



March 5, 2014

The Honorable Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

Re: Support for HB 316 - Workers' Compensation Medical Fees

Dear Representative Olson:

The Alaska Hotel and Lodging Association (AkH&LA) is the leading voice and resource for Alaska's lodging industry, providing jobs to over 13,000 Alaskans and contributing over \$52 million in municipal tax revenues each year.

AkH&LA supports policies that will help Alaska's hospitality businesses succeed. Among AkH&LA's priorities for 2014 is support for enacting systemic changes to the Alaska workers' compensation insurance statutes to reduce the cost of insurance for employers while maintaining effective treatment programs that promote injury recovery and the return to full employment of injured workers.

Alaska's current workers' compensation premium rates at 60 percent above the median of U.S. states rank the highest in the nation. Medical costs for work related injuries were the largest workers' compensation cost driver comprising \$0.76 of every dollar paid in workers' compensation benefits in 2012, as compared to \$0.59 nationwide. A strong and well-trained workforce is Alaskan hoteliers' greatest asset, and such costs are working against our ability to produce jobs and remain competitive.

AkH&LA supports the provisions in HB 316 to address the escalating workers' compensation costs while protecting the rights of workers to fair and reasonable compensation when injured on the job.

Sincerely,

Gretchen Kenney, Executive Director
Alaska Hotel and Lodging Association



March 5, 2014

The Honorable Kurt Olson
Labor & Commerce Committee Chairman
Alaska House of Representatives
State Capitol, Room 24
Juneau, Alaska

Re: House Bill 316 – Workers' Compensation Medical Fees

Dear Representative Olson:

The mission of the Alaska State Chamber of Commerce (Alaska Chamber) is to promote a positive business environment in Alaska. The Alaska Chamber represents hundreds of businesses, manufacturers and local chambers from across Alaska. Our members support legislation that updates and clarifies laws, provides regulatory certainty, and that generally improves Alaska's business climate.

Reducing workers' compensation costs in Alaska will benefit all Alaskans by making Alaska more competitive in creating and maintaining jobs. Given the fact that medical costs comprise 75 cents of each dollar spent on workers' compensation benefits in Alaska, the Alaska Chamber believes House Bill 316 (HB 316) correctly raises the important issue of the workers' compensation medical fee schedule.

The Alaska Chamber supports systemic changes to the Alaska workers' compensation insurance statutes to reduce the cost of insurance for employers while emphasizing effective treatment programs that promote injury recovery and the return to full employment for injured workers. In addition to addressing the medical fee schedule, we believe comprehensive workers' compensation reform should include evidence based treatment guidelines, return to work guidelines, direction of care, utilization review and an effective and streamlined dispute resolution system.

While HB 316 is singularly focused on the medical fee schedule, it is an important piece of the overall workers' compensation system. As such, the Alaska Chamber appreciates the opportunity to provide input on the legislation. The following comments are offered in an effort to strengthen the proposed legislation *toward* our priority goal of enacting comprehensive changes to Alaska's workers' compensation system, reducing workers' compensation costs and making Alaska more competitive.

➤ **Articulate the goal and measure progress.**

HB 316 empowers the Workers' Compensation Board (Board) to set medical fee schedules, but does not provide guidance as to what the goal in setting the schedules should be. The Board was not established to contemplate, much less determine, medical fees for service. If the Board is given this responsibility, we recommend the Legislature state its policy goal in the legislation as well as outline a required robust, clear and public process to adopt fee schedules.

There is no way to measure success without defining what the purpose and goals are of changing how fee schedules are determined. The Alaska Chamber believes the goal should be a reasonable fee schedule that lowers overall workers' compensation costs and makes Alaska more competitive.

As an organization that represents all businesses, including those that profit from workers' compensation claims, it is important for a fee schedule to be reasonable. A reasonable fee schedule should mean two things. First, workers' compensation medical fees should be competitive with fees charged for the same services paid through other means. Second, businesses should be able to cover their costs, whether paying for a workers' compensation claim or servicing a claim, and make a reasonable profit. It is these profits that allow businesses to maintain and create new jobs.

