



LINDA LINGLE
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LT. GOVERNOR

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LAWRENCE M. REIFURTH
DIRECTOR

RONALD BOYER
DEPUTY DIRECTOR

TO THE HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT

TWENTY-FIFTH LEGISLATURE
Regular Session of 2009

Tuesday, February 10, 2009
9:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 1390 – RELATING TO WORKERS’
COMPENSATION.**

TO THE HONORABLE KARL RHOADS, CHAIR, AND MEMBERS OF THE
COMMITTEE:

My name is J.P. Schmidt, State Insurance Commissioner (“Commissioner”),
testifying on behalf of the Department of Commerce and Consumer Affairs
(“Department”). The Department offers the following comments on this bill.

The purpose of this bill is to increase the limitation on charges for medical care,
services, and supplies for injured employees to 150% of the Medicare Resource Based
Relative Value Scale system applicable to Hawaii effective January 1, 2010. The
current limitation of 110% in Hawaii Revised Statutes (“HRS”) § 386-21(c) was adopted
in 1995.

The workers’ compensation medical fee schedule is also referenced in the
Insurance Code in HRS § 431:10C-308.5 and applies to medical treatment rendered in
motor vehicle insurance cases.

The Department believes that it is essential for employees and motor vehicle
insurance claimants to receive the necessary medical care and services for their
injuries. Medical providers deserve to be compensated at a reasonable rate. However,

the Department has not had the opportunity to evaluate the potential impact on workers' compensation and motor vehicle insurance rates.

We thank this Committee for the opportunity to present testimony on this matter.



STATE OF HAWAII

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

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February 17, 2009

To: The Honorable Robert N. Herkes, Chair
and Members of the House Committee on Consumer Protection & Commerce

Date: Wednesday, February 18, 2009
Time: 2:00 p.m.
Place: Conference Room 325, State Capitol

From: Darwin L.D. Ching, Director
Department of Labor and Industrial Relations

Testimony in OPPOSITION

to

H.B. 1390 – Relating to Workers' Compensation

I. OVERVIEW OF CURRENT PROPOSED LEGISLATION

House Bill 1390 proposes to amend section 386-21, Hawaii Revised Statutes ("HRS"), by increasing the charges for medical care, services and supplies to not exceed one hundred fifty per cent (150%) of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii, effective January 1, 2010.

II. CURRENT LAW

Currently, section 386-21, HRS, allows for charges for medical care, services and supplies to not exceed one hundred ten percent (110%) of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii.

Section 386-21 also allows the director to increase fees for specific services, if the fees provided under Medicare are not reasonable. Exhibit A of the Workers' Compensation Medical Fee Schedule Administrative rules currently contains approximately 1,300 codes, which have been adjusted, based upon surveys which determined that the Medicare plus 10% was not reasonable. The Workers' Compensation Fee Schedules, Maximum Allowable Fees, and Comparative Reimbursements study conducted by the Legislative Reference Bureau in 2007 indicated that "the maximum fees and actual reimbursements under the two fee schedules are such that the legislative intent of Act 234 from the regular session of 1995 appears to have been fulfilled."

The 2007 Legislative Reference Bureau's study also indicated that, in total, the two fee schedules (110% of Medicare and Exhibit A) "Averaged together effectively set the maximum allowable fees at about 130 percent of the unadjusted Medicare amounts."

III. HOUSE BILL

The Department of Labor and Industrial Relations ("Department") is in favor of increasing the allowable charges for medical care, services and supplies above the current 110%, but the Department believes 150% is excessive. The Department opposes H.B. 1390 as written and offers the following comments:

1. The Department believes that there should be an increase from 110% of Medicare to provide providers of medical services fair reimbursement for medical services provided to our injured workers. The Department believes 110% of Medicare is inadequate as Exhibit A of our medical fee schedule currently allows over 1,300 fees above the 110% of Medicare based upon surveys of prevalent charges. The Department believes low reimbursement is adversely impacting the number of physicians willing to provide medical treatment to our injured workers. The Department supports an increase, but does not have a current study to specify the specific percentage amount of increase above Medicare that is recommended.
2. The Department is aware that any increase in reimbursement fees may result in additional costs and higher insurance premiums for employers. In 2008, the National Council on Compensation Insurance, Inc. estimated that an increase to 120% of Medicare would increase costs by only 0.6%, or \$3.1 million.

