed, what is the public policy rationale for mandating an annual medical fee schedule update? If there isn't clear and reliable data that supports the need for an update of the medical fee schedule, why should the Director be required to use limited department resources to update the medical fee schedule annually? In effect, the proposed legislation will subject the department to political pressures each and every year from competing stakeholders, who will be lobbying the department for revisions to the fee schedule that addresses their particular needs.

2) NAMIC is also concerned that HB 1974 fails to provide any statutory cap on how high the medical fee schedule rate ceiling may be set and fails to provide any statutory guidelines for how the medical fee schedule should be updated.

The proposed legislation merely states, "[e]ach year, the director may establish a maximum allowable fee ceiling that is higher than one hundred ten per cent of fees prescribed in the Medicare Resource Based Relative Value Scale applicable to Hawaii for evaluation and management medical services as defined by the American Medical Association's Current Procedural Terminology codes."

One could argue that HB 1974 authorizes the Director to establish a maximum allowable fee ceiling at *any level* higher than the one hundred ten percent of fees rate prescribed in the Medicare Resource Based Relative Value Scale. The very purpose of medical fee schedules is to reasonably effectuate cost-containment so that workers' compensation medical costs don't increase to a point where employers are unable to afford the cost of providing their employees with workers' compensation coverage. If there is no set statutory medical fees annual ceiling cap, worker's compensation insurers will be denied necessary underwriting information they need to calculate their claims exposure, which will seriously hinder them in their ability to provide employers with fair and accurate workers' compensation insurance rates.

In closing, NAMIC is opposed to HB 1974, because the proposed legislation is unnecessary and likely to adversely impact the affordability of workers' compensation insurance for employers, which could detrimentally affect the ability of individuals to secure gainful employment in the State of Hawaii and the state's overall economic vitality.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at crataj@namic.org, if you would like to discuss NAMIC's written testimony.

Respectfully,

Christian John Rataj, Esq.
NAMIC Senior Director – State Affairs, Western Region

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

DATE: Friday, January 24, 2014
TIME: 8:30 AM
PLACE: Conference Room 309

TO:
COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair

FROM: Hawaii Medical Association
Dr. Walton Shim, MD, President
Dr. Linda Rasmussen, MD, Legislative Co-Chair
Dr. Ron Keinitz, MD, Legislative Co-Chair
Dr. Christopher Flanders, DO, Executive Director
Lauren Zirbel, Community and Government Relations

Re: HB 1974 Relating to Workers' Compensation Medical Fee Schedule

Position: Strongly Support HB 1974

The Hawaii Medical Association is submitting testimony in strong support of HB 1974.

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, 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.

We have attached a study for your review.

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

REFUSAL OF WORKERS' COMPENSATION CARE AMOUNG HAWAII PHYSICIANS PREVIOUSLY ACCEPTING IT

Ron Kienitz, DO
Chair, Workers' Compensation Committee
Hawaii Medical Association

INTRODUCTION

In 1993 and 1994, concern was expressed by Hawaii businesses regarding workers' compensation costs. At that time, Hawaii's medical fee schedule (MFS) approximately reflected the well recognized cost of living premium of Hawaii versus mainland locales. At that time, the MFS was regulated to annual adjustments (up or down) according to Hawaii's general Consumer Price Index (CPI). (These adjustments were made to a base set in 1974 that was approximately 80% of rates paid by private pay health insurance carriers.) Although a national workers' compensation research group considered Hawaii's MFS appropriate for controlling costs, the MFS was one of many points of focus of an initiative by Hawaii's business community concerned with total costs. In its 1995 legislative session, Hawaii's legislators chose to ignore virtually all of the other 30+ reforms presented for consideration and focused almost exclusively on the MFS. Although federal Medicare rates are based on an entirely different demographic and are set based on the economic problems of maintaining the system itself, Hawaii's legislature enacted legislation tagging the MFS to Medicare rates + 10%. Because of concomitant changes in Medicare reimbursement, this action effectively decreased Hawaii's medical fee schedule by 54% as of 7/1/95. It appears that this action has had the predictable result of insidiously decreasing the pool of physicians that are willing to care for workers injured on the job. Both Hawaii's legislature and its Department of Labor and Industrial Relations have been reluctant to recognize that this trend exists. This study by the Workers' Compensation Committee of Hawaii Medical Association represents an attempt to demonstrate the validity of this trend and to quantify it. A secondary question explores what increase in the current fee schedule would be required to entice those physicians that have dropped their treatment of work injuries to accept them back into their practice.

METHOD

Participants in this study consisted of 422 total respondents to a survey sent to approximately 2000 Hawaii physicians. The following letter was sent:

> In a team effort, the Hawaii Medical Association and Kaiser have been attempting to increase workers' compensation fees so that all physicians can care for injured workers. Please answer the following questions:
>
> What is your specialty?
>
> As a result of the workers' compensation fee schedule limiting reimbursement to 10% over Medicare rates, have you reduced, limited, or eliminated care of injured workers from your practice?

If so, please complete the following:

Understanding the added paperwork and management burden that goes along with accepting workers' compensation cases, what it the lowest level reimbursement over Medicare rates at which you would be likely to end all restrictions on caring for injured workers? MC + 10/20/30/40/50/60/70/80/90/100%?

RESULTS

Of the 422 total responses of physicians accepting workers' compensation patients, 66.04% (328) marked yes. That is, they had dropped care of work injuries. Several others commented that they were considering dropping and/or were currently limiting the work injuries they would accept.

