

**HB**

**13**

<TARGET><BILL>HB 13</BILL><SUBJECT>HB  
13</SUBJECT><COMM>HFIN27</COMM></TARGET>

# ALASKA STATE LEGISLATURE

## REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules, Administrative Regulation Review  
Economic Development Trade & Tourism
- Member: Energy, Legislative Budget & Audit

Session: January - April  
State Capitol, Room 24  
Juneau, AK 99801-1182  
Phone: 907-465-2693  
Fax: 907-465-3835



Official Business

Interim: May - December  
145 Main Street Loop, Ste 221  
Kenai, AK 99611  
Phone: 907-283-2690  
Fax: 907-283-2763

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### Sponsor Statement

#### House Bill 13

*"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."*

At the time of passage in 2005 of the revisions to the workers' compensation system, it was contemplated that the interested stakeholders, including the Workers' Compensation Legislative Task Force and the Medical Services Review Committee, would propose legislation acceptable to the various stakeholders before August 1, 2007. This proposal was to replace the repealed Usual, Customary and Reasonable (UCR) methodology for setting maximum fees for medical treatment and services under the Alaska Workers' Compensation Act. A replacement was not proposed and the repeal would have resulted in fees for medical treatment and services in workers' compensation matters going uncapped until such time as the law was changed to remedy the situation.

There have been two previous extensions to the workers' compensation schedule of fees for medical treatment and services in place since 2004 with adjustments made based on the Medical Component of the Consumer Price Index. The existing extension was to have expired on December 31, 2010 but was extended, by emergency regulation, until June 30, 2011. HB 13 proposes a full fee schedule again be established which would include the procedure codes that have been developed since the 2004 schedule was adopted as well as category II and III codes. The fee schedule would be constructed on the same basis as prior schedules using statistically credible data

I urge your support of this bill.



The Voice of Small Business®

ALASKA

January 31, 2011

The Honorable Kurt Olson  
State Capitol Building  
Juneau, Alaska 99801-1182

Dear Representative Olson:

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for House Bill 13 concerning the workers compensation program. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

HB 13 establishes a fee schedule for the Workers Compensation Program. We believe that this is a prudent first step toward reforming the program to reduce costs and improve the program.

As you know, the workers compensation premiums in Alaska are the highest in the nation. If we expect the program to continue to provide benefits without bankrupting employers, we must move to reduce the program costs and thus the premiums.

NFIB/AK members very much appreciate your willingness to begin addressing this critical problem.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Dennis L. DeWitt", is written over a light grey circular stamp.

Dennis L. DeWitt  
Alaska State Director

Cc: NFIB/AK Leadership Council

**PSPA**  
**PACIFIC SEAFOOD PROCESSORS ASSOCIATION**  
Est. 1914

February 8, 2011

Representative Kurt Olson  
State Capitol  
Juneau, AK 99801-1182

RE: Support for establishment of a workers' compensation fee schedule for emergency transportation services (HB 13)

Dear Representative Olson,

Pacific Seafood Processors Association (PSPA) would like to thank you for introducing HB 13, and express support for the establishment of a workers' compensation fee schedule for emergency transportation services, including air ambulance services.

PSPA is a nonprofit trade association of seafood processing companies with operations in many communities throughout coastal Alaska. Our member companies employ thousands of workers, often in quite remote locations that are far from hospitals and other medical facilities and services. In times of medical emergency, seafood industry employees must often be transported by air ambulance to urban centers to obtain treatment.

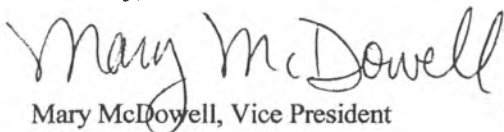
While it is not surprising that transport by air ambulance from remote locations is expensive, what is surprising is the extreme variation in the fees that are sometimes charged by different air ambulance services from a given location.

Certainly, when a medical emergency occurs, the first concern is getting the patient to needed care as expeditiously as possible, without regard to cost. The carrier that happens to be most readily available at the moment of need is, of course, always the one that should be used.

Our member companies are all too familiar with the high costs, risks, and challenges of operating in remote locations, and fully appreciate the specialized personnel and equipment and the special risks involved in operating air ambulance services in such places. They are grateful that these critically needed services are available. However, our members believe that fees charged by businesses providing those services should be as fair, reasonable, and consistent as possible. We are hopeful that passage of HB13 will help to advance that goal.

