

HB

316

<TARGET><BILL>HB 316</BILL><SUBJECT>HB
316</SUBJECT><COMM>HFIN28</COMM></TARGET>

(11)

Date Referred to Committee: March 31, 2014

FURTHER REFERRALS:

Date of Committee Action: 4.15.14

The FINANCE Committee considered:

HB 316

HOUSE BILL NO. 316

"An Act relating to workers' compensation fees for medical treatment and services; relating to workers' compensation regulations; and providing for an effective date."

HB 316 WORKERS' COMPENSATION MEDICAL FEES

Recommends it be replaced with [] HCS or [X] CS for HB 316 (FIN)
 For Senate Bills with new title: [] Technical Title [] New Title: HCR _____ [X] Same Title [] New Title

- [] attach amendments
- [] add new referral to _____ Committee
- [] Letter of Intent _____ Committee

- List of Abbrev for Depts.:
- ADM
 - CED
 - COR
 - CRT
 - EED
 - DEC
 - DFG
 - GOV
 - DHS
 - LWF
 - LAW
 - LEG
 - MVA
 - DNR
 - DPS
 - REV
 - DOT
 - UA

NEW FISCAL NOTES				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	ADM		✓	
	LWF	✓		

PREVIOUS FISCAL NOTES				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

Signing with recommendations		Printed Last Name	DP	DNP	NR	AM
		GUTENBERG			✓	
		MUNOZ	✓			
		NEUME			✓	
		THOMPSON	✓			
		Edgmon	✓			
		T. Wilson	✓			
		Gare	✓			
		COSTELLO			✓	
Chair:		Stoltz			✓	
Chair:		AUSTRIAN			✓	

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 316
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB316CS(L&C)-DOLWD-WC-03-27-14
Title: WORKERS' COMPENSATION MEDICAL FEES
Sponsor: LABOR & COMMERCE
Requester: House Labor and Commerce

Department: Department of Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Workers' Compensation
OMB Component Number: 344

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel	22.0		14.0	14.0	14.0	14.0	14.0
Services	40.0		40.0	40.0	40.0	40.0	40.0
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	62.0	0.0	54.0	54.0	54.0	54.0	54.0

Fund Source (Operating Only)

1157 Wrkrs Safe	62.0		54.0	54.0	54.0	54.0	54.0
Total	62.0	0.0	54.0	54.0	54.0	54.0	54.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 13.7 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/15

Why this fiscal note differs from previous version:

The original version of the bill sunsets the legislation effective January 1, 2019, therefore there was no fiscal impact in FY19 and FY20. The House Labor and Commerce Committee Substitute removed the sunset provision, so the fiscal impact for FY19 and FY20 was added to this version of the fiscal note. The CS also changed the effective date from January 1, 2015 to July 1, 2015. Finally, the fiscal note was changed to break out travel costs from the service line.

Prepared By: <u>Michael Monagle, Director</u>	Phone: <u>(907)465-6059</u>
Division: <u>Workers' Compensation</u>	Date: <u>03/27/2014 10:00 AM</u>
Approved By: <u>Dianne Blumer, Commissioner</u>	Date: <u>03/27/14</u>
Agency: <u>Office of the Commissioner</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 316

Analysis

HB 316 changes the methodology used to produce a workers' compensation medical fee schedule. The methodology changes from a usual, customary, and reasonable (UCR) fee schedule based on the 90th percentile of billed charges, to a resource based relative value scale (RBRVS) fee schedule produced by the Centers for Medicare and Medicaid Services, times a state specified multiplier (conversion factor) to be determined by the Alaska Workers' Compensation Board by regulation. The new fee schedule takes effect July 1, 2015.

To develop the requisite conversion factors, the department would utilize the expertise of the Medical Services Review Committee (MSRC) established under AS 23.30.095(j), and the contracted services of a professional medical billing expert.

In order to have the regulations in place by July 1, 2015, the regulatory adoption process would have to begin immediately after passage of the bill. This would necessitate at least 4 meetings of the MSRC at an anticipated cost of \$3.5 per meeting; and at least one special meeting of the Alaska Workers' Compensation Board at an anticipated cost of \$8.0. Two meetings of the MSRC would take place in FY14 (May/June), and the following two meetings would take place in FY15 (July/August). Thereafter, the MSRC would meet quarterly. The anticipated cost of a professional services contract is \$40.0 per year, based on the contracted cost to produce a medical fee schedule in FY11.

FY14- Two meetings of MSRC @ \$3.5 per meeting = \$7.0
Professional services contract = \$6.7
Total FY14 Supplemental Request = \$13.7

FY15- Four meetings of the MSRC (July, August, December, April) @ \$3.5 per meeting = \$14.0
Special meeting of the Alaska Workers' Compensation Board @ \$8.0 per meeting = \$8.0
Professional services contract = \$40.0
Total FY15 = \$62.0

FY16-FY20 Four meetings of MSRC @ \$3.5 per meeting = \$14.0
Professional services contract = \$40.0
Total each year = \$54.0

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 316
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB316CS(L&C)-DOA-RM-03-29-14
Title: WORKERS' COMPENSATION MEDICAL FEES
Sponsor: LABOR & COMMERCE
Requester: House Labor and Commerce

Department: Department of Administration
Appropriation: Risk Management
Allocation: Risk Management
OMB Component Number: 71

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Updated to CS removes the sunset language.

Prepared By: <u>Scott Jordan, Director</u>	Phone: <u>(907)465-5723</u>
Division: <u>Risk Management</u>	Date: <u>03/28/2014 11:15 PM</u>
Approved By: <u>Curtis Thayer, Commissioner</u>	Date: <u>03/29/2014</u>
Agency: <u>Department of Administration</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 316(L&C)

Analysis

This bill amends AS 23.30.097 to recalculate how the medical fee schedule is currently calculated. Section 1, (A)(B)(C), states the fee schedule is based on Medicare and Medicaid Services, using the resource-based relative value (RBRV) scale. This new language should give the Alaska Worker's Compensation Board (AWCB) the authority to adjust medical costs for workers' compensation claims to be more in line with medical costs associated with health care providers.

Section 2 sets out that the AWCB will establish a conversion factor to be applied to the resource-based relative value scale and request and consider recommendations from the medical services review committee already established in AS 23.30.095(j). Currently there are no conversion factors set, therefore any decrease/increase in medical costs would be determined by setting a conversion factor. Cost decrease/increase would be based on the set conversion factor applied to the RBRV.

Section 3 allows AWCB to adopt or amend regulations based on reference material incorporated from items 1-9 in the section.

Section 4 adopts an effective date of July 1, 2015 for Section 1 and AS 23.30.097 (j)-(o), with Section 5 adopting an effective date for all other sections of July 1, 2014.