➤ **Incorporate adoption of evidence based treatment guidelines and utilization review.**

The Alaska Chamber is concerned that without aligning medical fee schedule changes with evidence based treatment guidelines that address utilization and frequency any cost relief will be minor and temporary. Evidence from others states adopting new medical fee schedules indicate that after an initial drop in medical costs, frequency of treatment increases dramatically and the overall medical costs remain the same or rise.

Currently Alaska's workers' compensation law has been interpreted in such a way as to allow unlimited medical treatment, regardless of effectiveness or necessity, in the first two years after a workplace injury. This simply drives costs skyward. Evidence based treatment guidelines and utilization review can support an injured worker's recovery and return to work while protecting employers from limitless unwarranted medical costs.

The Alaska Chamber believes that utilization and frequency standards must be part and parcel to a new fee schedule based on relative values. A process for utilization review to address ineffective, outdated diagnostics and/or experimental treatments should be established and objective, evidence-based treatment guidelines should be adopted. The Official Disability Guidelines (ODG) or American College of Occupational and Environmental Medicine (ACOEM) guidelines could be adopted for this purpose. Alternatively or additionally, a group of doctors, or a medical director who works for the Board could develop such guidelines.

➤ **Require input from the Medical Services Review Committee (MSRC).**

The Board, by statutory design, does not have the expertise to set the relative value multiplier. The Alaska Chamber believes that the Medical Services Review Committee (MSRC) with representatives from business, labor and the medical provider industry could provide valuable information to the Board to assist in setting a reasonable multiplier.

Thank you for the opportunity to provide input on HB 316. We look forward to working with you to reform Alaska's workers' compensation system.

Sincerely,



Rachael Petro
President/CEO



Alaska Public Entity Insurance

418 Harris Suite 401
Juneau, AK 99801

Phone: (907) 523-9400
Fax: (907) 586-2008
www.akpei.com

March 7, 2014

The Honorable Kurt Olson, Chair,
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801
Sent by email

Re: Support for House Bill 316

Dear Chair Olson:

I am the CEO of Alaska Public Entity Insurance (APEI), one of the two joint insurance associations, or pools, in Alaska that provide workers' compensation, property, and liability coverage for Alaska's school districts and municipalities. I am writing in support of HB 316.

APEI did a study in October 2011, shortly after the current statute went into effect, comparing medical costs in our workers' compensation claims already paid for the preceding year with what would be paid under the new law. We found that medical costs for identical services were up approximately 46%. A similar study by the Division of Risk Management found the same 46% medical cost increase with respect to injured state workers. Since medical costs constitute over 70% of claim costs in Alaska, this 2011 change is having a serious impact on premium rates paid by all Alaska employers. APEI rates have been rising at a rate of 10% per year, even though claim frequency is down. Alaska currently pays the highest workers' compensation premiums in the country. High premiums are a drain on resources in both the public and private sectors.

APEI supports the 2009 recommendations of the Alaska Medical Services Review Committee, including use of the Relative Value Scale Method, for setting workers' compensation medical fees in Alaska.

Thank you for the opportunity to comment on HB 316.

Sincerely,

Jeffrey W. Bush, CEO

ALASKA SURGERY CENTER

March 5, 2014

I'm sure we all agree there is a need to address the Worker Compensation healthcare costs in Alaska. There is also a need to create a basis for fair reimbursement for services rendered, but this does not get accomplished by giving the Worker Compensation Board full authority over the decisions to set the fee schedule.

While listening to the Worker Compensation Board discussions, it was stated that approximately 10% of the total Worker Compensation Healthcare spend is due to physician re-dispensing of medications to patients at an extremely high dollar value as compared to other retail chains that provide the same medications at a much lower cost. I believe the state would benefit by establishing a network with pharmacies. This would offer several low cost options for patient's prescriptions, but would only be beneficial, if the patient was held accountable to be part of the solution and it was mandatory to use the designated pharmacies.

Another area of opportunity to reduce the cost of healthcare for Worker Compensation beneficiaries is to **not** pay the Alaska Worker Compensation fee schedule rates to physicians providing care in other states. They should be reimbursed at the local rate where the services are provided.