We understand that the provision in HB 13 that requires establishment of a workers' compensation fee schedule for "emergency transportation" would include a fee schedule for air ambulance services. While those services will undoubtedly remain expensive, it is hoped that having a fee schedule in place will at least help to bring some consistency and predictability to this one expense of living and doing business in rural Alaska.

Sincerely,



Mary McDowell, Vice President  
PSPA

222 Seward Street, Suite 200  
Juneau, AK 99801  
Phone (907) 586-6366  
Fax (907) 586-4618  
[www.pspafish.net](http://www.pspafish.net)



# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version HB 13  
 ( ) Publish Date \_\_\_\_\_

Identifier (file name) HB013-DOLWD-WC-1-24-11 Dept. Affected Labor and Workforce Development  
 Title Workers' Compensation Medical Fee Schedule Appropriation Workers' Compensation  
 Allocation Workers' Compensation  
 Sponsor Representative Kurt Olson  
 Requester House Finance Committee OMB Component Number 344

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual	75.0						
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>75.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>							
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts	75.0						
<b>TOTAL</b>	<b>75.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost 75.0

**POSITIONS**

Full-time							
Part-time							
Temporary							

**Why this fiscal note differs from previous version**

The out years were zeroed out in order for the Department of Labor and Workforce Development to provide accurate costs of future fiscal impact.

Prepared by James Armstrong  
 Division House Finance Committee  
 Approved by Rep. Bill Stoltze  
House Finance Committee Co Chair

Phone 907-465-4958  
 Date/Time 3/8/11 10:30 AM  
 Date 3/8/2011

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 1  
 Bill Version HB 13  
 (H) Publish Date 2/14/11

Identifier (file name): HB013-DOLWD-WC-1-24-11 Dept. Affected Labor and Workforce Development  
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	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual	75.0		75.0	75.0	75.0	75.0	75.0	75.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>75.0</b>	<b>0.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1157 Worker Safety Account	75.0		75.0	75.0	75.0	75.0	75.0	75.0
<b>TOTAL</b>	<b>75.0</b>	<b>0.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>	<b>75.0</b>

Estimate of any current year (FY2011) cost 75.0

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

Not applicable, initial version.

Prepared by Michael Monagle, Director  
 Division Workers' Compensation  
 Approved by Click Bishop, Commissioner  
Department of Labor and Workforce Development

Phone 465-6059  
 Date/Time 1-20-11 10:00am  
 Date 1/24/2011

FISCAL NOTE #1

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. HB 13

**Analysis**

Anticipated expenditures are based on estimated contractual charges for a vendor to produce a workers' compensation medical fee schedule for the State of Alaska. The division will need to have a contract in place this fiscal year so that a new fee schedule may be implemented prior to the sunset of the existing fee schedule on 6/30/2011.

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At the time of passage in 2005 of the revisions to the workers' compensation system, it was contemplated that the interested stakeholders, including the Workers' Compensation Legislative Task Force and the Medical Services Review Committee, would propose legislation acceptable to the various stakeholders before August 1, 2007. This proposal was to replace the repealed Usual, Customary and Reasonable (UCR) methodology for setting maximum fees for medical treatment and services under the Alaska Workers' Compensation Act. A replacement was not proposed and the repeal would have resulted in fees for medical treatment and services in workers' compensation matters going uncapped until such time as the law was changed to remedy the situation.

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I urge your support of this bill.

3/8/11

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### Sectional Analysis

#### House Bill 13

*"An Act relating to fees and charges for medical treatment or services as they relate to workers' compensation; and providing for an effective date."*

This is a summary only. Note that this sectional analysis should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

**Section 1. Amends AS 23.30.097(a)** to provide that after December 31, 2010, the fee may not exceed the usual, customary and reasonable charges in a fee schedule adopted by the board which must include the most recent Current Procedural Terminology codes maintained by the American Medical Association for category I, II and III medical services and the Health Care Procedure Coding System for medical supplies, injections, emergency transportations and other medically related services. The fee schedule must reflect the cost in the geographical area where services are provided and is set at the 90<sup>th</sup> percentile.

**Section 2. Provides for an immediate effective date under AS 01.10.070(c)**

schedule conversion factor and the education and promotion of EBM as defined by Sackett and the ultimate adoption of EBM treatment guidelines are necessary to effectively control medical costs.