RM is unable to determine the fiscal impact as the conversion factor applied to medical fee schedule has not been established and therefore submits an indeterminate fiscal note.

CS FOR HOUSE BILL NO. 316(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to workers' compensation fees for medical treatment and services;
2 relating to workers' compensation regulations; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 23.30.097(a) is amended to read:

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

8 (1) the usual, customary, and reasonable fees for the treatment or
9 service in the community in which it is rendered, for treatment or service provided on
10 or after December 31, 2010, not to exceed the fees or other charges as specified in the
11 [A] fee schedules [SCHEDULE] established by the medical services review
12 committee [BOARD] and adopted by the board [REFERENCE] in regulation; the fee
13 schedules [SCHEDULE] must include [BE BASED ON STATISTICALLY
14 CREDIBLE DATA, INCLUDING CHARGES FOR THE MOST RECENT

1 CATEGORY I, II, AND III MEDICAL SERVICES MAINTAINED BY THE
 2 AMERICAN MEDICAL ASSOCIATION AND THE HEALTH CARE
 3 PROCEDURE CODING SYSTEM FOR MEDICAL SUPPLIES, INJECTIONS,
 4 EMERGENCY TRANSPORTATION, AND OTHER MEDICALLY RELATED
 5 SERVICES, AND MUST RESULT IN A SCHEDULE THAT]

6 (A) a physician fee schedule based on the federal Centers
 7 for Medicare and Medicaid Services' resource-based relative value scale;
 8 [REFLECTS THE COST IN THE GEOGRAPHICAL AREA WHERE
 9 SERVICES ARE PROVIDED; AND]

10 (B) an outpatient and ambulatory surgical center fee
 11 schedule based on the federal Centers for Medicare and Medicaid
 12 Services' ambulatory payment classification; and

13 (C) an inpatient hospital fee schedule based on the federal
 14 Centers for Medicare and Medicaid Services' Medicare severity diagnosis
 15 related group [IS AT THE 90TH PERCENTILE];

16 (2) the fee or charge for the treatment or service when provided to the
 17 general public; or

18 (3) the fee or charge for the treatment or service negotiated by the
 19 provider and the employer under (c) of this section.

20 * **Sec. 2.** AS 23.30.097 is amended by adding new subsections to read:

21 (h) The board shall annually renew and adjust fees on the fee schedules
 22 established by the medical services review committee under (a)(1) of this section by a
 23 conversion factor established by the medical services review committee and adopted
 24 by the board in regulation.

25 (i) A fee or other charge for medical treatment or service rendered in another
 26 state may not exceed the lowest of

27 (1) the fee or charge for a treatment or service set by the workers'
 28 compensation statutes of the state where the service is rendered; or

29 (2) the fees specified in a fee schedule under (a)(1) of this section.

30 (j) A fee or other charge for air ambulance services rendered under this
 31 chapter shall be reimbursed at a rate established by the board and adopted in

1 regulation.

2 (k) A fee or other charge for durable medical equipment not otherwise
3 included in a covered medical procedure under this section may not exceed the amount
4 of the manufacturer's invoice, plus a markup specified by the board and adopted in
5 regulation.

6 (l) Reimbursement for prescription drugs under this chapter may not exceed
7 the amount of the original manufacturer's invoice, plus a dispensing fee and markup
8 specified by the board and adopted in regulation.

9 (m) A prescription drug dispensed by a physician under this chapter shall
10 include in a bill or invoice the original manufacturer's code for the drug from the
11 national drug code directory published by the United States Food and Drug
12 Administration.

13 (n) A fee or other charge for medical treatment or service provided by a
14 hospital licensed by the Department of Health and Social Services to operate as a
15 critical access hospital is exempt from the fee schedules established under (a)(1) of
16 this section.

17 (o) The board may adjust the fee schedules established under (a)(1) of this
18 section to reflect the cost in the geographical area where the services are provided.

19 (p) The medical services review committee shall formulate a conversion factor
20 and submit the conversion factor to the commissioner of labor and workforce
21 development. If the commissioner does not approve the conversion factor, the medical
22 services review committee shall revise the conversion factor and submit the revised
23 conversion factor to the commissioner for approval.

24 * **Sec. 3.** AS 23.30 is amended by adding a new section to article 2 to read:

25 **Sec. 23.30.098. Regulations.** Under AS 44.62.245(a)(2), in adopting or
26 amending regulations under this chapter, the department may incorporate future
27 amended versions of a document or reference material incorporated by reference if the
28 document or reference material is one of the following:

29 (1) Current Procedural Terminology Codes, produced by the American
30 Medical Association;

31 (2) Healthcare Common Procedure Coding System, produced by the

1 American Medical Association;

2 (3) International Classification of Diseases, published by the American
3 Medical Association;

4 (4) Relative Value Guide, produced by the American Society of
5 Anesthesiologists;

6 (5) Diagnostic and Statistical Manual of Mental Disorders, produced
7 by the American Psychiatric Association;

8 (6) Current Dental Terminology, published by the American Dental
9 Association;

10 (7) Resource-Based Relative Value Scale, produced by the federal
11 Centers for Medicare and Medicaid Services;

12 (8) Ambulatory Payment Classifications, produced by the federal
13 Centers for Medicare and Medicaid Services; or

14 (9) Medicare Severity Diagnosis Related Groups, produced by the
15 federal Centers for Medicare and Medicaid Services.

16 * **Sec. 4.** AS 23.30.395 is amended by adding a new paragraph to read:

17 (42) "medical services review committee" means the committee
18 established under AS 23.30.095(j).

19 * **Sec. 5.** Section 1 of this Act and AS 23.30.097(j) - (p), added by sec. 2 of this Act, take
20 effect July 1, 2015.

21 * **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect July 1, 2014.

Replacement
AMENDMENT #1

Withdrawn
4/15/14

OFFERED IN HOUSE FINANCE
TO: CS for HB316 (L&C)

BY REPRESENTATIVE GARA

1 Page 2, line 19:

2 Insert "(4) The fee schedules of (A) - (C) of this subsection shall not be used for any
3 procedure or service unless they satisfy the service charge of providers in an area so that patient
4 access to quality medical care is not compromised."

Adopted
4/15/14

28-LS1362\P.1
Wallace
4/8/14

AMENDMENT #2

OFFERED BY:
Rep. Thompson

OFFERED IN THE HOUSE
TO: CSHB 316(L&C)

- 1 Page 1, line 11:
- 2 Delete "board and adopted by reference"
- 3 Insert "medical services review committee [BOARD] and adopted by the board
- 4 [REFERENCE]"
- 5
- 6 Page 2, line 21:
- 7 Delete "(1)"
- 8 Delete "board"
- 9 Insert "medical services review committee"
- 10
- 11 Page 2, line 22:
- 12 Delete "board"
- 13 Insert "medical services review committee"
- 14
- 15 Page 2, line 23, following "adopted":
- 16 Insert "by the board"
- 17
- 18 Page 2, line 23:
- 19 Delete ","
- 20 Insert "."
- 21
- 22 Page 2, lines 24 - 29:
- 23 Delete all material.

