

March 1, 2014

The Honorable Representative Kurt Olson and
Members of the House Labor and Commerce Committee
State Capitol Room 24
Juneau, Alaska 99801

RE: Support HB 316

Dear Rep. Olson and members of the committee,

On behalf of the members of the Alaska Municipal League Joint Insurance Association (AMLJIA), I would like to voice our support of HB 316.

The AMLJIA is a joint insurance arrangement organized under AS 21.76. With approximately 156 member municipalities and school districts pooling for workers' compensation coverage, these political subdivisions share with the private sector the financial burden imposed by the highest workers' compensation rates in the country. Alaska's economy is suffering as a result.

Clearly, the current system is ineffective at controlling costs. In the last five years, medical costs have risen 25 percent, while the frequency of workers' compensation claims has declined over 14 percent. Medical costs are the primary driver of workers' compensation loss costs. Approximately 75 percent of loss costs in the system are medical-related.

House bill 316 advances recommendations made by the Medical Services Review Committee and the Alaska Workers' Compensation Board (AWCB), and supported by the Alaska State Chamber of Commerce, the Alaska Council of School Administrators and many, many other individual businesses, associations, school districts, and local government entities.

The bill adopts a fee schedule based on the cost of treatment or procedures using a system created by a multi-disciplinary team of researchers from Harvard University which included statisticians, physicians, economists and measurement specialists. This Resource Based Relative Value Scale (RBRVS), constitutes the basis for Medicare and Medicaid's payment schedule, nearly all group health, health maintenance organizations as well as nearly two-thirds of the state workers' compensation systems. The American Medical Association (AMA) owns and updates the RBRVS periodically.

Under this system, the AMA assigns a Relative Value Unit (RVU) to each treatment code. The RVU is based on three separate factors: estimated physician work/time, physician expense associated with the procedure and malpractice expense. The RVU is then multiplied by a conversion factor to determine the amount of payment. HB 316 would require this conversion factor and the fee schedule to be adjusted annually to fit Alaska by the AWCB.



While in its present form, HB 316 does not directly address utilization, opioid abuse, the vocational rehabilitation process or employer-directed care, HB 316 takes a very positive step towards addressing the number one issue affecting rates: medical costs.

Please help fix Alaska's workers' compensation problems. Support HB 316.

Thank you,

A handwritten signature in black ink, appearing to read "Kevin", with a stylized flourish at the end.

Kevin Smith
Executive Director