The committee also finds, however, the adoption of EBM treatment guideline requires greater study and public involvement than this committee has managed to garner. It may be wise to view this as a public health intervention since it will affect thousands of people, thus requiring careful thought, planning and attention to public perception and buy-in. Selection and adoption of treatment guidelines with over-emphasis on cost control without explicit focus on the benefits of changes to workers, coupled with overly-hasty and poorly-planned implementation can cause widespread confusion, needless system disruption and delays, and resistance by system participants who might otherwise cooperate as occurred in California. Further study with more public involvement and discussion of the purpose, anticipated benefits and intended outcomes of guidelines adoption is likely needed before practice guidelines can be implemented.

D. Other Methods for Improving Workers' Compensation. During its study of various medical cost control methods employed in other jurisdictions, the committee has realized the vital role advisory councils play in the development and improvement of workers' compensation systems throughout North America. Although Alaska has attempted to promote change through the efforts of an informal *ad hoc* group, the committee believes that a formal advisory council should be statutorily created to monitor the performance of the Alaska workers' compensation system and, on an on-going basis, make recommendations to reduce injuries and improve the effectiveness of care delivered to injured workers and the overall outcomes produced for injured workers, their employers and the state's overall economic and social well-being. The establishment of such a council would not only assist in providing the public involvement necessary to implement treatment guidelines but could play a central role in the improvement of Alaska's workers' compensation system as a whole through adoption of the framework, model, and process offered by The 60 Summits Project. The minority while in favor of creating an advisory council believes that a medical services review committee that is more medically dominated is important to maintain to address areas requiring more specialized knowledge and medical consensus. The minority suggests that joint meetings could be utilized where needed as in a 60 Summits process.

**IX. RECOMMENDATIONS.** Based on the above, the committee recommends as follows:

A. Medical Costs. The committee was not unanimous on all sections listed below. One member abstained from the fee schedule language in (b) below and although all members agree with the concept of evidence-based medicine and treatment guidelines, two believed the language contained in section (c) should be eliminated.

Amend AS 23.30.097 to take effect January 1, 2011 to read as follows:

(a) All fees and other charges for medical treatment or service are subject to regulation by the board consistent with this section. A fee or other charge for medical treatment or service may not exceed the lowest of

(1) the fee schedule as published by the department under (b) of this section; [THE USUAL, CUSTOMARY, AND REASONABLE FEES FOR THE TREATMENT OR SERVICE IN THE COMMUNITY IN WHICH IT IS RENDERED, FOR TREATMENT OR SERVICE, (A) PROVIDED BEFORE AUGUST 1, 2007, NOT TO EXCEED THE FEES IN THE FEE

SCHEDULE SPECIFIED BY THE BOARD IN ITS PUBLISHED BULLETIN DATED DECEMBER 1, 2004; (B) PROVIDED ON OR AFTER AUGUST 1, 2007, BUT BEFORE MARCH 31, 2009, NOT TO EXCEED THE FEES OTHERWISE APPLICABLE IN (A) OF THIS PARAGRAPH ADJUSTED BY THE PERCENTAGE CHANGE FROM 2004 TO 2006 IN THE MEDICAL CARE COMPONENT OF THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS COMPILED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS ]

(2) the fee or charge for the treatment or service when provided to the general public; or  
(3) the fee or charge for the treatment or service negotiated by the provider and the employer under (c) of this section.

**(b) The department shall annually establish a schedule of fees by bulletin on or before December 1 of each year to take effect on January 1 the following year. The fee schedule rates shall be established in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council and be based on the following standards as adopted by the Centers for Medicare and Medicaid services in effect at the time the services are provided, regardless of where services are provided:**

- (1) The American Medical Association Current Procedural Terminology Codes (CPT):**
- (2) the Healthcare Common Procedure Coding System (HCPCS):**
- (3) the Medicare Severity Diagnosis-Related Groups (MS-DRG):**
- (4) the Ambulatory Payment Classifications:**
- (5) the Relative Value Units as adjusted annually using the most recently published resource-based relative value scale:**
- (6) The Average Wholesale Price as obtained from the current Medispan Drug Topics Red Book or other national publication as determined by the department.**

**(c) The department may establish by regulation in consultation with the Medical Services Review Committee or its successor as a subcommittee of the advisory council evidence based utilization and treatment guidelines for medical services. There is a rebuttable presumption that the utilization and treatment guidelines established by the department are correct medical treatment for injured workers.**