1

2 Page 3, following line 23:

3 Insert a new subsection to read:

4 "(p) The medical services review committee shall formulate a conversion
5 factor and submit the conversion factor to the commissioner of labor and workforce
6 development. If the commissioner does not approve the conversion factor, the medical
7 services review committee shall revise the conversion factor and submit the revised
8 conversion factor to the commissioner for approval."

9

10 Page 4, following line 15:

11 Insert a new bill section to read:

12 **"* Sec. 4.** AS 23.30.395 is amended by adding a new paragraph to read:

13 (42) "medical services review committee" means the committee established
14 under AS 23.30.095(j)."

15

16 Renumber the following bill sections accordingly.

17

18 Page 4, line 16:

19 Delete "AS 23.30.097(j) - (o)"

20 Insert "AS 23.30.097(j) - (p)"

21

22 Page 4, line 18:

23 Delete "sec. 4"

24 Insert "sec. 5"

Alaska Workers' Compensation Medical Services Review Committee, AS 23.30.095(j)

The commissioner shall appoint a medical services review committee to assist and advise the department and the board in matters involving the appropriateness, necessity, and cost of medical and related services provided under this chapter. The medical services review committee shall consist of nine members to be appointed by the commissioner as follows:

- (1) one member who is a member of the Alaska State Medical Association;
- (2) one member who is a member of the Alaska Chiropractic Society;
- (3) one member who is a member of the Alaska State Hospital and Nursing Home Association;
- (4) one member who is a health care provider, as defined in AS 09.55.560;
- (5) four public members who are not within the definition of "health care provider" in AS 09.55.560; and
- (6) one member who is the designee of the commissioner and who shall serve as chair.

Committee Membership as of April 15, 2014

Affiliation	Lname	Fname	
Ak State Medical Assn	Hall, MD	RJ	
Ak Chiropractic Society	Pfeifer, DC	William	
Ak State Hospital & Nursing Home Assn	Mayo, Dr	Andrew	
Medical Care Provider	Vacant		
Lay Member-Industry	Smith	Kevin	AMLJIA
Lay Member-Industry	Scott	Pam	Alaska Timber Ins Exchange
Lay Member-Labor	Beltrami	Vince	AFL-CIO
Lay Member-Industry	Lindsey	Tammi	Alaska National Ins Co

Submitted by DEPT OF LABOR

Replacement
AMENDMENT #1

OFFERED IN HOUSE FINANCE
TO: CS for HB316 (L&C)

BY REPRESENTATIVE GARA

1 Page 2, line 19:

2 Insert "(4) The fee schedules of (A) - (C) of this subsection shall not be used for any
3 procedure or service unless they satisfy the service charge of providers in an area so that patient
4 access to quality medical care is not compromised."

AMENDMENT #1

withdrawn
4/14/14

OFFERED IN HOUSE FINANCE
TO: CS for HB316 (L&C)

BY REPRESENTATIVE GARA

1 Page 2, line 19:

2 Insert "(4) The fee schedules of (A) - (C) of this subsection shall not be used for any
3 procedure or service without modification unless those fees are adequate as written to meet the
4 service charge of providers in an area so that patient access to quality medical care is not
5 compromised."

Elite Rehabilitation

PHYSICAL THERAPY AND SPORTS HEALTH

Rebecca Byerley, PT, DPT
Physical Therapist

104 S. Binkley, Suite C
Soldotna, AK 99669
262-7644 Fax: 262-6744

**Honorable Representative Austerman
The Honorable Representative Stoltze
Honorable Members of the House Finance Committee
Alaska State Legislature
Juneau, AK 99801**

Regarding: HB 316

April 10, 2014

Dear Representatives Austerman and Stoltze and Honorable Members of the Committee,

Recognizing efficiency and cost effective care seems to be on everyone's mind these days whether on the receiving or delivering side of the care spectrum. As a private physical therapist on the Kenai Peninsula, I strive to provide specialized care for a speedy recovery with the readiness to return the injured worker back to work. The proposed changes to the workman's compensation rate would significantly affect those of us providing the medical care to these individuals as currently written and I have concerns related to HB 316 and the impact on those of us who own small, independent practices.

The proposed changes are a major change to the worker's comp system. I believe physical therapists should have a voice in these discussions. Our Alaska Physical Therapy Association is urging legislators to consider adopting an amendment to HB 316 to help address this concern and proposes an amendment to Section 2 of HB 316 to allow for greater stakeholder input in the setting of the conversion factor and rates. This amendment would include other stakeholders such as those associations representing licensed health care providers on setting the conversion factors and rates.

I support reform and the efforts to improve the worker's comp system in Alaska. However, physical therapist and other health care providers should be given an opportunity to provide input and consultation in the setting of the conversion factor and rates. Reform to worker's comp requires a voice from multiple stakeholders. I will continue to strive to provide service to the people of Alaska and in maximizing the health status of these injured workers and hope that you will take this amendment into consideration.

Respectfully,

Rebecca Byerley, PT, DPT

**Rebecca Byerley, PT, DPT
Physical Therapist, Private Practice Owner
Past President, Alaska Physical Therapy Association
Past Chair, Kenai Peninsula Therapist Group**

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

April 9, 2014

Honorable Kurt Olson
Alaska House of Representatives
State Capitol Room 24
Juneau, AK 99801

RE: House Bill 316 April 9 Proposal

Dear Representative Olson:

Thank you for your continued efforts to reform the workers compensation system and for your willingness to work with the Alaska State Medical Association ("ASMA"). The medical community are Alaska businesses many of which are "small businesses" that employ thousands of people, contribute to the economy and also understand the cost of workers' compensation from a business cost perspective. In short, we appreciate the cost impact of workers' compensation insurance and are not opposed to looking for responsible ways to reduce the cost burden to businesses while protecting patient care.

In our letter of March 12 commenting on HB 316 we outlined our concerns regarding the establishment of a fee schedule around the broad goals of accountability, policy and process.

We believe that the proposal establishes a sufficient public process that will assure accountability. Specifically, we believe having the Medical Services Review Committee ("MSRC") develop the fee schedule conversion factor or factors will allow for a robust public process and that having the Commissioner of Labor involved in approving the work of the MSRC will provide appropriate accountability. Our main concern along with having Commissioner level approval was ensuring that the development of the conversion factor allowed for a robust public process and your proposal accomplishes this goal.