Further, over the last five years, insurance premiums have decreased by almost 50% and a 10% increase in medical reimbursements should result in a minimal increase in premiums, since medical costs account for only 40% of total workers' compensation costs in Hawaii.

3. The Department recommends that H.B. 1390 should be clarified to ensure proper charges for medical services prior to January 1, 2010. For clarification, we recommend the following language in subsection 386-21(c), line 7, to read as follows:

"Effective January 1, 1997 through December 31, 2009, the charges shall not exceed one hundred ten percent of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii as prepared by the United States Department of Health and Human Services, except as provided in

H.B. 1390
February 17, 2009
Page 3

this subsection. Effective January 1, 2010, and for each succeeding calendar year thereafter, the charges shall not exceed XXXX percent of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii, as prepared by the United States Department of Health and Human Services, except as provided in this subsection.”

In summary, the Department supports an increase in charges, but opines that 150% is excessive and, therefore, opposes H.B. 1390 as written.

LINDA LINGLE
GOVERNOR OF HAWAII



MARIE C. LADERTA
DIRECTOR

CINDY S. INOUE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 17, 2009

TESTIMONY TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
For Hearing on Wednesday, February 18, 2009
2:00 p.m., Conference Room 325

BY

MARIE C. LADERTA, DIRECTOR

House Bill No. 1390
Relating to Workers' Compensation

TO CHAIR ROBERT N. HERKES AND MEMBERS OF THE COMMITTEES:

The purpose of H.B. No. 1390, is to amend Section 386-21(c) to increase the allowable charges for medical care, services, and supplies from one hundred ten per cent to not more than one hundred fifty percent of fees prescribed in the Medicare Resource Based Relative Value Scale system applicable to Hawaii.

The Department of Human Resources Development is opposed to an across-the-board increase as there are health care providers who are already adequately compensated for their services and for those who charge more for their services for work related injuries than they do for their private patients. The Department, however, acknowledges that this measure has merit and is in favor of increasing the reimbursement rate for those health care provider specialties who have either left the islands or who have declined to treat individuals who suffered work related injuries. But, given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

DEPARTMENT OF HUMAN RESOURCES
CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 10TH FLOOR
HONOLULU, HAWAII 96813

MUFI HANNEMANN
MAYOR



KENNETH Y. NAKAMATSU
DIRECTOR

February 18, 2009

The Honorable Robert N. Herkes, Chair
and Members of the Committee on Consumer Protection & Commerce
State House of Representatives
Hawaii State Capitol
Honolulu, Hawaii 96813

Dear Chair Herkes and Members:

RE: HOUSE BILL NO. 1390 RELATING TO WORKERS' COMPENSATION

The City and County of Honolulu opposes House Bill No. 1390, amending Section 386-21 of the Hawaii Workers' Compensation Law by increasing the reimbursement rate for medical providers from 110% to 150% of the Medicare Resource Based Relative Value Scale system. In 1995, the Legislature amended this section of the law to reduce excessive reimbursement rates and establish a comprehensive, nationally recognized system of charges. The law further established procedures for the Director of the Department of Labor and Industrial Relations to adjust the schedule to ensure reasonable allowances for reimbursement.

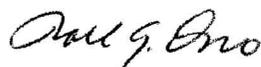
Changes to Section 386-21 that were enacted by 1995 Legislature contributed to hundreds of millions of dollars in workers' compensation costs being saved over the last 12 years. The magnitude of the savings can be assessed using data from the State's Department of Labor and Industrial Relations Workers' Compensation Data Book, published annually (see Attachment I). In short, statewide workers' compensation costs 3 years prior to the reform averaged \$331 million annually. Workers' compensation costs for the 12 years immediately following the reform averaged \$253 million annually; a \$78 million annual savings. Put in the proper perspective, over the last 12 years the State of Hawaii has saved \$936 million in workers' compensation costs as a result of the changes made by the 1995 Legislature.