Of the 328 respondents indicating that they had dropped accepting workers' compensation cases, the response to the question of the average percentage reimbursement over Medicare that would be necessary to again accept the care of inured workers was 60%.

DISCUSSION:

Clearly, the 1995 severe reduction of reimbursement for treating work injuries has had a severely adverse effect in access to care from Hawaii's physicians. Written comments from some respondents that continue to accept these cases suggest that this trend will continue and worsen. Although not solicited, many respondents chose to add comments to the survey form. Some examples of such comments are as follows

- I would prefer <u>not</u> to treat w/c pts if other surgeons are readily available. Too much paper work, if contested, copying charts, delayed payments – not worth time and effort

- Besides the low reimbursement and high paperwork, there are <u>other</u> reasons why seeing w/c is such a hassle.

- To much paperwork, time and headaches dealing with it.

- Too many rules and too much paper work

- It is the added proactive burden that prevents me from caring for injured workers. No amount of money will change that. However if these burdens were taken away, I would be willing to take Medicare rate + 0%.

- I cannot get orthopedic referrals for patients. It takes longer to get people better.

- Reimbursement at the 50th percentile for nation

- The MC reimbursement rate is so low for psychiatry that even MC +100%would be insufficient.

- The delays in care because of need to get approval and the denials of care are what keep me limiting my practice.

- Too much trouble at any level of reimbursement.

- Considering stopping seeing (even our patients) due to low reimbursement, non-payment, paperwork headaches!

- XXX clinics has both limited and eliminated care of injured workers because of the inadequate reimbursement for such workers, given the added paperwork and management burden.

- For me, reimbursement is not the issue

- The problem is that the WC carriers constantly fight and delay evaluations and most therapy for even patients that have urgent problems, payments are often delayed or denied because insurer refused to acknowledge their responsibility and mostly must wants to keep all the premiums without giving coverage.

12/14/2004

Property Casualty Insurers
Association of America
Advocacy. Leadership. Results.

To: The Honorable Mark M. Nakashima, Chair
Committee on Labor & Public Employment

From: Mark Sektnan, Vice President

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

Date: Friday, January 24, 2014
8:30 a.m., Conference Room 309

Aloha Chair Nakashima and Members of the Committee:

The Property Casualty Insurers Association of America (PCI) is in opposition to HB 1974 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.

HAWAII INSURERS COUNCIL
A trade association of property and casualty insurance companies

Pauahi Tower, Suite 2010
1003 Bishop Street
Honolulu, Hawaii 96813
Telephone (808) 525-5877

Alison Powers
Executive Director

TESTIMONY OF JANICE FUKUDA

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT
Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair

January 24, 2014
8:30 a.m.

HB 1974

Chair Nakashima, Vice Chair Yamashita, 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. An ongoing concern is whether the Department has the resources 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. 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.

The Twenty-Seventh Legislature
Regular Session of 2014

HOUSE OF REPRESENTATIVES
Committee on Labor & Public Employment
Rep. Mark M. Nakashima, Chair
Rep. Kyle T. Yamashita, Vice Chair
State Capitol, Conference Room 309
Friday, January 24, 2014; 8:30 a.m.

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

The ILWU Local 142 supports H.B. 1974, 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 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. Thank you for considering our views.

yamashita1

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 23, 2014 9:36 AM
To: LABtestimony
Cc: frankvannatta@hotmail.com
Subject: Submitted testimony for HB1974 on Jan 24, 2014 08:30AM

HB1974
Submitted on: 1/23/2014
Testimony for LAB on Jan 24, 2014 08:30AM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
James Van Natta	Individual	Support	No

Comments: Hawaii Workers need access to medical care. This Bill will encourage more physicians to participate with WorkComp claims.

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

LATE

Healthcare Association of Hawaii

Friday – January 24, 2013 – 8:30am
Conference Room 309

The House Committee on Labor & Public Employment

To: Representative Mark M. Nakashima, Chair
Representative Kyle T. Yamashita, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: Comments
HB 1974 — Relating to Workers' Compensation Medical Fee Schedule

The Healthcare Association of Hawaii (HAH) is a 116 member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for the opportunity to offer comments on HB 1974. The proposals in HB 1974 raise issues that were recently brought to HAH's attention by its membership, specifically that the proposed fee schedule does not presently include fees for hospital services including, but not limited to, administration of anesthesia, usage of operating room facilities, and recovery room services— which are different than fees for physician services. The proposed methodology in the relevant auditor's report addresses only physician's fees, which is referred to in the report as the "federal Medicare fee schedule applicable to Hawaii." The references in the auditor's report listed at pages 24-25 did not include any acute care hospitals.

While HAH is solely commenting at this time, we will be bringing this to HAH's Government Relations Committee should this bill move forward— at which time HAH will offer substantive testimony on HB 1974.

Thank you for the opportunity to offer comments on HB 1974.

Phone: (808) 521-8961 | Fax: (808) 599-2879 | HAH.org | 707 Richards Street, PH2 - Honolulu, HI 96813

WIMAH

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

LATE

MAULI OLA
THE POWER OF HEALING

JANUARY 24, 2014

COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT

HOUSE BILL HB 1974 RELATING TO WORKERS' COMPENSATION

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.

WORK INJURY MEDICAL ASSOCIATION OF HAWAII STRONGLY SUPPORTS HOUSE BILL 1974

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

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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