The last item that we raised was the establishment of the policy that the fee schedule is attempting to implement. We appreciate that this is a difficult task to draft into a statute and will continue to work with you on this as the bill moves through the process. We also appreciate the statements on the record reflecting agreement with these general principles. Workers' Compensation fee schedules should not result in subsidized care and should reflect the need for medical providers to earn a profit. We continue to believe that the legislature should clearly articulate this policy.

Thank you for your efforts and ASMA supports your latest proposal moving forward.

Sincerely,



Jana Cole, MD
President – Alaska State Medical Association



ALASKA PHYSICAL THERAPY ASSOCIATION, INC.

A CHAPTER OF THE AMERICAN PHYSICAL THERAPY ASSOCIATION
PO BOX 140351 ANCHORAGE, AK 99514-0351
PHONE (907) 566-3749

April 9, 2014

The Honorable Representative Austerman
The Honorable Representative Stoltze
Honorable Members of the House Finance Committee
Alaska State Legislature
Juneau, AK

RE: House Bill 316

Dear Representatives Austerman and Stoltze and Honorable Members of the Committee,

My name is LeeAnne Carrothers, and I am president of the Alaska Physical Therapy Association.

On behalf of the members of the Alaska Physical Therapy Association, therefore, I would like to respectfully share our concerns with House Bill 316 – "An Act relating to workers' compensation fees for medical treatment and services; relating to workers' compensation regulations; and providing for an effective date."

The bill as written has the potential to effect many health care providers, especially those who own small, independent practices.

Physical therapists (PTs) are highly-educated, licensed health care professionals who help patients reduce pain and improve or restore mobility after injury- in many cases without expensive surgery and often reducing the need for long-term use of prescription medications and their side effects. In the case of workers' comp, this translates into an earlier return to work. Further, an 18 month study of 32000 patients with low back pain revealed that physical therapy started within 14 days of the initial patient/physician encounter was associated with reduced risk of subsequent surgery, injections, physician visits, opioid use, and advanced imaging, along with a corresponding reduction in overall LBP-related medical costs relative to delayed treatment by a physical therapist. Total health care costs for patients receiving early care from a physical therapist were an average of \$2,736.23 lower.

Because of the vital role of the physical therapist in the early management and recovery of individuals with work-related injuries, we believe that PTs should be included in the process of determining the conversion factors and rates that will be used to determine the payment for PT services.



ALASKA PHYSICAL THERAPY ASSOCIATION, INC.

A CHAPTER OF THE AMERICAN PHYSICAL THERAPY ASSOCIATION
PO BOX 140351 ANCHORAGE, AK 99514-0351
PHONE (907) 566-3749

While the Alaska Physical Therapy Association supports efforts to reform and the improve the workers' comp system in our state, we have serious concerns that the proposed legislation will not provide opportunity for physical therapists and other healthcare providers to provide input and consultation in the setting of the conversion factor and rates.

We have provided a suggested written amendment as to how this might be accomplished, and we also respectfully request that a physical therapist should be included along with physicians and chiropractors as having a permanent place on the medical services board.

Given that the proposed legislation is a major change to the WC system, the Alaska Physical Therapy Association (AKAPTA) believes that healthcare providers, including Physical Therapists (PTs), need to have a voice in these discussions.

The Alaska Physical Therapy Association respectfully proposes the following amendment to Section 2 of HB 316 to allow for greater stakeholder input in the setting of the conversion factor and rates. The proposed amendment, which are in CAPS below, state the following:

(h) The board shall annually

(2) request and consider recommendations from the medical services review committee established under AS 23.30.095(j), AND OTHER ASSOCIATIONS REPRESENTING LICENSED HEALTH CARE PROVIDERS on setting the conversion factors and rates specified in (1) of this subsection; "

3) after consulting with the medical services review committee established under AS 23.30.095(j) AND OTHER STAKEHOLDERS evaluate and revise by regulation the conversion factors and rates specified in (1) of this subsection

We respectfully ask that you consider adopting the above proposed amendment to HB 316 and grant a permanent place on the medical services board. Real reform to workers' comp cannot happen unless all the stakeholders have a voice in the discussion. Thank you for your consideration and for your service to the people of Alaska.

Sincerely,

LeeAnne Carrothers, PT, PhD
President, Alaska Physical Therapy Association

4/9/14

Top 25 Surgery Procedure Codes Ranked by Paid Amounts for Alaska (47% of total surgical payments)