(d) An employer or group of employers may establish a list of preferred physicians and treatment service providers to provide medical, surgical, and other attendance or treatment services to the employer's employees under this chapter; however,

(1) the employee's right to chose the employee's attending physician under AS 23.30.095 (a) is not impaired;

(2) when given to the employee, the employer's preferred physician list must clearly state that the list is voluntary, that the employee's choice is not restricted to the list, that the employee's rights under this chapter are not impaired by choosing an attending physician from the list, and that, if the employee chooses an attending physician from the list, the employee may, in the manner provided in AS 23.30.095 , make one change of attending physician, from the list or otherwise; and

3/8/11

# NFIB

The Voice of Small Business®

ALASKA

January 31, 2011

The Honorable Kurt Olson  
State Capitol Building  
Juneau, Alaska 99801-1182

Dear Representative Olson:

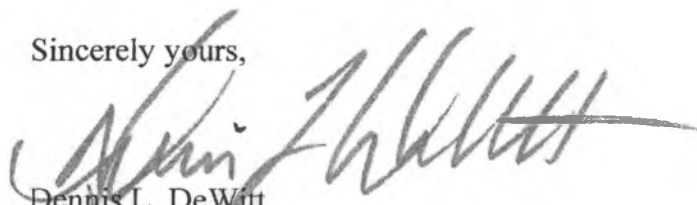
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Alaska State Director

Cc: NFIB/AK Leadership Council

**PSPA**  
**PACIFIC SEAFOOD PROCESSORS ASSOCIATION**  
Est. 1914

February 8, 2011

Representative Kurt Olson  
State Capitol  
Juneau, AK 99801-1182

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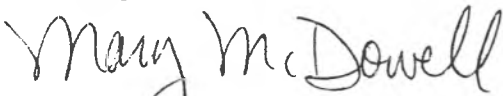
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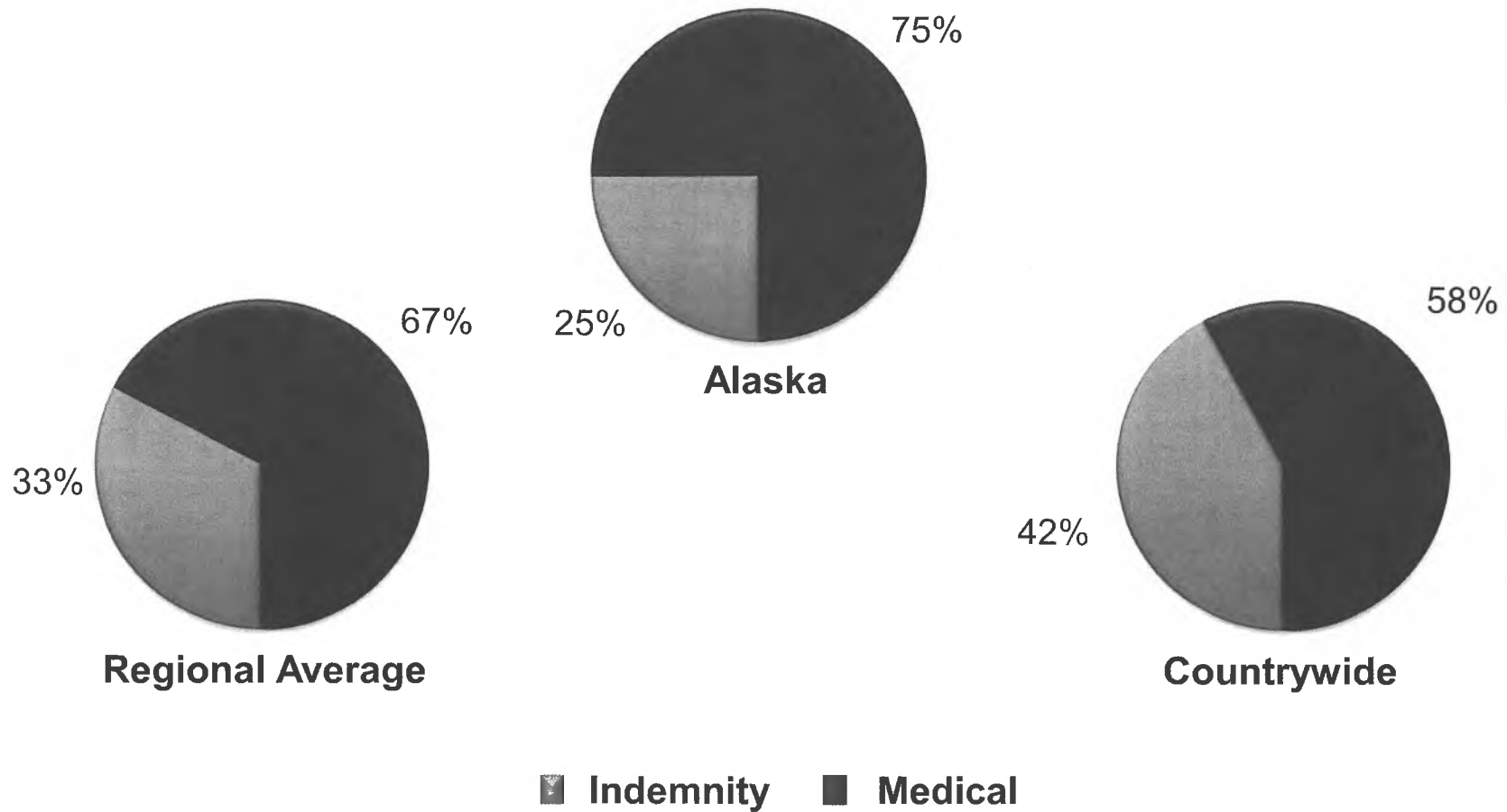
Sincerely,



