

**ALASKA STATE LEGISLATURE
HOUSE STATE AFFAIRS STANDING COMMITTEE**

January 25, 2001

8:04 a.m.

COMMITTEE CALENDAR

OVERVIEW OF WORKERS' COMPENSATION

TAPES

TAPE 01-7, SIDES A & B

TAPE 01-8, SIDE A

CALL TO ORDER

REPRESENTATIVE JOHN COGHILL, Chair, convened the House State Affairs Standing Committee meeting at 8:04 a.m.

PRESENT

Committee members present were Representatives Coghill, Crawford, James, Hayes, Fate, Stevens, and Wilson.

SUMMARY OF INFORMATION

PAUL GROSSI, Director, Division of Workers' Compensation, Department of Labor and Workforce Development, addressed the committee. He gave a brief history of workers' compensation, saying it came about at the turn of the century (1901) as a compromise between industry and labor because of large backups of cases in the courts. He said there are three ways to be covered by workers' compensation. First is to purchase a workers' compensation policy from an existing insurance provider. Second, a company that has at least 100 employees and a net worth of \$5 million can be self-insured. The State of Alaska is such an entity. Third, there are industry pools, such as in the forest industry.

MR. GROSSI said that when the workers' compensation board is asked to review a claim, the board looks at two basic issues: (1) Did the injury happen in the course and scope of employment? (2) Did the injury happen or become aggravated or accelerated because of the employment? If it is determined that the injury or condition is work related, the board must look at whether or

not there are benefits due and what those benefits are. He said the board gives the employee the benefit of the doubt.

REPRESENTATIVE FATE asked who sets the fee schedule for medical payments.

MR. GROSSI said the board contracts with a provider to do a statistical analysis of fees. The agency drops off the ten top rates and ten bottom rates, then averages the remaining rates to arrive at a reasonable, usual, and customary rate.

REPRESENTATIVE FATE asked is all medical services providers are obliged to take workers' compensation patients.

MR. GROSSI said no, but if the provider accepts the patient, he accepts the rate.

MR. GROSSI said self-insurers are audited every year by Workers' Compensation. He said there are approximately thirty workers' compensation providers in Alaska. He gave an annual injury profile, stating that in one year, there were approximately 28,200 injuries with 4,000 controversies. Of those controversies, 15 percent are approved by the staff, 1,700 came to the board, 600 to 700 cases were settled before a hearing, and 300 cases went to the board for a formal hearing. Fifty to seventy-five of the board's decisions go to court. The board's decisions go 50-50 to the employee and the employer. Disputes arise from contradicting medical evidence.

MR. GROSSI said that if the independent medical exam is disputed, the Board has a list of doctors who will conduct a second exam.

REPRESENTATIVE HAYES asked about doctors coming from the Lower 48 to conduct examinations.

CATHERINE REARDON, Director, Division of Occupational Licensing, Department of Community and Economic Development, said that the doctors who come to Alaska to conduct independent medical examinations have to be licensed in their home state.

REPRESENTATIVE HAYES commented that these doctors are biased because they work for profit-based insurance companies.

MR. GROSSI said there are employers and insurers complaining that employees go to certain doctors.

MR. GROSSI said the board keeps an annual list of second IME providers that comes from a panel of two employee attorneys and two employers' attorneys.

REPRESENTATIVE HAYES asked what happens if the State of Alaska is the employer.

MR. GROSSI said the state has to follow the same laws as a private employer.

BRAD THOMPSON, Director, Division of Risk Management, Department of Administration, said he has to file an annual report with the Division of Workers' Compensation just like a private insurer.

MR. GROSSI said there is a 25 percent penalty if benefits are not paid on time. He said there is a presumption of coverage when an injury occurs and medical treatment is necessary. Workers' compensation is highly regulated with explicit filings. It is not like tort law. He said every compromise and release has to be approved by the board. When there is an argument about whether the employee is physically able to go back to work, the board must determine the settlement in the best interest of the worker.

REPRESENTATIVE CRAWFORD said he was working on Providence Hospital when a grinder came loose and hit him in the face. For two years, he received bills from Providence. He said that if a physician charges more than reasonable rates for services, neither the employer nor the employee is obligated to pay. Although he thought the law said he would get 80 percent of his wages up to \$760, he received only \$249 a week, less than one-fourth of his wages.

REPRESENTATIVE COGHILL asked how an employee who doesn't understand the process can use the system to get satisfaction.

MR. GROSSI said the phone number is on all forms.

MR. GROSSI said there are twelve board members: one from labor, one from industry, one commercial labor designate, two people from Anchorage, one from Fairbanks, one from Juneau, and one at-large.

MR. GROSSI said 100 percent of workers' compensation funding used to come from the General Fund, but the legislature passed legislation last year to place it on a fee-based budget. The division doesn't have enough hearing officers. There was a 95-

day lag time in FY '99 but in FY '00 the lag time increased to 135 days. They lost one hearing officer due to budget cuts.

MR. GROSSI said there was a total of \$144 million in workers' compensation payment made last year.

MR. GROSSI said he prefers the fee-based budgeting, but pointed out that self-insurers will pay more.

REPRESENTATIVE HAYES requested information on the Freemont pull out.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

CHAIR COGHILL adjourned the House State Affairs Standing Committee meeting at 9:42 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address) (907) 465-2214, and after adjournment of the second session of the Twenty-Second Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.