Rank	CPT Code	Description	AK WC Fee Schedule	Medicare Fee Schedule	Washington WC Fee Schedule	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	29881	Arthroscopy Knee w/ Meniscus Repair	\$ 5,158.02	\$ 673.11	\$ 912.56	\$ 1,270.75	\$ 2,003.13	\$ 5,170.00
2	23412	Repair of Rotator Cuff	\$ 7,725.78	\$ 1,063.39	\$ 1,421.68	\$ 1,985.80	\$ 3,136.86	\$ 7,765.00
3	29826	Arthroscopy shoulder surgical w/decompression	\$ 5,436.83	\$ 224.46	\$ 288.87	\$ 1,531.34	\$ 645.98	\$ 5,436.92
4	63030	Laminotomy w/ decompression	\$ 10,391.15	\$ 1,186.95	\$ 1,605.97	\$ 2,259.73	\$ 3,514.72	\$ 10,193.50
5	29807	Arthroscopy shoulder surgical; labral tear	\$ 6,621.79	\$ 1,292.78	\$ 1,724.95	\$ 2,411.21	\$ 3,808.21	\$ 6,622.00
6	29888	Arthroscopic ligament repair	\$ 8,782.58	\$ 1,239.28	\$ 1,648.03	\$ 2,305.25	\$ 3,642.84	\$ 8,875.00
7	64483	Injection anesthetic agent/steroid epidural	\$ 2,364.74	\$ 274.82	\$ 392.91	\$ 580.82	\$ 556.65	\$ 1,962.63
8	29880	Arthroscopy knee surgical; with meniscectomy	\$ 5,576.24	\$ 700.17	\$ 947.42	\$ 1,320.20	\$ 2,081.16	\$ 6,032.00
9	22551	Arthrodesis anterior interbody; cervical	\$ 13,973.36	\$ 2,113.35	\$ 2,827.87	\$ 3,995.93	\$ 6,209.32	\$ 17,074.90
10	23430	Tenodesis of tendon	\$ 5,837.26	\$ 931.43	\$ 1,252.34	\$ 1,747.19	\$ 2,752.92	\$ 5,900.00
11	62311	Injection of diagnostic/therapeutic substance	\$ 1,295.28	\$ 248.65	\$ 371.33	\$ 529.80	\$ 507.60	\$ 1,277.50
12	23120	Claviclectomy; partial	\$ 2,704.02	\$ 722.91	\$ 983.95	\$ 1,370.44	\$ 2,156.76	\$ 3,173.07
13	22612	Arthrodesis posterior; lumbar	\$ 12,952.83	\$ 1,979.87	\$ 2,635.84	\$ 3,713.36	\$ 5,807.70	\$ 12,376.42
14	29827	Arthroscopy shoulder surgical w/cuff repair	\$ 7,318.82	\$ 1,346.27	\$ 1,789.14	\$ 2,503.83	\$ 3,955.64	\$ 7,319.70
15	29877	Arthroscopy w/debridement	\$ 4,879.21	\$ 774.76	\$ 1,045.37	\$ 1,457.56	\$ 2,298.51	\$ 4,901.80
16	29806	Arthroscopy shoulder surgical; capsulorrhaphy	\$ 6,970.30	\$ 1,326.86	\$ 1,768.67	\$ 2,473.22	\$ 3,905.96	\$ 6,972.60
17	49505	Repair initial inguinal hernia	\$ 3,461.14	\$ 655.21	\$ 863.30	\$ 1,212.67	\$ 1,254.79	\$ 3,592.50
18	64415	Injection anesthetic agent; brachial plexus	\$ 1,182.37	\$ 149.52	\$ 202.54	\$ 297.64	\$ 292.80	\$ 932.00
19	64721	Neuroplasty and/or transposition	\$ 5,187.82	\$ 525.08	\$ 724.40	\$ 1,005.46	\$ 1,036.01	\$ 5,068.77
20	29822	Arthroscopy shoulder surgical; debridement	\$ 4,739.80	\$ 714.19	\$ 965.13	\$ 1,345.32	\$ 2,120.72	\$ 4,739.94
21	20610	Arthrocentesis aspiration and/or injection	\$ 382.66	\$ 74.60	\$ 100.72	\$ 150.52	\$ 145.12	\$ 382.83
22	23420	Reconstruction of complete shoulder	\$ 9,871.83	\$ 1,208.38	\$ 1,616.48	\$ 2,258.16	\$ 3,564.95	\$ 11,088.00
23	63650	Percutaneous implantation of neurostimulator	\$ 6,791.60	\$ 564.80	n/a	\$ 1,092.76	\$ 1,633.91	\$ 7,500.00
24	12001	Simple repair of superficial wounds	\$ 489.30	\$ 109.18	\$ 154.95	\$ 231.31	\$ 219.49	\$ 503.00
25	63042	Laminotomy with decompression	\$ 11,681.55	\$ 1,609.81	\$ 2,154.94	\$ 3,035.99	\$ 4,735.94	\$ 12,287.28

Top 25 procedures based on NCCI 2011 Medical Data Call for the State of Alaska

The Alaska Healthcare allowance is based on data obtained from Premera, Aetna, ASEA Health Trust, and the State of Alaska - AlaskaCare

Top 25 Radiology Procedure Codes Ranked by Paid Amounts for Alaska (78.9% of total radiology payments)

Rank	CPT Code	Description	AK WC Fee Schedule	Medicare Fee Schedule	Washington WC Fee Schedule	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	72148	MRI spinal; lumbar; without contrast	\$ 3,267.83	\$ 427.96	\$ 649.14	\$ 812.91	\$ 899.92	\$ 2,936.00
2	73721	MRI lower extremity; without contrast	\$ 3,011.72	\$ 319.32	\$ 478.14	\$ 876.66	\$ 666.00	\$ 2,399.00
3	73221	MRI upper extremity; without contrast	\$ 3,041.60	\$ 319.32	\$ 478.14	\$ 858.06	\$ 666.00	\$ 2,423.60
4	72141	MRI spinal; cervical; without contrast	\$ 3,248.02	\$ 435.17	\$ 657.44	\$ 818.30	\$ 912.85	\$ 2,858.00
5	73222	MRI upper extremity; with contrast	\$ 3,516.85	\$ 494.64	\$ 752.07	\$ 930.53	\$ 1,042.11	\$ 2,607.00
6	72158	MRI spinal without contrast followed by contrast	\$ 4,159.50	\$ 629.96	\$ 950.74	\$ 1,218.47	\$ 1,320.58	\$ 4,048.00
7	77003	Fluoroscopic guidance or therapeutic injection	\$ 1,055.02	\$ 110.66	\$ 162.15	\$ 121.85	\$ 227.72	\$ 827.35
8	72146	MRI spinal; thoracic; without contrast	\$ 3,446.07	\$ 435.90	\$ 658.55	\$ 824.71	\$ 914.44	\$ 3,090.00
9	73030	Radiologic examination shoulder; 2 views	\$ 256.98	\$ 36.22	\$ 53.68	\$ 59.64	\$ 74.99	\$ 258.51
10	73610	Radiologic examination ankle; 3 views	\$ 215.05	\$ 39.26	\$ 58.66	\$ 64.13	\$ 81.81	\$ 215.03
11	72100	Radiologic examination spine lumbosacral; 2 or 3 views	\$ 242.36	\$ 42.26	\$ 62.53	\$ 71.18	\$ 87.30	\$ 223.50
12	73110	Radiologic examination wrist; complete minimum of 3 views	\$ 216.29	\$ 43.98	\$ 66.41	\$ 71.83	\$ 92.08	\$ 216.15
13	73562	Radiologic examination knee; 3 views	\$ 230.69	\$ 43.85	\$ 65.85	\$ 71.83	\$ 91.64	\$ 230.85
14	70450	CT head or brain; without contrast	\$ 1,536.46	\$ 190.44	\$ 283.89	\$ 347.58	\$ 396.04	\$ 1,210.40
15	76942	Ultrasonic guidance for needle placement	\$ 1,256.39	\$ 231.71	\$ 354.73	\$ 389.27	\$ 490.16	\$ 1,256.20
16	77002	Fluoroscopic guidance for needle placement	\$ 1,084.60	\$ 92.71	\$ 135.03	\$ 147.50	\$ 190.01	\$ 748.00
17	73140	Radiologic examination finger(s) minimum of 2 views	\$ 158.47	\$ 39.03	\$ 59.21	\$ 63.49	\$ 82.16	\$ 159.24
18	70551	MRI brain; without contrast	\$ 3,161.23	\$ 487.05	\$ 743.77	\$ 913.85	\$ 1,028.66	\$ 2,682.30
19	73130	Radiologic examination hand; minimum of 3 views	\$ 214.15	\$ 38.17	\$ 57.00	\$ 62.21	\$ 79.42	\$ 214.08
20	72110	Radiologic examination spine lumbosacral; 4 views	\$ 351.81	\$ 57.74	\$ 85.22	\$ 96.84	\$ 119.00	\$ 351.91
21	73630	Radiologic examination foot; 3 views	\$ 211.14	\$ 37.08	\$ 55.34	\$ 60.92	\$ 77.03	\$ 208.00
22	70553	MRI brain; without contrast followed by contrast	\$ 4,617.43	\$ 642.94	\$ 971.22	\$ 1,240.27	\$ 1,348.82	\$ 3,620.00
23	74177	CT abdomen and pelvis; with contrast	\$ 1,976.95	\$ 398.48	\$ 592.69	\$ 674.01	\$ 827.85	\$ 3,000.63
24	72131	CT lumbar spine; without contrast	\$ 1,802.26	\$ 240.79	\$ 360.82	\$ 443.14	\$ 502.46	\$ 1,658.00
25	72125	CT cervical spine; without contrast	\$ 1,814.14	\$ 247.27	\$ 369.12	\$ 721.25	\$ 515.04	\$ 1,706.55