Mary McDowell, Vice President  
PSPA

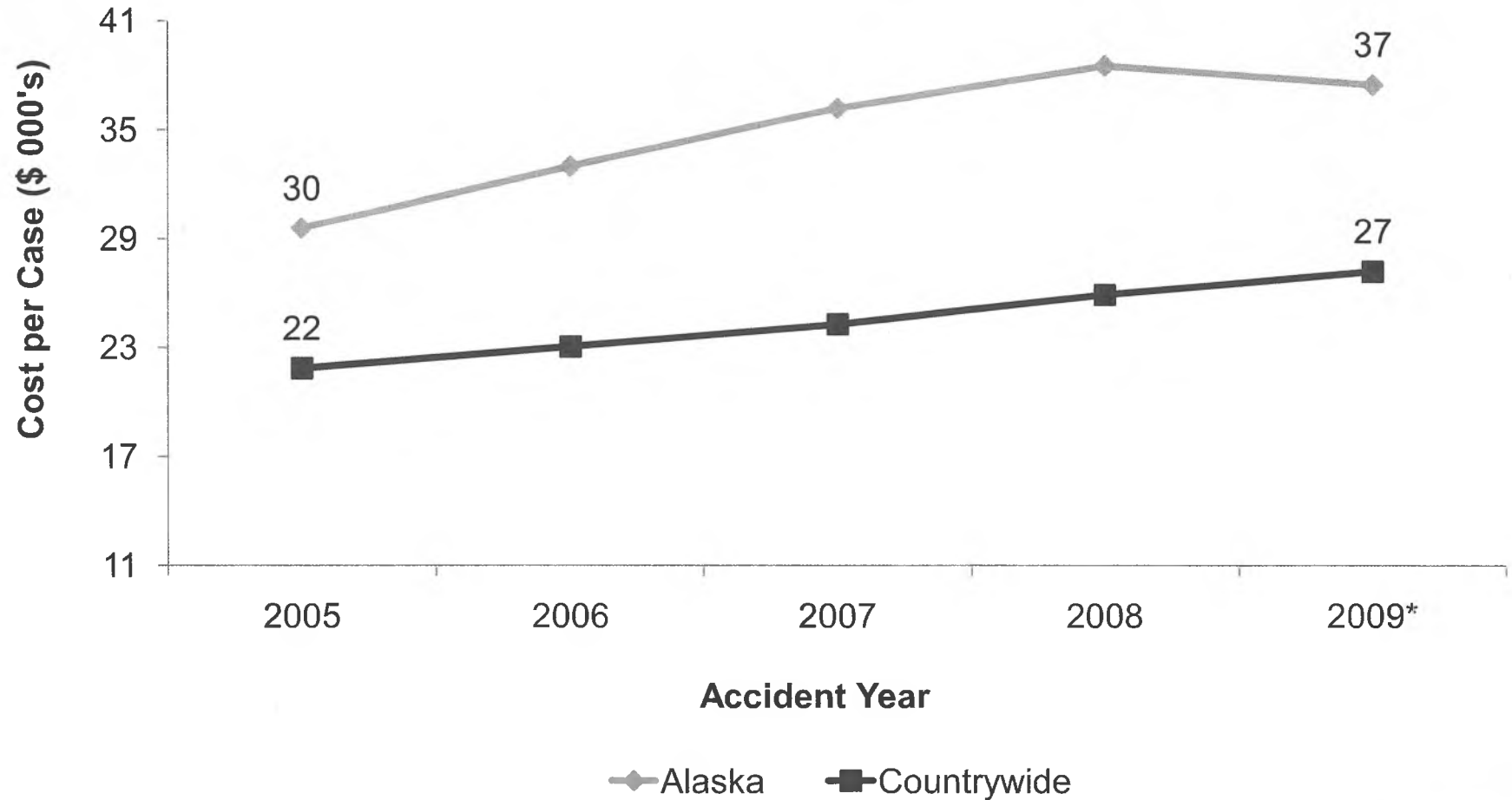
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# Medical Benefits Constitute the Majority of Total Benefit Costs in Alaska