As the Administrator of an Ambulatory Surgery Center, I see many Worker Compensation claims and understand the cost can be significant. Ambulatory Surgery Centers provide a cost effective option to bigger facilities and the specialized care allows the patient greater access, thus returning the patient back to work sooner.

Allowing those who are responsible for paying for the services provided, to decide what the reimbursement should be is unacceptable and no other industry allows the payer to set the prices. Imagine a board of physicians being given the full authority to set the cost for construction projects, or wages for workers, or the price of a new vehicle.

I am sure there are many more options, all of which, can easily be implemented and immediately create a significant savings for the healthcare services rendered to injured Alaskan workers. Our goal is to continue providing the best and most cost effective care to all Alaskans, and we want to be part of the solution.

Sincerely,

Kevin Barry, MHA
Administrator / CEO- Alaska Surgery Center

ALASKA AFL-CIO

3333 Denali Street, Suite 125 · Anchorage, Alaska 99503 · 907-258-6284 · Fax 777-7276

VINCE BELTRAMI

Executive President



BRUCE LUDWIG

Secretary / Treasurer

Honorable Kurt Olson, Chair
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801

RE: Support for House Bill 316

Dear Chairman Olson:

We understand the myriad challenges that exist in the Worker's Compensation system. Among the most important considerations from the perspective of the largest labor organization in the state is that injured workers have as few obstacles as possible to getting effective treatment from the medical community in Alaska.

Of course, higher medical costs drive higher premium rates. However, HB 316 attempts to address the balance between the cost component and assuring access for injured workers to a willing and available medical provider community.

As a participant in the Alaska Medical Services Review Committee I supported and still support use of the Relative Value Scale Method the committee recommended in 2009 and which HB 316 seeks to adopt.

Mr. Chairman, I would also respectfully request that you consider amending Sec. 23.30.095.(j)(5) under the Medical treatments, services, and examinations section. Currently, this provision calls for "four public members who are not within the definition of "health care provider." While I currently sit as one of those public members, there is no guarantee it will be filled by someone from organized labor in the future. As the only advocate organizations for workers, that provision should be enshrined in the statute to assure someone who represents organized labor has a seat at the table. Please consider this simple amendment.

Thank you for your consideration.

Respectfully,

Vince Beltrami
President

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



MAR 14 2014

MAR 14 2014

907.563.3145 ~ www.afoc.com

March 14, 2014

Davis Peterson MD, President,
Alaska State Orthopedic Society

Rep. Kurt Olson, Chair
House Labor and Commerce Committee
Rm24, State Capitol
Juneau, AK, 99801

Dear Mr. Chairman,

With regards to HB 316, our primary concern revolves around transfer of rate setting powers from the legislative branch to the executive branch of our state government. As written, the worker's compensation board will have final authority to establish a fee schedule with input from an advisory group also appointed by the executive branch. Public input is critical to the process, and access to the board will likely be limited to the advisory board.

It is our recommendation that final decisions regarding rate setting be entrusted to a Commissioner level board, accessible to the public, and that fee schedules be indexed to private insurance rates, regardless of the coding methodology selected.

Our elected legislators remain our primary point of access into state governmental processes.

Thank you,



Davis Peterson MD



MAR 06 2014

1:23 pm

March 4, 2014

The Honorable Kurt Olson
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Olson:

As you are very much aware, Alaska's workers' compensation costs are the highest in the country. Hospitals and nursing homes are the largest or among the largest private sector employers in their communities and in the state. As large employers, we feel the burden of workers' compensation costs, which affect our competitiveness and cost structure. We are also health care providers, which gives us a unique perspective on this issue.

The Alaska State Hospital and Nursing Home Association believes that workers' compensation reform must be addressed and that this bill represents an important component of that overall effort. We would, however, like to share with you some concerns regarding the current draft of the bill and to offer our assistance in resolving those issues.

First, large, acute care facilities are paid under the Medicare Prospective Payment System. This bill contemplates the base Medicare fee schedule increased by a multiplier. Hospitals paid under this methodology, however, are not all paid the same rate due to a variety of add-ons that can increase reimbursement. In addition, certain rehabilitation services are also reimbursed differently. Given that complexity, the impact of the proposed change to the fee schedule needs to be fully understood and an appropriate methodology needs to be in place to account for these differences in payment.