Top 25 procedures based on NCCI 2011 Medical Data Call for the State of Alaska

The Alaska Healthcare allowance is based on data obtained from Premera, Aetna, ASEA Health Trust, and the State of Alaska - AlaskaCare

Top 25 Medicine Procedure Codes Ranked by Paid Amounts for Alaska (89.2% of total medicine payments)

Rank	CPT Code	Description	AK WC Fee Schedule	Medicare Fee Schedule	Washington WC Fee Schedule	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	97110	Therapeutic procedure 1 or more areas each 15 minutes; therapeutic exercises	\$ 96.00	\$ 40.62	\$ 53.68	\$ 53.33	\$ 43.37	\$ 98.50
2	97140	Manual therapy techniques 1 or more regions each 15 minutes	\$ 73.53	\$ 38.14	\$ 49.81	\$ 49.78	\$ 40.64	\$ 76.00
3	98941	Chiropractic manipulative treatment (CMT); spinal 3-4 regions	\$ 84.81	\$ 47.05	n/a	\$ 70.08	\$ 49.82	\$ 81.87
4	97112	Therapeutic procedure 1 or more areas each 15 minutes; neuromuscular reeducation	\$ 93.96	\$ 42.07	\$ 55.89	\$ 55.70	\$ 45.12	\$ 99.00
5	97530	Therapeutic activities direct patient contact each 15 minutes	\$ 77.26	\$ 43.74	\$ 58.66	\$ 58.67	\$ 47.26	\$ 77.50
6	97124	Therapeutic procedure 1 or more areas each 15 minutes; massage	\$ 63.32	\$ 32.97	\$ 43.72	\$ 43.85	\$ 35.41	\$ 50.22
7	97014	Application of a modality to 1 or more areas; electrical stimulation (unattended)	\$ 56.24	n/a	\$ 26.56	\$ 26.67	\$ 21.38	\$ 56.00
8	98940	Chiropractic manipulative treatment (CMT); spinal 1-2 regions	\$ 65.96	\$ 33.75	n/a	\$ 50.05	\$ 35.93	\$ 65.50
9	97035	Application of a modality to 1 or more areas; ultrasound each 15 minutes	\$ 61.67	\$ 16.39	\$ 21.03	\$ 21.33	\$ 17.16	\$ 62.00
10	97001	Physical therapy evaluation	\$ 186.38	\$ 96.85	\$ 124.52	\$ 128.00	\$ 101.89	\$ 167.97
11	97010	Application of a modality to 1 or more areas; hot or cold packs	\$ 49.99	n/a	n/a	\$ 10.07	\$ 8.05	\$ 50.00
12	97546	Work hardening/conditioning; each additional hour	\$ 117.65	\$ -	\$ 66.41	80% UCR	n/a	\$ 164.47
13	95904	Nerve conduction amplitude and latency/velocity study each nerve; sensory	\$ 203.67	n/a	n/a	\$ 105.59	\$ 130.76	\$ 208.66
14	97012	Application of a modality to 1 or more areas; traction mechanical	\$ 57.14	\$ 20.61	\$ 26.56	\$ 27.26	\$ 21.74	\$ 59.00
15	97113	Therapeutic procedure 1 or more areas each 15 minutes; aquatic therapy with therapeutic exercises	\$ 106.21	\$ 52.81	\$ 73.60	\$ 71.11	\$ 58.21	\$ 90.47
16	97545	Work hardening/conditioning; initial 2 hours	\$ 295.01	\$ -	\$ 138.90	80% UCR	n/a	\$ 345.91
17	97750	Physical performance test or measurement with written report each 15 minutes	\$ 171.71	\$ 41.79	\$ 55.89	\$ 56.30	\$ 44.84	\$ 124.00
18	95900	Nerve conduction amplitude and latency/velocity study each nerve; motor without F-wave study	\$ 215.70	n/a	n/a	\$ 119.50	\$ 180.17	\$ 218.29
19	97032	Application of a modality to 1 or more areas; electrical stimulation (manual) each 15 minutes	\$ 62.76	\$ 23.87	\$ 32.10	\$ 32.00	\$ 25.69	\$ 56.50
20	99144	Moderate sedation services	\$ 367.75	n/a	n/a	80% UCR	n/a	\$ 243.86
21	99199	Unlisted special service procedure or report	\$ 187.00	n/a	BR	80% UCR	n/a	\$ 70.42
22	95903	Nerve conduction amplitude and latency/velocity study each nerve; motor with F-wave study	\$ 211.48	n/a	n/a	\$ 139.74	\$ 180.17	\$ 317.98
23	97799	Unlisted physical medicine/rehabilitation service or procedure	\$ 218.00	n/a	BR	80% UCR	n/a	\$ 127.61
24	98942	Chiropractic manipulative treatment (CMT); spinal 5 regions	\$ 111.51	\$ 60.90	n/a	\$ 89.43	\$ 64.11	\$ 112.68
25	95920	Intraoperative neurophysiology testing per hour	\$ 228.11	n/a	n/a	\$ 309.19	\$ 180.17	\$ 632.82

Top 25 procedures based on NCCI 2011 Medical Data Call for the State of Alaska

The Alaska Healthcare allowance is based on data obtained from Premera, Aetna, ASEA Health Trust, and the State of Alaska - AlaskaCare

Top 25 Evaluation and Management Procedure Codes Ranked by Paid Amounts for Alaska (97.5% of total E&M payments)

