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

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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.

WHEREAS, although workers' compensation premiums in Hawaii have dropped significantly since the reforms in the mid-1990s, it is important to understand the impact of medical bill review costs, which include pharmacy benefit manager and third party administrator costs, on the State's workers' compensation system; and

WHEREAS, much effort has been devoted to studying the impact of many other costs involved in the State's workers' compensation system, little has been done to review the impact of medical bill review costs; and

WHEREAS, spending too much money on medical bill review costs ultimately takes money away from injured workers; and

WHEREAS, claims administrators should be transparent with their medical bill review fees and should disclose any fees charged to the claim file for their medical bill audit process; and

WHEREAS, medical bill review service fees are typically charged outside of the contracted fixed claim administration fees, and, according to a July 2015 article by the Risk Advisory Practice of Wells Fargo Insurance, the fees may represent up to fifty percent of the total per claim handling fees, depending on the pricing structure that the claim service provider uses; and

WHEREAS, unfortunately, because medical bill review fees are applied as allocated expenses against the claim files, they

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

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

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

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

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

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

 BE IT FURTHER RESOLVED that the Auditor 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; and

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

OFFERED BY:

BCNOK BOM

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TESTIMONY

DOUGLAS S. CHIN LIEUTENANT GOVERNOR



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.



LESLIE H. KONDO State Auditor

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HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

The Honorable Aaron Ling Johanson, Chair The Honorable Daniel Holt, Vice Chair

H.C.R. NO. 38, REQUESTING THE AUDITOR TO CONDUCT A STUDY TO ASSESS THE IMPACT OF MEDICAL BILL REVIEW COSTS ON THE STATE'S WORKERS' COMPENSATION SYSTEM

Hearing: Tuesday, March 27, 2018, 10:00 a.m.

The Office of the Auditor has no position regarding H.C.R. No. 38, which requires the auditor to "study and assess the impact of medical bill review costs on the State's workers' compensation system." However, we have concerns about our ability to do the requested work.

We typically perform financial and performance audits, which evaluate the financial or managerial operations of specific agencies or programs. This resolution asks us to assess the impact of a particular cost item on the entire workers' compensation system, which involves a wide range of variables and outcomes; this could make an assessment of impact very difficult.

We also have concerns as to whether the Department tracks and captures the data on medical review costs necessary to conduct such a review. For the study to be completed by the November 30, 2018 deadline, it is critical that all relevant information and records required to perform the study be readily available for our review. Accordingly, we strongly recommend that the Legislature confirm that data on medical review costs is available in a form which allows us to isolate those costs and assess its impact on the workers' compensation system.

Finally, we do not have the substantive and technical knowledge relating to the standard of service and care for injured employees under the workers' compensation law called for under the resolution. We may need to retain the services of a subject matter consultant to assist us on the substantive issues should this resolution move forward.

Thank you for considering our testimony regarding H.C.R. No. 38.

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LATE TESTIMONY