We are also concerned about the Workers' Compensation Board having complete discretion to set a multiplier. The board does not have a sufficient number of members with health care experience or with knowledge of health care financing. Our concerns could be resolved by language directing the Workers' Compensation Board to set a multiplier that would approximate commercial rates or setting some further policy direction in statute that gives the board guidance in determining a multiplier. National actuarial firms could be hired to advise the board on prevailing commercial rates or to assist the board in carrying out statutory direction.

Second, not all health care facilities are paid by Medicare under the Prospective Payment System. We are concerned that paying all facilities based on a payment methodology that

only applies to some of them would result in significant problems.

- Critical Access Hospitals (CAHs) in our smaller communities receive cost-based reimbursement from Medicare, recognizing that their cost structure is very different than that of a large PPS hospital and they provide critical life-saving services in 13 Alaskan communities. A Medicare schedule based on PPS hospital reimbursement would not be appropriate for these facilities and any proposed fee schedule should reflect their unique situation. It is highly likely that payment to CAHs by the workers' compensation system is a small dollar amount; however, these facilities allow patients to remain close to home for their care. The State of Idaho has adopted a Medicare-based fee schedule for hospitals, but has specifically provided an exemption for Critical Access Hospitals.
- Medicare does not pay for a significant percentage of skilled nursing facility care, so using a Medicare-based fee schedule does not make sense for this category of facility. Most skilled nursing facilities have a very significant percentage of Medicaid, which is a cost-based reimbursement system. As with CAHs, there is likely very little payment to skilled nursing facilities from workers' compensation. However, workers' compensation patients deserve access to these services close to home. Changing the language to reflect that skilled nursing facilities should be paid Medicaid rates would resolve this issue.
- Reimbursement of health services, including health services covered under workers compensation, provided in tribal health facilities is subject to the provisions of Section 206 of the Indian Health Care Improvement Act, Pub. L. 93-638, as amended, 25 U.S.C. § 1621e. Under this provision of federal law, tribal health programs must be paid their reasonable charges or the highest amount paid to other providers, whichever is higher. This same provision of federal law also expressly makes the laws of any state inapplicable to payments to tribal facilities.

We are concerned that paying these facilities on the same fee schedule as PPS hospitals could potentially result in inappropriately low reimbursement and thus would recommend that they be exempt. It is possible that these concerns could be resolved another way, and we are open to other approaches. Attached for your reference is a breakdown of Alaska's hospitals and nursing homes that shows the numbers of CAHs, tribal facilities, skilled nursing facilities and PPS facilities.

Finally, we urge you to consider incorporating health care management principles such as

evidence-based medicine and utilization review into the legislation. Price is one component of health care costs, but equally important is sound health care management. Absent such a framework, it is not clear that fee schedule change alone will accomplish the goal of cost-containment.

Again, we thank you for addressing this important issue for Alaska's employers and we want to work cooperatively with you on the issues we have raised in this letter.