Rank	CPT Code	Description	AK WC Fee Schedule	Medicare Fee Schedule	Washington WC Fee Schedule	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	99213	Office visit for E&M established patient; low to moderate severity; 15 minutes	\$ 169.98	\$ 91.01	\$ 121.75	\$ 140.51	\$ 139.69	\$ 176.00
2	99214	Office visit for E&M established patient; moderate to high severity; 25 minutes	\$ 246.35	\$ 134.71	\$ 178.19	\$ 207.71	\$ 205.59	\$ 255.50
3	99283	Emergency department visit; moderate severity.	\$ 398.87	\$ 82.25	\$ 97.95	\$ 120.15	\$ 118.05	\$ 415.09
4	99203	Office visit for E&M new patient; moderate severity; 30 minutes	\$ 266.28	\$ 134.43	\$ 180.41	\$ 209.75	\$ 206.69	\$ 275.00
5	99212	Office visit for E&M established patient; minor issue; 10 minutes	\$ 133.03	\$ 53.35	\$ 73.60	\$ 84.85	\$ 83.48	\$ 135.72
6	99456	Work related or medical disability examination by other than the treating physician.	\$ 1,156.00	\$ -	n/a	80% UCR	n/a	\$ 1,429.42
7	99284	Emergency department visit; high severity; not an immediate threat to life	\$ 595.78	\$ 157.01	\$ 187.60	\$ 228.76	\$ 225.41	\$ 668.87
8	99204	Office visit for E&M new patient; moderate to high severity; 45 minutes	\$ 380.40	\$ 208.33	\$ 273.38	\$ 320.39	\$ 316.23	\$ 413.50
9	99202	Office visit for E&M new patient; moderate severity; 20 minutes	\$ 204.47	\$ 92.24	\$ 124.52	\$ 144.58	\$ 142.52	\$ 202.00
10	99285	Emergency department visit; high severity; immediate threat to life	\$ 888.62	\$ 230.81	\$ 274.49	\$ 335.33	\$ 330.60	\$ 939.00
11	99455	Work related or medical disability examination by the treating physician.	\$ 722.00	\$ -	n/a	80% UCR	n/a	\$ 256.55
12	99282	Emergency department visit; low to moderate severity.	\$ 265.07	\$ 54.83	\$ 65.85	\$ 80.10	\$ 78.95	\$ 252.98
13	99244	Office consultation for new or established patient; moderate to high severity; 60 minutes	\$ 336.00	n/a	\$ 293.30	\$ 352.98	\$ 343.34	\$ 603.50
14	99243	Office consultation for new or established patient; moderate severity; 40 minutes	\$ 263.00	n/a	\$ 198.67	\$ 238.94	\$ 230.56	\$ 413.50
15	99215	Office visit for E&M established patient; moderate to high severity; 40 minutes	\$ 394.16	\$ 181.62	\$ 237.96	\$ 278.99	\$ 275.64	\$ 393.00
16	99291	Critical care E&M critically ill or critically injured patient; first 30-74 minutes	\$ 1,120.60	\$ 352.02	\$ 451.57	\$ 532.86	\$ 527.10	\$ 1,178.00
17	99205	Office visit for E&M new patient; moderate to high severity; 60 minutes	\$ 513.54	\$ 260.42	\$ 338.13	\$ 397.78	\$ 440.57	\$ 531.87
18	99232	Hospital visit for E&M of patient; inadequate response or minor complication; 25 minutes	\$ 327.54	\$ 94.16	\$ 115.66	\$ 139.15	\$ 137.60	\$ 319.00
19	99211	Office visit for E&M established patient; minor issue; 5 minutes	\$ 93.61	\$ 24.30	\$ 34.31	\$ 39.37	\$ 38.68	\$ 84.48
20	99201	Office visit for E&M new patient; minor issue; 10 minutes	\$ 164.05	\$ 53.35	\$ 73.60	\$ 84.85	\$ 83.48	\$ 143.09
21	99354	Prolonged office visit or consultation; first hour	\$ 703.69	\$ 128.38	\$ 161.04	\$ 192.10	\$ 189.87	\$ 341.46
22	99245	Office consultation for a new or established patient; moderate to high severity; 80 minutes	\$ 314.00	n/a	\$ 358.05	\$ 431.72	\$ 420.07	\$ 765.00
23	99233	Hospital visit for E&M of patient; patient unstable or complication developed; 35 minutes	\$ 445.95	\$ 135.62	\$ 166.57	\$ 199.57	\$ 198.26	\$ 458.00
24	99223	Initial hospital visit for E&M of patient; high severity; 70 minutes	\$ 811.03	\$ 264.14	\$ 326.51	\$ 389.63	\$ 386.95	\$ 871.87
25	99499	Unlisted evaluation and management service	\$ 742.00	n/a	BR	80% UCR	n/a	\$ 85.00

Top 25 procedures based on NCCI 2011 Medical Data Call for the State of Alaska

The Alaska Healthcare allowance is based on data obtained from Premera, Aetna, ASEA Health Trust, and the State of Alaska - AlaskaCare

Top 25 Hospital Inpatient DRG Codes Ranked by Paid Amounts for Alaska (58.1% of total inpatient payments)