The Twenty-fifth Legislature's proposed changes to the Hawaii Workers' Compensation Law will inevitably increase the cost of workers' compensation in the State of Hawaii. In times of economic turmoil requiring fiscal austerity and innovative solutions, we do not believe this change is in the best interest of the people of our State and that it will further add to the already critical financial crises.

The Honorable Robert N. Herkes, Chair
February 18, 2009
Page 2

We respectfully urge your committee to file House Bill No. 1390. We do not believe that there is a need to change the reimbursement rate for the entire workers' compensation medical fee schedule by 37%. With proper justification from the medical community, the Director of Labor and Industrial Relations, under Section 386-21 (c), HRS, can increase allowances for medical care and services that are not considered reasonable or adequate.

Sincerely,



for KEN Y. NAKAMATSU
Director of Human Resources

Attachment

ATTACHMENT I

STATEWIDE WORKERS' COMPENSATION COSTS BY TYPE OF PAYMENT

Type of Payment	2000	2001	2002	2003	2004	2005	2006	2007	Type
TTD	55,312,588	62,586,914	65,056,903	67,654,807	63,706,668	59,067,148	54,967,864	56,919,048	TTD
TPD	2,651,756	3,043,394	2,900,452	3,241,339	3,184,548	3,109,906	2,625,563	2,705,692	TPD
PTD	15,507,928	15,118,576	18,395,265	17,626,114	18,093,822	15,955,797	18,599,904	16,765,532	PTD
PPD	57,260,955	57,875,459	65,159,217	68,803,178	69,515,306	66,399,667	64,195,980	63,054,843	PPD
Death	1,962,684	2,735,802	2,360,809	2,325,041	2,148,014	2,010,782	2,182,528	3,052,391	Death
Disfigurement	1,309,482	1,357,202	1,562,803	1,625,475	1,524,271	1,314,094	1,480,269	1,263,750	Disf
Voc Rehab	5,629,397	5,802,764	6,325,020	6,432,282	6,114,837	5,063,253	4,868,366	4,561,823	VR
Medical	91,184,757	103,303,676	105,926,606	106,912,209	106,766,183	97,638,645	93,394,364	98,513,146	Med
Attendant Services	539,633	217,365	140,180	301,787	236,375	219,851	370,655	457,629	AS
Total	231,359,180	252,041,152	267,827,255	274,922,232	271,290,024	250,779,143	242,685,493	247,293,854	Total

Workers' Compensation Reform began July 1, 1995. Major changes were Medical Fee Schedule (Medicare plus 10%), treatment limits, second injury limits on PPD and part-time workers.

Type of Payment	1992	1993	1994	1995	1996	1997	1998	1999	Type
TTD	75,124,541	83,443,021	80,281,234	70,875,583	61,054,623	57,366,809	53,356,078	51,550,709	TTD
TPD	2,335,548	2,769,212	3,072,057	2,774,293	2,829,674	2,825,736	2,878,552	2,743,336	TPD
PTD	13,600,845	11,232,499	19,763,997	15,497,510	17,618,587	16,716,542	15,714,253	15,830,200	PTD
PPD	69,506,346	76,270,234	81,865,987	95,125,484	93,619,941	72,453,667	64,909,092	57,124,045	PPD
Death	2,765,124	2,392,562	2,632,183	2,789,579	2,814,023	2,899,119	2,238,102	2,395,396	Death
Disfigurement	1,763,162	1,869,215	1,681,428	1,759,164	1,942,172	1,808,428	1,384,551	1,341,929	Disf
Voc Rehab	6,639,072	7,866,683	7,892,705	7,871,615	6,574,004	6,179,012	5,534,403	5,359,001	VR
Medical	115,960,185	137,740,829	145,500,111	129,125,665	101,664,903	94,424,669	87,019,208	85,513,448	Med
Attendant Services	307,956	178,355	390,071	303,969	376,739	241,389	190,286	198,250	AS
Total	288,002,779	323,762,610	343,079,773	326,122,862	288,494,666	254,915,371	233,224,525	222,056,314	Total

Source: Workers' Compensation Data Book, State of Hawaii, Department of Industrial Relations, Research and Statistics Office (1992 - 2007)