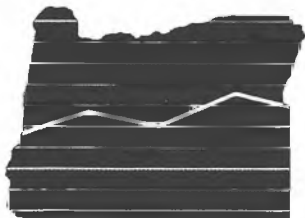


Regional states are AZ, MT, NM, and OR

# Alaska Medical Average Cost per Case vs. Countrywide



\* Countrywide figure is preliminary  
Source: NCCI financial data valued as of 12/31/08 and 12/31/09



# 2010 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services

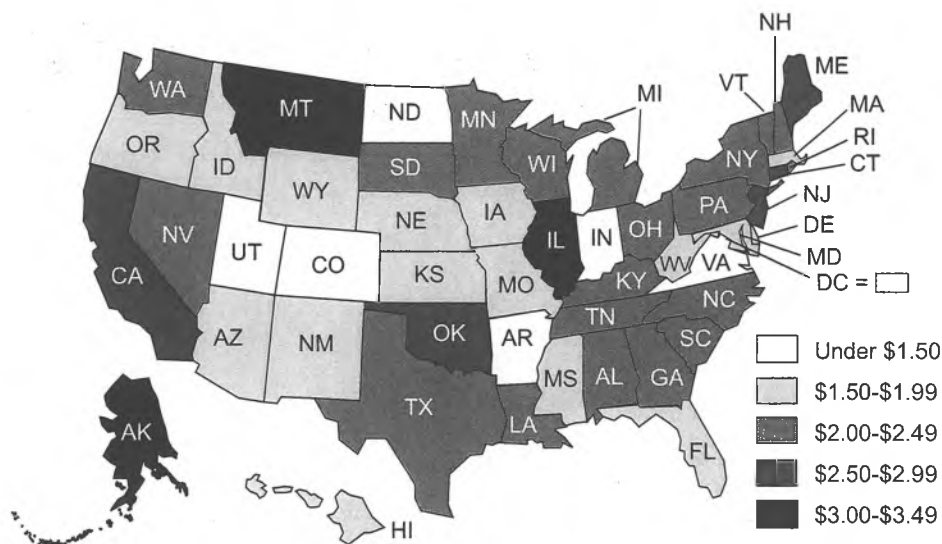
October 2010

By Jay Dotter and Mike Manley

Oregon employers in the voluntary market pay, on average, the 41st highest workers' compensation premium rates in the nation. Oregon rates are 17 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2010. Oregon's premium rate index is \$1.69 per \$100 of payroll, or 83 percent of the national median. National premium rate indices range from a low of \$1.02 in North Dakota to a high of \$3.33 in Montana. The 2010 median value is \$2.04, which is a drop of 10 percent from the \$2.26 median of the 2008 study. Three jurisdictions have an index rate in the \$3.00 to \$3.49 range; five are in the \$2.50 to \$2.99 range; 20 are in the \$2.00 to \$2.49 range; 16 are in the \$1.50 to \$1.99 range; and seven have indices under \$1.50.

**Figure 1. 2010 Workers' compensation premium index rates**



**Table 1. Oregon's ranking in the top 10 classifications**

Occupation	Ranking
Clerical office employees NOC	45
Salespersons - outside	48
College: professional employees and clerical	39
Physician and clerical	42
Restaurant NOC	40
Store: retail, NOC	41
Hospital: professional employees	36
Automobile service/repair center and drivers	34
Trucking: NOC - all employees and drivers	28
Health care employees - retirement, nursing, convalescent	21

This study used classification codes from the National Council on Compensation Insurance (NCCI). Of approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2004-2006 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 of the 50 classifications used.

