



April 17, 2014

The Honorable Pete Kelly
Senate Finance Co-Chairman
Alaska State Senate
State Capitol Room 516
Juneau AK, 99801

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

Dear Senator Kelly:

Systemic, comprehensive workers' compensation reform is a top priority for the Alaska State Chamber of Commerce (Alaska Chamber). While Committee Substitute House Bill 316 (HB 316) is singularly focused on the medical fee schedule, it is an important piece of the overall workers' compensation system. Until now, the Alaska Chamber has withheld support from HB 316. Not because the changes made by HB 316 move workers' comp in the wrong direction, but because additional reforms introduced during the legislative process have yet to be included. Our primary concern is that HB 316 will only have a short-term effect on workers' compensation medical costs over the next several years. We expect to be back in future sessions advocating for truly comprehensive reforms that make lasting changes to protect our workers and provide competitive rates to our employers.

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. 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.

Our comments are offered to the Senate Finance Committee to put on the record that additional legislation will be required to enact comprehensive changes to Alaska's workers' compensation system, reducing workers' compensation costs and making Alaska more competitive. Frankly, no one seems to really enjoy discussing workers' compensation and our members are no different. Our members want meaningful change so they can get back to doing what they do best – fueling Alaska's economy.

HB 316 empowers the Medical Services Review Committee (MSRC) to set medical fee schedules, but does not provide guidance as to what the goal in setting the schedules

should be. 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.

The Alaska Chamber believes that without aligning medical fee schedule changes with evidence based treatment guidelines that address utilization and frequency, the effect of HB 316 will be 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 should 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.

We understand that incorporating evidence based treatment guidelines and utilization review into Alaska's workers' compensation system requires a full discussion with all stakeholders at the table. Aligning stakeholders takes time, commitment and compromise, but we believe it is worth it. States that have done this hard work have been rewarded with positive changes to their workers' comp systems. We believe Alaskan workers and



Alaska businesses deserve the same. The Alaska Chamber will continue to facilitate this conversation until systemic workers' compensation reform is a reality in Alaska.

With the right changes, HB 316 could go further to *permanently* reducing workers' compensation costs in Alaska. As written, HB 316 takes a tentative first step in the right direction.

We look forward to working with you over the next several years to truly reform Alaska's workers' compensation system.

Sincerely,

A handwritten signature in blue ink, reading 'Rachael Petro', with a large, stylized initial 'R'.

Rachael Petro
President/CEO

Cc: Senate Finance Committee Members