GOODSILL ANDERSON QUINN & STIFEL

A LIMITED LIABILITY LAW PARTNERSHIP LLP

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MEMORANDUM

TO: Representative Robert Herkes
Chair, House Committee on Consumer Protection & Commerce
Via e-mail: CPCtestimony@Capitol.hawaii.gov

FROM: Anne Horiuchi

DATE: February 17, 2009

RE: **H.B. 1390 Relating to Workers' Compensation**
Hearing on Wednesday, February 18, 2009 at 2:00 p.m., Room 325

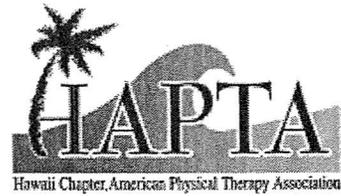
Dear Chair Herkes and Members of the Committee on Consumer Protection & Commerce:

I am Anne Horiuchi, testifying on behalf of the American Insurance Association (AIA). AIA represents approximately 350 major insurance companies that provide all lines of property and casualty insurance and write more than \$123 billion annually in premiums. AIA members supply 23 percent of the property/casualty insurance sold in Hawaii. The association is headquartered in Washington, D.C. and has representatives in every state. All AIA news releases are available at www.aiadc.org.

H.B. 1390 increases the fee schedule of compensation for medical care in workers' compensation cases from 110% to 150% of the Medicare Resource Based Relative Value Scale system applicable to Hawaii as prepared by the United States Department of Health and Human Services.

AIA opposes this measure as unnecessary, given the ability of the Director of the Department of Labor & Industrial Relations to make determinations of the charges and to adopt fee schedules based upon those determinations. We respectfully request that H.B. 1390 be held.

Thank you very much for the opportunity to submit testimony on this measure.



Testimony by:
Derrick Ishihara, PT

HB 1390, Relating to Workers' Compensation
House CPN, Weds. February 18, 2009
Room 325, 2:00 pm

Position: Strong Support

Chair Herkes and Members of the House CPN Committee:

I am Derrick Ishihara, P.T., a small business owner/physical therapist and member of HAPTA's Legislative Committee. The Hawaii Chapter – American Physical Therapy Association (HAPTA) is comprised of 300 member physical therapists and physical therapist assistants employed in hospitals and health care facilities, the Department of Education and Department of Health systems, and private practice. Our members represent Hawaii at the national American Physical Therapy Association and are delegates for Pediatrics, Women's Health, Parkinson's Disease and other issue sections. We are part of the spectrum of care for Hawaii, and provide rehabilitative services for infants and children, youth, adults and the elderly. Rehabilitative services are a vital part of restoring optimum function from neuromusculoskeletal injuries and impairments.

Appreciation is expressed for the recognition of the inadequate reimbursement for health services and its impact on health care providers and more importantly, the injured worker. Often times, the injured worker must disrupt care as well as the relationship with the treating physician who no longer accepts WC cases. It then becomes a challenge for the injured worker to find physicians who are willing to accept WC cases.

HAPTA strongly supports this measure, which states that charges shall not exceed 150% of fees stated in the Medicare Resource Based Relative Value Scale. According to the 2007 LRB study of this issue, 63 CPT codes, mostly Evaluation and Management codes for physicians, were evaluated. Most of these codes are no longer based on Medicare + 10%. Most of the codes have now been updated by the DLIR to a Supplemental fee schedule because according to the DLIR, the Medicare Medical Fee Schedule "...may not be keeping pace with the cost of the services being rendered" The study found that the CPT codes reimbursed under the supplemental fee schedule averaged 136% of MC. Further, in 1998, the LRB recommended 125% - 135% of the Medicare fee schedule.

Physical Therapists (PT) are an integral part of the rehabilitation of injured workers, working closely with physicians. The DLIR supplemental fee schedule for physician-related CPT codes does not apply to the PT codes. HMSA now pays much less than WC does for those codes. HMSA dropped reimbursement sharply for PT codes soon after WC reduced fees in 1995.

Your strong support of this measure is urged. It will ultimately ensure the availability of the network of care needed to return the injured worker to the workplace safely and efficiently. I may be reached at 593-2610 if there are any questions. Thank you for the opportunity to present testimony.



