

DAVID Y. IGE
GOVERNOR

SHAN S. TSUTSUI
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

LEONARD HOSHIJO
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813
www.labor.hawaii.gov
Phone: (808) 586-8844 / Fax: (808) 586-9099
Email: dllr.director@hawaii.gov

February 13, 2017

To: The Honorable Gilbert S.C. Keith-Agaran, Chair,
The Honorable Karl Rhoads, Vice Chair, and
Members of the Senate Committee on Judiciary & Labor

Date: Monday, February 13, 2017
Time: 9:30 a.m.
Place: Conference Room 016, State Capitol

From: Linda Chu Takayama, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. No. 1236 Relating to Workers' Compensation

I. OVERVIEW OF PROPOSED LEGISLATION

SB1236 will require the Auditor to contract with a suitable entity with experience conducting workers' compensation closed claims studies in the United States to perform a study of workers' compensation closed claims and the processing time for closed claims in the State. The study is to be completed by November 30, 2018, with a report submitted to the legislature no later than twenty days prior to the regular session of the 2019 Legislature.

The Department supports measure and suggests a technical amendment.

II. CURRENT STATUS

There have been no recent closed claims studies on workers' compensation in Hawaii since the 1993 "Hawaii Workers' Compensation Closed Claim Study" by Tillinghast.

III. COMMENTS ON THE SENATE BILL

The Department supports the measure and offers the following technical amendment:

1. Page 2, lines 9 and replace references to “actuarial firm” with “suitable entity”.



SENATE COMMITTEE ON JUDICIARY AND LABOR
The Honorable Gilbert S.C. Keith-Agaran, Chair
The Honorable Karl Rhoads, Vice Chair

S.B. No. 1236, Relating to Workers' Compensation

Hearing: Monday, February 13, 2017, 9:30 a.m.

The Office of the Auditor **supports the general intent of S.B. No. 1236, Relating to Workers' Compensation**, which, among other things, amends the scope of the study on closed claims in the state's workers' compensation system that we are required to perform and the requirement that we contract with an actuarial firm to perform the study. However, we recommend that the bill be amended to more clearly define the scope of the study.

Act 188 requires the study to be of workers' compensation closed claims: (1) in the state's private employment sector; and (2) involving state employees. The bill amends the scope of the study to include "the processing time for closed claims."

We understand that the legislature was concerned about allegations that the processing times to resolve workers' compensation claims was unreasonably long and was interested in understanding *the reason or reasons* for delays in closing workers' compensation claims, if any. It is our understanding that Act 188 was intended to provide the legislature with that information as to the cause of delays to close workers' compensation claims. However, the closed claims study required by Act 188 will likely not examine the cause of delays to close workers' compensation claims.

Although the bill amends the scope of the study to include "the processing time for closed claims," we do not understand the study described in the bill to include examination of the cause of any delays in closing workers' compensation claims. Rather, the processing time for closed claims that the bill requires the study to include likely would already be reported based on the request for proposals that we issued in accordance with Act 188.

If the legislature is interested in understanding the cause of any delays in closing workers' compensation claims or any other information that is not included in the bill's scope of the study, **we recommend that the committee amend the bill to clearly define the type of information that the legislature expects the study to include.**

We are available to work with the committee on a more specific scope of the study and will be working with the department of labor and industrial relations.

Thank you for considering our testimony relating to S.B. No. 1236.