



April 8, 2014

The Honorable Bill Stoltze
House Finance Co-Chairman
Alaska House of Representatives
State Capitol, Room 515
Juneau, Alaska

Re: Committee Substitute for House Bill 316 – Workers' Compensation Medical Fees

Dear Representative Stoltze:

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 Committee Substitute 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 and that our request that input from the Medical Services Review Committee (MSRC) has been incorporated into process.

The Alaska Chamber believes there are several issues, which, if addressed, will make the intent of HB 316 a reality not just in the short-term, but also the long-term. It is in that vein that we offer the following comments to the House Finance Committee. Our 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. These comments were originally submitted to the House Labor and Commerce Committee.

➤ **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.

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,

A handwritten signature in blue ink that reads 'Rachael Petro'. The signature is fluid and cursive, with a large initial 'R'.

Rachael Petro
President/CEO

Cc: The Honorable Kurt Olson, Chairman, House Labor & Commerce Committee