Sincerely,

Jeanne Mait for Karen Perdue

Karen Perdue
President/CEO

ALASKA'S HOSPITALS AND NURSING HOMES - 2014

ORGANIZATION	LOCATION	ACUTE	LONG TERM	SWING	OTHER
Alaska Native Medical Center	Anchorage	150			Tribal
Alaska Pioneers Home	Six Homes				
Alaska Psychiatric Institute	Anchorage	80			
Alaska Regional Hospital	Anchorage	254			
Alaska VA Healthcare System	Anchorage				74 Outpatient
Bartlett Regional Hospital	Juneau	55			
Bassett Army Community Hospital	Fort Wainwright	43			Military
Central Peninsula General Hospital	Soldotna	62		8	
Cordova Community Medical Center	Cordova	13	10	4	CAH
Denali Center	Fairbanks		90		
Fairbanks Memorial Hospital	Fairbanks	152			
Heritage Place	Soldotna		60		
Kanakanak Hospital	Dillingham	16		4	Tribal/CAH
Ketchikan PeaceHealth Medical	Ketchikan	25	29		CAH
Maniilaq Health Center	Kotzebue	17			Tribal/CAH
* Mat Su Regional Medical Center	Palmer				
North Star Behavioral Health	Anchorage				108 Psych/Subs Abuse
Norton Sound Health Corporation	Nome	19	15		Tribal/CAH
Petersburg Medical Center	Petersburg	12	15	5	CAH
PrestigeCare and Rehabilitation	Anchorage		102		
Providence Alaska Medical Center	Anchorage	340			
Providence Extended Care Center	Anchorage		96		
Providence Horizon House	Anchorage		77		Assisted Living
Providence Kodiak Island Medical	Kodiak	25	19	25	CAH
Providence Seward Medical and Care	Seward	6	43	6	CAH
Providence Transitional Care Center	Anchorage		55		
Providence Valdez Medical Center	Valdez	10	10	10	CAH
Samuel Simmonds Memorial Hospital	Barrow	14			Tribal/CAH
SEARHC/Mt Edgecumbe Hospital	Sitka	27			Tribal
Sitka Community Hospital	Sitka	12	15	12	CAH
South Peninsula Hospital	Homer	22	25	4	CAH
St. Elias Specialty Hospital	Anchorage	60			
Tanana Valley Clinic	Fairbanks				Ambulatory
USAF 3rd Medical Group - Elmendorf	Elmendorf AFB	59			Military
Wildflower Court	Juneau		57		
Wrangell Medical Center	Wrangell	8	14	4	CAH
Yukon-Kuskokwim Delta Regional	Bethel	50	18		Tribal

*Mat Su Regional Medical Center is not a member of ASHNHA.



Workers' Compensation Committee of Alaska

PO BOX 200631 ANCHORAGE, ALASKA 99520

Email: workerscompcommitteeofalaska@gmail.com

March 6, 2014

The Honorable Kurt Olson
House of Representatives
Alaska State Capitol
120 Fourth Street
Juneau, AK 99801-1182

RE: HB 316

Dear Representative Olson:

The Workers' Compensation Committee of Alaska (WCCA), an employer advocacy organization, wants to thank you for all your efforts in trying to achieve some meaningful workers' compensation reform. Though we support HB 316 as written we do have the following concerns and recommendations:

- While HB316 reduces medical costs initially, other states that set medical fee schedules with no treatment guidelines have found after the fees are reduced, treatment frequency and modalities increase. We believe the same will happen in Alaska and recommend treatment guidelines and frequency standards be developed to ensure treatment is reasonable, necessary and begets positive outcomes for the patient in a reasonable timeframe.
- The board should take input from the Medical Services Review Committee (MSRC) to set the relative value multiplier, as the MSRC has representatives from the medical community (as well as business and labor) and the Board does not. We feel medical community representation will bring more of their buy-in to the relative value multiplier.

Thank you for allowing us to share our concerns and recommendations. We look forward to continue working with you on Alaska's workers compensation reform. In that vein, we recommend two additional changes to the workers' compensation system that we feel will have positive outcomes for injured workers and will reduce costs to employers immensely:

- **AS 23.30.095(a) needs to be completely rewritten.** The Alaska Supreme Court in its Weidner v. Hibdon, [1989 P.2d 727 (1999)] decision set precedent of virtually automatic coverage for medical costs in the first two years after a workplace injury. The Hibdon decision has completely changed the application and meaning of the law.
- Eliminate the vocational rehabilitation system as it currently exists.

Thank you again for your efforts to help Alaska business!

Very truly yours,

Chuck Brady
President
Workers Compensation Committee of Alaska



Fairbanks North Star Borough *Office of the Mayor*

809 Pioneer Road P.O. Box 71267 Fairbanks, AK 99707-1267 (907) 459-1300

Fax: (907) 459-1102

February 28, 2014

www.co.fairbanks.ak.us

Email: mayor@fnsb.us

Representative Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

RE: Support for HB 316 - Workers' Compensation Fees for Medical Treatment and Services

Thank you for the opportunity to comment on the above referenced proposed legislation. The Fairbanks North Star Borough administration supports the proposed changes as identified by the Workers' Compensation Board in Resolution 13-01 dated September 27, 2013, and the subsequent legislative changes proposed in HB316.

