



SENATE COMMITTEE ON WAYS AND MEANS
The Honorable Jill N. Tokuda, Chair
The Honorable Donovan M. Dela Cruz, Vice Chair

S.B. No. 1236, SD1 Relating to Workers' Compensation

Hearing: Wednesday, February 22, 2017, 9:30 a.m.

The Office of the Auditor **supports the general intent of S.B. No. 1236, SD1 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, SD1.

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February 22, 2017

To: The Honorable Jill N. Tokuda, Chair,
The Honorable Donovan M. Dela Cruz, Vice Chair, and
Members of the Senate Committee on Ways and Means

Date: Wednesday, February 22, 2017
Time: 9:30 a.m.
Place: Conference Room 211, State Capitol

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

Re: S.B. No. 1236 SD1 Relating to Workers' Compensation

I. OVERVIEW OF PROPOSED LEGISLATION

SB1236 SD1 will require the State 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 strongly supports this measure.

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 strongly supports this measure that will provide DLIR and policy makers with valuable information about the current state of the Workers' Compensation Program. If enacted, the product of the State Auditor's efforts could

provide insight into whether statutory changes are necessary. The Legislature annually deliberates upon many proposals pertaining to Workers' Compensation and entertains many assertions, but many of the assertions are based on incomplete or non-existing information.

A closed claim study could provide DLIR and policy makers the ability to effect improvements to the Workers' Compensation Program. The Workers' Compensation law is intended to provide an informal means for injured workers and employers to work together so that injured workers obtain timely medical services and return to work as quickly as possible. Unfortunately, over time the process has grown more litigious and many of the stakeholders disagree on the best way to improve the system. If enacted, SB1236 SD1 could be an important part of making improvements to the Workers' Compensation Program to the benefit of all stakeholders.

The Twenty-Ninth Legislature
Regular Session of 2017

THE SENATE

Committee on Ways and Means

Senator Jill N. Tokuda, Chair

Senator Donovan M. Dela Cruz, Vice Chair

State Capitol, Conference Room 211

Wednesday, February 22, 2017; 9:30 a.m.

**STATEMENT OF THE ILWU LOCAL 142 IN SUPPORT OF S.B. 1236 SD 1
RELATING TO WORKERS' COMPENSATION**

The ILWU Local 142 supports S.B. 1236 SD 1, which provides that the Auditor will contract with a suitable entity to conduct a study of closed claims in the workers' compensation system, that includes the study of processing time for closed claims. The bill also extends the deadline for the study to 11/30/18 and the deadline for the legislative report to twenty days prior to the regular session of 2019. An appropriation is made for the study.

The ILWU supports S.B. 1236 SD 1, so that the study can be completed and used as a guide for future changes that could improve the workers' compensation system for all parties. Upon further review of the statutory language that guides the study, we would like the Committee to consider possibly including language to describe areas that the study could focus on. For example, the areas of compensability, and IME's remains challenging, and could be one or more areas of focus for the study. By providing a focus point or focus areas, this would maximize the value of the study.

The inclusion of assessing the processing time for closed claims is helpful, however it may help even more for greater guidance to be provided for the study.

The ILWU urges passage of S.B. 1236 SD 1 with additional language to provide a clearer focus for the study. Thank you for the opportunity to share our views on this matter.