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Executive Director

Wednesday, February 18, 2009, 2:00 pm, CR 325

To: COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Robert N. Herkes, Chair
Rep. Glenn Wakai, Vice Chair

From: Hawaii Medical Association
Gary A. Okamoto, MD, President
Philip Hellreich, MD, Legislative Co-Chair
Ron Kienitz, MD, Workers' Compensation Chair
April Donahue, Executive Director
Richard C. Botti, Government Affairs
Lauren Zirbel, Government Affairs

Re: HB 1390 RELATING TO WORKERS' COMPENSATION

Chairs & Committee Members:

Hawaii Medical Association supports this measure.

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. Straub Hospital and Clinic is perhaps the largest example of this.

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.

Thank you for the opportunity to provide this testimony.

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Pauahi Tower, Suite 2010
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Alison Powers
Executive Director

TESTIMONY OF JANICE FUKUDA

HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE

Representative Robert N. Herkes, Chair

Representative Glenn Wakai, Vice Chair

Wednesday, February 18, 2009

2:00 p.m.

HB 1390

Chair Herkes, Vice Chair Wakai, and members of the Committee, my name is Janice Fukuda, Assistant Vice President of First Insurance Company of Hawaii. I am also the Chair of the Workers' Compensation Policy Committee of Hawaii Insurers Council, who I am testifying on behalf of today. 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 60% of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** H.B .1390. This bill changes the medical fee schedule reimbursement from 110% of Medicare to 150% of Medicare. We believe this bill is unnecessary because the Director of the Department of Labor and Industrial Relations has the ability to increase certain codes when necessary. In fact, in 2006, the department adjusted fees for approximately 1,300 CPT codes. Based on the 2007 LRB Workers' Compensation Fee Schedules, Maximum Allowable Fees, and Comparative Reimbursements report, under the 110% Medicare schedule, actual reimbursements are about 110% of the employee group health plan reimbursements. Increasing the fee schedule to 150% Medicare will create incentives for 'cost shifting' as we have experienced prior to Act 234 of the 1995 session.

In addition, an across the board increase will also affect personal injury protection reimbursement rates in motor vehicle insurance and the Insurance Commissioner has similar powers to increase certain codes when appropriate.

We respectfully request that H.B. 1390 be held.

Thank you for the opportunity to testify.

THE HOUSE OF REPRESENTATIVES
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Robert S. Herkes,
Rep. Glenn Wakai, Vice Chair

Date: Wednesday, February 18, 2009

Time: 2:00 p.m.

Place: Conference Room 325, State Capitol

TESTIMONY OF ILWU LOCAL 142

RE: HB 1390, RELATING TO WORKERS' COMPENSATION

Thank you for the opportunity to present testimony regarding this bill. We support the passage of HB 1390.

In recent years, the problem of obtaining medical care for injured workers has become serious, and it shows no signs of abating. Physicians are reluctant to accept industrial injury claims first because the reimbursement is in many cases lower than under regular prepaid health insurance and second because the requirements for medical treatment plans, and other reporting are onerous.

An enormous reduction in medical expenditures has occurred over time as witnessed by the fact that total statewide medical costs for all workers' compensation claims were \$145,500,111 in 1994 and only \$98,513,146 in 2007. Statewide medical costs have also been under \$107,000,000 every year from 1996 through 2006, despite well-recognized increases in the general cost of health care and increases in the cost of medical technology. (Hawaii expense data is derived from Dept. of Labor and Industrial Relations Workers' Compensation Data Book.)

Unsurprisingly, testimony before the House Committee on Labor and Public Employment on February 6, 2009, by the Hawaii Medical Association reported that an extraordinary 65% of doctors surveyed who had previously taken workers compensation cases now refuse to do so, even for their own established patients. Technical medical treatment plan requirements are also often manipulated to make approval of treatment exceedingly difficult, making doctors even more unwilling to see this class of patients.

HB 1390 addresses the causes of physician reluctance to treat industrial injuries by authorizing an increase in payments from 110% to 150% of the Medical Resource Based Relative Value Scale. This modest correction should be of significant value in encouraging more physicians care for injured workers.