The lack of cost containment for workers' compensation related expenses continues to increase the financial burden of this important and necessary program. Having the ability to limit fees and other associated charges to a reasonable amount would be financially beneficial to all state employers. As proposed, allowing the board to adopt a fee schedule using quantified data, based upon federal Centers for Medicare and Medicaid Services scales is a positive change and has our full support.

The Fairbanks North Star Borough Assembly passed a resolution on February 13, 2014 supporting the provisions expressed by the Workers' Compensation Board in its September 27, 2013 resolution. A copy of the Assembly resolution is attached.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Luke Hopkins'.

Luke Hopkins, Borough Mayor
Fairbanks North Star Borough

Attachment: FNSB Assembly Resolution 2014-09

By: Luke Hopkins, Mayor
Introduced: 02/13/2014
Adopted: 02/13/2014

FAIRBANKS NORTH STAR BOROUGH

RESOLUTION NO. 2014 - 09

A RESOLUTION SUPPORTING LEGISLATIVE ACTION TO ADOPT THE
RECOMMENDATIONS CONTAINED IN RESOLUTION 13-01 OF THE ALASKA
WORKERS' COMPENSATION BOARD

WHEREAS, the Alaska Workers' Compensation Board is a public organization that is accountable to the residents, Legislature and Governor of Alaska and that acts as the lead agency for adjudicating disputes under the Alaska Worker's Compensation Act, to ensure quick, efficient and fair payments of benefits to injured workers at a reasonable cost to employers; and,

WHEREAS, despite a 14.2% decline in the frequency of worker's compensation claims over the past 5 years, Alaska has seen its workers' compensation premium rates climb to the highest in the nation; and,

WHEREAS, workers' compensation medical costs have increased 25% over the last 5 years and are the primary driver in the increase in premium with \$0.75 of every \$1.00 spent on workers' compensation benefits being spent on medical cost; and,

WHEREAS, identical medical services paid by a workers' compensation claim versus private insurance or self-pay is often multiples higher; and,

WHEREAS, Resolution 13-01 of the Alaska Workers' Compensation Board identifies changes needed to address the escalating workers' compensation costs while protecting the rights of workers to fair and reasonable compensation when injured while working; and,

WHEREAS, legislative action to implement the changes recommended in Resolution 13-01 of the Alaska Workers' Compensation Board is in the best interest of the Fairbanks North Star Borough, its residents, and its employers.


NOW, THEREFORE, BE IT RESOLVED that the Assembly of the Fairbanks North Star Borough supports legislative action to adopt the recommended changes outlined in Resolution 13-01 of the Alaska Workers' Compensation Board.

46 BE IT FURTHERED RESOLVED that copies of this resolution shall be
47 sent to the Alaska Interior Delegation and the Honorable Governor Sean Parnell.

48
49 PASSED AND APPROVED THIS 13TH DAY OF FEBRUARY, 2014.
50


Karl Kassel
Presiding Officer

ATTEST:


Nanci Ashford-Bingham, MMC
Borough Clerk

51
52 Ayes: Hutchison, Golub, Roberts, Dodge, Davies, Kassel
53 Noes: Lawrence
54 Excused: Sattley, Dukes



HEALTHCARE
SOLUTIONS

March 11, 2014

MAR 17 2014

State Capitol
120 4th Street
Juneau, Alaska 99801-1182
Attn: House Labor & Commerce

Re: House Bill 316 – Workers' Compensation Medical Fee Schedule

Healthcare Solutions would like to thank the Alaska State Legislature for the opportunity to comment on the proposed House Bill that makes changes to the medical fee schedule. Healthcare Solutions provides a full range of services, nationwide, to insurance companies, third party administrators, self-insured companies, and case management companies in the workers' compensation industry. As an interested stakeholder, we appreciate the opportunity to have input on this proposed legislation.

We have particular interest in the below proposed language under AS 23.30.097(l) & (m).

(l) Reimbursement for prescription drugs under this chapter may not exceed the amount of the manufacturer's invoice, plus a dispensing fee and markup specified by the board and adopted by reference in regulation.

