

HCR 38

REQUESTING THE AUDITOR
TO CONDUCT A STUDY TO
ASSESS THE IMPACT OF
MEDICAL BILL REVIEW
COSTS ON THE STATE'S
WORKERS' COMPENSATION
SYSTEM.

HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A STUDY TO ASSESS THE IMPACT
OF MEDICAL BILL REVIEW COSTS ON THE STATE'S WORKERS'
COMPENSATION SYSTEM.

1 WHEREAS, although workers' compensation premiums in Hawaii
2 have dropped significantly since the reforms in the mid-1990s,
3 it is important to understand the impact of medical bill review
4 costs, which include pharmacy benefit manager and third party
5 administrator costs, on the State's workers' compensation
6 system; and
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8 WHEREAS, much effort has been devoted to studying the
9 impact of many other costs involved in the State's workers'
10 compensation system, little has been done to review the impact
11 of medical bill review costs; and
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13 WHEREAS, spending too much money on medical bill review
14 costs ultimately takes money away from injured workers; and
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16 WHEREAS, claims administrators should be transparent with
17 their medical bill review fees and should disclose any fees
18 charged to the claim file for their medical bill audit process;
19 and
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21 WHEREAS, medical bill review service fees are typically
22 charged outside of the contracted fixed claim administration
23 fees, and, according to a July 2015 article by the Risk Advisory
24 Practice of Wells Fargo Insurance, the fees may represent up to
25 fifty percent of the total per claim handling fees, depending on
26 the pricing structure that the claim service provider uses; and
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28 WHEREAS, unfortunately, because medical bill review fees
29 are applied as allocated expenses against the claim files, they



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1 are often not considered when comparing total provider service
2 costs; and

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4 WHEREAS, the manner in which the claim service provider
5 structures these fees can result in a considerable fee
6 differential and cost to the State; and

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8 WHEREAS, it is crucial that the State understand the fine
9 print of the various fee structures and the implications on
10 their total medical bill review costs; and

11
12 WHEREAS, studying the pricing of medical bill review will
13 help control the cost of the State's workers' compensation
14 system; and

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16 WHEREAS, it is important that the State look at ways to
17 prevent medical bill review costs from becoming an unreasonable
18 cost driver of health care in workers' compensation claims,
19 while ensuring the same standard of service and care intended
20 for injured employees under the workers' compensation law; now,
21 therefore,

22
23 BE IT RESOLVED by the House of Representatives of the
24 Twenty-ninth Legislature of the State of Hawaii, Regular Session
25 of 2018, the Senate concurring, that the Auditor is requested to
26 study and assess the impact of medical bill review costs on the
27 State's workers' compensation system; and

28
29 BE IT FURTHER RESOLVED that the Auditor complete the study
30 by November 30, 2018, and submit the study and its findings to
31 the Legislature no later than twenty days prior to the convening
32 of the regular session of 2019; and

33
34 BE IT FURTHER RESOLVED that certified copies of this
35 Concurrent Resolution be transmitted to the Auditor, Director of
36 Labor and Industrial Relations, and Director of Human Resources
37 Development.

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39
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OFFERED BY:



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TESTIMONY



**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS**

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March 27, 2018

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Daniel Holt, Vice Chair, and
Members of the House Committee on Labor and Public Employment

Date: Tuesday, March 27, 2018

Time: 10:00 a.m.

Place: Conference Room 309, State Capitol

From: Leonard Hoshijo, Director
Department of Labor and Industrial Relations (DLIR)

**Re: H.C.R. No. 38 REQUESTING THE AUDITOR TO CONDUCT A STUDY TO ASSESS
THE IMPACT OF MEDICAL BILL REVIEW COST ON THE STATE'S WORKERS'
COMPENSATION SYSTEM**

I. OVERVIEW OF PROPOSED HOUSE CONCURRENT RESOLUTION

HCR38 requests the State Auditor to study and assess the impact of medical bill review costs on the State's workers' compensation system. The Auditor shall complete the study by November 30, 2018, and submit the study and its findings to the Legislature no later than twenty days prior to the convening of the regular session of 2019.

II. CURRENT LAW

Many employers and workers' compensation insurance carriers use medical bill review services to analyze and adjust workers' compensation charges by providers of health care services. Independent bill reviewers are licensed by the Insurance Division under §431-9.

III. COMMENTS ON THE HOUSE CONCURRENT RESOLUTION

The Department supports efforts to address cost containment in workers' compensation. DLIR is not aware of any cost impacts from the medical bill review process. To the contrary, it is generally found that they produce a substantial cost savings because of the detailed examination of each charge.

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**LATE
TESTIMONY**