There may still be some who suggest that raising medical costs will trigger an increase in employer premiums for workers' compensation insurance. However, in the larger, systemic picture, if quality medical care is not furnished injured workers, disability will be prolonged. In a certain instances, where prompt medical treatment is necessary for long-term recovery, such as where surgery is needed but delayed, there may also be increases in the extent of permanent disability because prompt attention was not given to injuries that should have been addressed earlier. Thus, there is good reason to believe that making medical care more accessible through a modest increases in medical reimbursement will in fact help control and reduce temporary total disability and permanent disability expenses.

For these reasons, we support the enactment of HB 1390.



Hawaii State Chiropractic Association

P.O. Box 22668 Honolulu, HI 96823-2668

ph: (808) 926-8883 fx: (808) 926-8884

February 5, 2009

The House of Representatives
Committee on Consumer Protection & Commerce
Chair Rep. Robert Herkes
Vice Chair Rep Glenn Wakai

Testimony for hearing
Date: Wednesday, February 18, 2009
Time: 2:00 pm
Conference Room 325

Chair Herkes, Vice Chair Wakai, and members of the committee

My name is Gary Saito and I am the President and Executive Director of the Hawaii State Chiropractic Association. We are in **support of HB 1390** and wish to make the following comments.

While we would prefer that the Hawaii work comp fee scheduled be unhooked from the Medicare fee schedule altogether, we support the intent of this bill because at least it tries to respect the expertise and qualifications of our many treating physicians and other healthcare practitioners.

The Medicare fee schedule is an inadequate reimbursement system for work comp for the following reasons:

1. Medicare is not an injury-based health delivery system
2. Medicare requires little paperwork compared with mandated reporting requirements in work comp that can be complex and time-consuming for providers and their staff.
3. The Medicare fee schedule, therefore, poorly compensates practitioners to manage a work comp case.
4. The reimbursement rate of 110% over Medicare currently in our statutes does not sufficiently reimburse providers for the coordination of care required in the treatment of injured workers.

The Hawaii work comp fee schedule should never have been married to the Medicare fee schedule in the first place and many voices expressed this opinion 10 years ago. The growing failure of the work comp system to deliver quality care with accessibility to care demonstrates that the reimbursement component of the system is a failure. That so many doctors have abandoned the treatment of injured workers is a statement that reimbursements are not keeping up with the cost of living and the cost of doing business in Hawaii.

An LRB study ordered by the legislature seven years ago to look at the impact of changing the existing work comp fee schedule to 110% of Medicare explicitly determined that compensation should have been much higher.

With the rise in the cost of living over the last 6 years and with the Medicare fee schedule staying the same or decreasing in that time, a fair compensation should be 150% of Medicare in today's dollars.

Every year that the Medicare fee schedule lowers its reimbursement rate, providers fall further and further behind in receiving adequate compensation. Years ago, when the laws was enacted to tie work comp reimbursements to the Medicare system, we predicted that there would be an exodus of providers in the work comp system due to inability to maintain a practice with dwindling dollars, and, today, that outcome is a well-known and painful fact. We need a work comp reimbursement rate that respects the work of the providers and also keeps up with the cost of doing business in Hawaii.

Thank you for allowing us to provide comment on this bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gary Saito', with a stylized flourish at the end.

Gary Saito, DC
President and ED, HSCA

**HOUSE COMMITTEE ON
CONSUMER PROTECTION AND COMMERCE**

February 18, 2009

House Bill 1390 Relating to Workers' Compensation

Chair Herkes and members of the House Committee on Consumer Protection and Commerce, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm opposes House Bill 1390 Relating to Workers' Compensation.

Auto insurance coverages are based in part upon the workers compensation fee schedule which is the subject of this measure. Any increases in the fee schedule will result in increased premiums for State Farm insureds. We believe that this measure will result in an increase in personal injury protection (PIP) costs of approximately 10%. In an environment where consumers are trying to save and cut costs this measure does exactly the opposite. The impact could be to drive those on the edge economically to drive uninsured. That is a situation that is unacceptable to all drivers. We strongly recommend that this committee carefully consider the repercussions of such an increase on insured drivers and the possibility that unintended consequences will result.

Thank you for the opportunity to present this testimony.