(m) A prescription drug dispensed by a physician under this chapter shall include in a bill or invoice the code for the drug from the national drug code directory published by the United States Food and Drug Administration.

The Workers' Compensation Industry is moving towards electronic billing. Several jurisdictions have already adopted electronic billing and others have either proposed or are discussing electronic billing requirements. Many insurance carriers or employers are contracted with Workers' Compensation specific Pharmacy Benefit Managers (PBMs). PBMs are already connected electronically with pharmacies using industry standard National Council for Prescription Drug Programs (NCPDP) Telecommunication Standards version D.0 to help adjudicate pharmacy claims more quickly and efficiently. Currently, these electronic pharmacy standards do not support the inclusion of attachments. Our concern is that by requiring a manufacturer's invoice, electronic billing would likely be impossible. It would also add inefficiencies back into an industry that is already full of paperwork, adding significant costs to the system. Therefore, we would recommend the following language:

(l) Reimbursement for prescription drugs under this chapter may not exceed the Average Wholesale Price (AWP) of the National Drug Code (NDC) of a drug ~~the amount of the~~ manufacturer's invoice, plus a dispensing fee and markup specified by the board and



HEALTHCARE SOLUTIONS

adopted by reference in regulation. If a prescription drug or medicine has been repackaged, the Average Wholesale Price used to determine the maximum reimbursement shall be the Average Wholesale Price, as identified by its national drug code, of the underlying drug product used in the drug packaging.

(m) "Average Whole Price" or "AWP" means the average wholesale price of a prescription drug as provided by the most current release of the Medi-Span Master Drug Database by Wolters Kluwar or any successor publisher on the day a prescription is dispensed or other nationally recognized drug pricing index specified by the board and adopted by reference in regulation.

Physician dispensing and repackaged drugs are a hot topic in the workers' compensation industry and we applaud you for introducing language to help curb the inflated prices associated with these dispensed drugs. However, we would recommend the following language to provide more clarity and to streamline the reimbursement process. While repackaged drugs are typically dispensed by physicians, this revision establishes that price inflation through repackaging is unacceptable, regardless of who dispenses the drug. In addition, this revision eliminates ambiguity about the handling of deficient bills:

~~(m)~~ (n) An invoice for a prescription drug dispensed under this chapter shall include, in a bill or invoice for the medication, the NDC code for the underlying drug product from the national drug code directory published by the United States Food and Drug Administration. If the NDC of the underlying drug product is not provided on the bill, the employer may reject the charge and is not liable for payment until a corrected bill is submitted with the underlying drug product's NDC. A prescription drug dispensed by a physician under this chapter shall include in a bill or invoice the code for the drug from the national drug code directory published by the United States Food and Drug Administration.

Again, Healthcare Solutions would like to thank the Alaska State Legislature for the opportunity to comment on this proposed legislation and we look forward to working with you on this and any future proposed legislation.

Sincerely,

Cory Wedding
Senior Manager, Compliance & Regulatory Affairs
Phone: (800) 547-3330
Direct Line: (740) 201-0328
Fax: (877) 247-3330
cwedding@modernmedical.com

NFIB

The Voice of Small Business.®

MAR 05 2014

ALASKA

March 5, 2014

The Honorable Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: Support for House Bill 316

Dear Representative Olson:

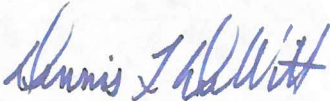
On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for House Bill 316. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

House Bill 316 would change the basis for paying workers compensation health services from the outdated "usual and customary" method to the "resource based relative value scale" method. We believe that this updating in the payment methodology for workers medical treatment will allow more reasonable payment rates for those services.

Savings in the medical costs in Alaska's workers compensation are very important to small businesses. Alaska workers compensation insurance premiums are the highest in the country. These premiums add to the difficulty of small businesses to remain profitable. When businesses are not profitable, they close and Alaska loses jobs and opportunities for Alaskans to earn an income.

We believe that the workers compensation program must be balanced to assure that injured employees receive needed services and the premium costs charged to businesses. HB 316 provides the balance that will serve both the employee and the employer well.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council



Property Casualty Insurers
Association of America
Advocacy. Leadership. Results.