**Table 2 (on the back) contains the premium rate ranking for all 51 jurisdictions.**

**Table 2. Workers' compensation premium rate ranking**

2010 Ranking	2008 Ranking	State	Index Rate	Percent of study median	Effective Date
1	2	Montana	3.33	163%	July 1, 2009
2	1	Alaska	3.10	152%	Jan. 1, 2010
3	10	Illinois	3.05	149%	Jan. 1, 2010
4	9	Oklahoma	2.87	141%	11/1/09 state fund, 1/1/10 private
5	13	California	2.68	131%	Jan. 1, 2010
6	20	Connecticut	2.55	125%	Jan. 1, 2010
7	16	New Jersey	2.53	124%	Jan. 1, 2010
8	5	Maine	2.52	123%	Jan. 1, 2010
10	14	New Hampshire	2.45	120%	Jan. 1, 2010
10	8	Alabama	2.45	120%	March 1, 2009
12	17	Texas	2.38	117%	May 1, 2009
12	12	South Carolina	2.38	117%	July 1, 2009
13	19	New York	2.34	115%	Oct. 1, 2009
14	15	Pennsylvania	2.32	114%	April 1, 2009
15	7	Kentucky	2.29	112%	Oct. 1, 2009
16	24	Minnesota	2.27	111%	Jan. 1, 2010
17	3	Ohio	2.24	110%	July 1, 2009
18	4	Vermont	2.22	109%	April 1, 2009
19	34	Wisconsin	2.21	108%	Oct. 1, 2009
20	21	Tennessee	2.19	108%	Nov. 4, 2009
21	18	Nevada	2.13	104%	March 2, 2009
23	32	Michigan	2.12	104%	Jan. 1, 2009
23	22	North Carolina	2.12	104%	April 1, 2009
24	25	Georgia	2.08	102%	July 1, 2009
25	11	Louisiana	2.06	101%	Oct. 1, 2009
26	38	Washington	2.04	100%	Jan. 1, 2010
28	36	South Dakota	2.02	99%	July 1, 2009
28	26	Rhode Island	2.02	99%	Jan. 1, 2010
29	34	Idaho	1.98	97%	Jan. 1, 2010
30	32	Nebraska	1.97	97%	Feb. 1, 2009
31	24	Mississippi	1.96	96%	March 1, 2009
32	32	New Mexico	1.91	94%	Jan. 1, 2010
33	28	Missouri	1.90	93%	Jan. 1, 2010
34	7	Delaware	1.85	91%	Dec. 1, 2009
35	41	West Virginia	1.84	90%	Nov. 1, 2009
36	41	Iowa	1.82	89%	Jan. 1, 2010
37	37	Wyoming	1.79	88%	Jan. 1, 2010
38	45	Arizona	1.71	84%	Jan. 1, 2010
40	36	Hawaii	1.70	83%	Jan. 1, 2010
40	28	Florida	1.70	83%	Jan. 1, 2010
<b>41</b>	<b>39</b>	<b>OREGON</b>	<b>1.69</b>	<b>83%</b>	<b>Jan. 1, 2010</b>
42	44	Maryland	1.63	80%	Jan. 1, 2010
43	42	Kansas	1.55	76%	Jan. 1, 2010
44	49	Massachusetts	1.54	75%	Sept. 1, 2008
45	46	Utah	1.46	71%	Dec. 1, 2009
47	43	Colorado	1.39	68%	Jan. 1, 2010
47	48	Virginia	1.39	68%	April 1, 2009
48	29	District of Columbia	1.32	65%	Nov. 1, 2009
49	47	Arkansas	1.18	58%	July 1, 2009
50	50	Indiana	1.16	57%	Jan. 1, 2010
51	51	North Dakota	1.02	50%	July 1, 2009

Notes: Starting with the 2008 study, when two or more states' Index Rate values are the same, they are assigned the same ranking. The index rates reflect adjustments for the characteristics of each individual state's residual market. Rates vary by classification and insurer in each state. Actual cost to an employer can be adjusted by the employer's experience rating, premium discount, retrospective rating, and dividends. [Link to previous reports and summaries.](#)

Employers can reduce their workers' compensation rates through accident prevention, safety training, and by helping injured workers return to work quickly.

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