

ALASKA STATE LEGISLATURE

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Official Business

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HB 316 Sponsor Statement

For the past decade, Alaska has faced the highest workers compensation rates in the nation. The Alaska Workers' Compensation Board, the Legislature, the Alaska Health Care Commission and the Administration agree that effective reform is needed, and is crucial to Alaska's economic future.

In 2005, the Alaska Legislature passed HB 13, which established a workers' compensation fee schedule based on usual, customary and reasonable rates, set at the 90th percentile, with a geographic differential. This made incremental changes for the better, but it wasn't the sweeping reform that Alaska truly needs.

HB 316 proposes a solution to this challenge by introducing a new fee schedule. HB 316 changes the basis for the fee schedule from what physicians charge in a geographic area, to what it costs physicians to perform medical procedures. Thirty-two states currently use this relative values unit methodology, which incorporates the relative value of a physician's work, practice expense, and professional liability insurance. This relative value unit methodology is a system that is owned by the American Medical Association, and is the basis for Medicare and Medicaid's payment schedules.

Alaska Workers' Compensation Board, under the advisement of the Medical Services Review Committee, will establish a conversion factor, and a geographic adjustment factor for the fee schedules. The Board will also set reimbursement rates for air ambulance services, and the markup rates for prescription drugs and durable medical equipment.

HB 316 introduces comprehensive reform of Alaska's workers' compensation fee schedule, in an effort to reduce exorbitant costs in both the public and private sectors.

I urge your support of this legislation.