Kenton Brine
Assistant Vice President, NW Region

March 6, 2014

The Honorable Kurt Olson
Labor & Commerce Committee Chairman
Alaska House of Representatives
State Capitol, Room 24
Juneau, Alaska

RE: HB 316 – Workers’ Compensation medical fees

Dear Representative Olson:

On behalf of Property Casualty Insurers Association of America (PCI), thank you for the opportunity to write in support of HB 316 (workers’ compensation medical fees). We urge the committee to give this measure a favorable recommendation to the state House.

As you are likely aware, according to the most recent premium rankings report issued by the Oregon Department of Consumer & Business Services, Alaska owns the unfortunate distinction of having the nation’s highest workers compensation premiums. Employers in Alaska pay, on average, 160 percent of the national average for workers’ compensation coverage.

For employers, for workers injured on the job and for insurers who provide workers compensation coverage, there is a growing sense of the need for major reform of a system that does not perform well in rehabilitating injured workers in a timely and cost-effective manner. For this reason, we see the reforms included in HB 316 as an important element in what must become a larger and more comprehensive reform effort in Alaska.

Specific to HB 316, we support the establishment of a medical fee schedule for inpatient/hospital, physician, outpatient/ambulatory care for the treatment of injured workers under the workers’ compensation system. We would add, however, that employers have correctly pointed to ways in which this legislation could be strengthened. PCI agrees with employers represented by the Alaska State Chamber who have recommended that fee schedule reforms also include provisions to:

- Establish cost-control goals that should be met in the fee schedule, and measure the progress toward meeting those goals, to ensure that fees are reasonable for the treatment provided;
- Adopt evidence-based treatment guidelines and utilization review, to ensure that treatment is actually aiding injured workers toward recovery and return to full employment cost-effectively;
- Rely on the expertise of the Medical Services Review Committee to guide the Workers Compensation Board’s determination of the fee schedule’s relative value multiplier.

As you may know, just three short years ago, Montana had the nation's costliest workers compensation premiums (Alaska was #2 at the time). Montana's Legislature enacted comprehensive reforms that included evidence-based treatment and utilization review. Those reforms have begun to have a favorable effect on premiums in that state, as Montana dropped to 8th in average premium in the most recent Oregon DCBS rankings.

HB 316 is an important and welcome step toward reforming Alaska's workers compensation system, and PCI urges this committee to give the bill favorable consideration. But for the sake of Alaska employers and workers, we hope HB 316 represents only the first step in a more comprehensive reform effort, and we welcome the opportunity to assist or provide information to policymakers in that effort.

If we can provide any additional information, please do not hesitate to contact me, or PCI's Alaska lobbyist, Kris Knauss.

Respectfully,

A handwritten signature in black ink, appearing to read "Kenton Brine". The signature is fluid and cursive, with a large initial "K" and a stylized "B".

Kenton Brine
Assistant Vice President



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March 7, 2014

The Honorable Kurt Olson, Chair,
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801
Sent by email

Re: Support for House Bill 316

Dear Chair Olson:

I am the CEO of Alaska Public Entity Insurance (APEI), one of the two joint insurance associations, or pools, in Alaska that provide workers' compensation, property, and liability coverage for Alaska's school districts and municipalities. I am writing in support of HB 316.

APEI did a study in October 2011, shortly after the current statute went into effect, comparing medical costs in our workers' compensation claims already paid for the preceding year with what would be paid under the new law. We found that medical costs for identical services were up approximately 46%. A similar study by the Division of Risk Management found the same 46% medical cost increase with respect to injured state workers. Since medical costs constitute over 70% of claim costs in Alaska, this 2011 change is having a serious impact on premium rates paid by all Alaska employers. APEI rates have been rising at a rate of 10% per year, even though claim frequency is down. Alaska currently pays the highest workers' compensation premiums in the country. High premiums are a drain on resources in both the public and private sectors.

APEI supports the 2009 recommendations of the Alaska Medical Services Review Committee, including use of the Relative Value Scale Method, for setting workers' compensation medical fees in Alaska.

Thank you for the opportunity to comment on HB 316.

Sincerely,

Jeffrey W. Bush, CEO