Rank	DRG Code	Description	AK WC Fee Schedule*	Medicare Fee Schedule**	Washington WC Fee Schedule**	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	999	Ungroupable	*	\$ -	***	****		N/A
2	460	Spinal fusion except cervical without major complications or comorbidities	*	\$ 28,707.87	***	****	\$ 38,783.00	\$ 68,436.38
3	470	Major joint replacement or reattachment of lower extremity without major complications or comorbidities	*	\$ 15,509.79	***	****	\$ 20,953.00	\$ 34,928.62
4	494	Lower extremity and humerus procedures except hip foot femur without complications or comorbidities / major complications or comorbidities	*	\$ 10,317.16	***	****	\$ 13,938.00	\$ 22,694.66
5	473	Cervical spinal fusion without complications or comorbidities / major complications or comorbidities	*	\$ 15,732.59	***	****	\$ 21,254.00	\$ 29,595.93
6	534	Fractures of Femur without MCC	*	\$ 5,452.45	***	****	\$ 7,366.00	N/A
7	552	Medical Back Problems without major complications or comorbidities	*	\$ 6,316.28	***	****	\$ 8,533.00	\$ 15,240.67
8	902	Wound Debridements for Injuries with CC	*	\$ 12,642.18	***	****	\$ 17,079.00	N/A
9	208	Respiratory System Diagnosis with Ventilator Support <96 Hours	*	\$ 16,950.25	***	****	\$ 22,899.00	\$ 89,659.86
10	853	Infectious and Parasitic Diseases with O.R. Procedure with MCC	*	\$ 39,550.59	***	****	\$ 53,431.00	\$ 44,524.89
11	490	Back and neck procedures except spinal fusion with complications or comorbidities / major complications or comorbidities or disc device/neurostimulator	*	\$ 13,437.92	***	****	\$ 18,154.00	\$ 26,334.12
12	484	Major Joint and Limb Reattachment Procedures of Upper Extremity without CC/MCC	*	\$ 15,507.57	***	****	\$ 20,950.00	N/A
13	502	Soft Tissue Procedures without CC/MCC	*	\$ 7,898.12	***	****	\$ 10,670.00	N/A
14	854	Infectious and Parasitic Diseases with O.R. Procedure with CC	*	\$ 18,937.00	***	****	\$ 25,583.00	\$ 35,504.23
15	493	Lower extremity and humerus procedures except hip foot femur with complications or comorbidities	*	\$ 14,293.61	***	****	\$ 19,310.00	\$ 31,224.23
16	491	Back and neck procedures except spinal fusion without complications or comorbidities / major complications or comorbidities	*	\$ 7,664.22	***	****	\$ 10,354.00	\$ 18,292.99
17	482	Hip and Femur Procedures Except Major Joint without CC/MCC	*	\$ 11,592.21	***	****	\$ 15,660.00	\$ 19,867.33
18	514	Hand or Wrist Procedures Except Major Thumb or Joint Procedures without CC/MCC	*	\$ 6,406.59	***	****	\$ 8,655.00	\$ 9,732.22
19	603	Cellulitis without MCC	*	\$ 6,211.91	***	****	\$ 8,392.00	\$ 15,992.89
20	165	Major Chest Procedures without CC/MCC	*	\$ 13,266.19	***	****	\$ 17,922.00	N/A
21	501	Soft Tissue Procedures with CC	*	\$ 11,799.07	***	****	\$ 15,940.00	\$ 23,388.06
22	465	Wound Debridement and Skin Graft Except Hand for Musculo-Connective Tissue Disorders without CC/MCC	*	\$ 13,917.58	***	****	\$ 18,802.00	N/A
23	497	Local Excision and Removal Internal Fixation Devices Except Hip and Femur without complications or comorbidities / major complications or comorbidities	*	\$ 8,291.92	***	****	\$ 11,202.00	\$ 20,491.96
24	909	Other O.R. Procedures for Injuries without CC/MCC	**	\$ 8,920.37	***	****	\$ 12,051.00	\$ 10,156.17
25	512	Shoulder Elbow or Forearm Procedure Except Major Joint Procedure without CC/MCC	*	\$ 8,291.18	***	****	\$ 11,201.00	\$ 15,943.63

* Alaska's Fee Schedule MAR is based on per diem rate of \$19,659/day for Med/Surg and \$32,654/day for ICU/CCU

** Medicare's allowable fee per stay. Operating & capital base payment rates adjusted only for geographic factors and case mix

*** Washington's per diem rate is \$9,318.03/day for surgical and \$2,125.19 for medical

**** Oregon's fee schedule is based on billed rate times cost-to-charge ratio and is hospital specific

Top 25 Ambulatory Surgical Center Procedure Codes Ranked by Paid Amounts for Alaska (55.0% of total ASC payments)

Rank	Code	Description	AK WC Fee Schedule	Medicare Fee Schedule	Washington WC Fee Schedule	Oregon WC Fee Schedule	Idaho WC Fee Schedule	AK Median Healthcare Allowance
1	29881	Arthroscopy knee surgical; with meniscectomy including debridement	\$ 11,264.22	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$5,945.52
2	23412	Repair of ruptured musculotendinous cuff (e.g. rotator cuff) open; chronic	\$ 14,369.52	\$ 4,000.05	\$ 3,281.73	\$ 3,104.21	\$ 4,338.38	\$6,122.59
3	29826	Arthroscopy shoulder surgical; decompression of subacromial space with partial acromioplasty with coracoacromial ligament (i.e., arch) release when performed	\$ 12,288.24	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$5,277.96
4	29822	Arthroscopy shoulder surgical; debridement limited	\$ 12,288.24	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$3,569.26
5	23430	Tenodesis of long tendon of biceps	\$ 12,932.57	\$ 4,000.05	\$ 3,281.73	\$ 3,104.21	\$ 4,338.38	\$5,368.94
6	23120	Claviclectomy; partial	\$ 15,806.47	\$ 2,684.20	\$ 2,202.18	\$ 2,263.26	\$ 2,911.24	\$5,555.09
7	490	Ambulatory surgical care	***	***	***	***	***	N/A
8	23130	Acromioplasty or acromionectomy partial with or without coracoacromial ligament release	\$ 17,243.42	\$ 4,000.05	\$ 3,281.73	\$ 3,104.21	\$ 4,338.38	\$6,052.06
9	29888	Arthroscopically aided anterior cruciate ligament repair/augmentation or reconstruction	\$ 12,288.24	\$ 6,821.70	\$ 5,596.68	\$ 4,771.39	\$ 7,398.70	\$9,003.29
10	23410	Repair of ruptured musculotendinous cuff (eg rotator cuff) open; acute	\$ 12,932.57	\$ 4,000.05	\$ 3,281.73	\$ 3,104.21	\$ 4,338.38	\$6,469.33
11	63030	Laminotomy (hemilaminectomy) with decompression of nerve root(s) including partial facetectomy foraminotomy and/or excision of herniated intervertebral disc; 1 interspace lumbar	\$ 17,505.05	\$ 4,373.57	\$ 3,467.58	\$ 3,989.49	\$ 4,743.50	\$8,640.00
12	29807	Arthroscopy shoulder surgical; repair of superior labral tear from anterior to posterior (SLAP) lesion	\$ 12,288.24	\$ 4,515.10	\$ 3,704.29	\$ 3,687.22	\$ 4,897.00	\$5,685.80
13	64483	Injection(s) anesthetic agent and/or steroid transforaminal epidural with imaging guidance (fluoroscopy or computed tomography (CT)); lumbar or sacral single level	\$ 2,917.51	\$ 658.32	\$ 540.10	\$ 616.68	\$ 714.00	\$1,706.48
14	63650	Percutaneous implantation of neurostimulator electrode array epidural	\$ 14,322.31	\$ 5,119.66	n/a	\$ 2,111.11	\$ 5,552.69	\$11,880.16
15	20680	Removal of implant; deep (eg buried wire pin screw metal band nail rod or plate)	\$ 12,193.94	\$ 1,932.86	\$ 1,585.77	\$ 1,800.64	\$ 2,096.35	\$3,179.50
16	62311	Injection(s) of diagnostic or therapeutic substance(s) (including anesthetic antispasmodic opioid steroid other solution) not including neurolytic substances including needle or catheter placement includes contrast for localization when performed epidural or subarachnoid	\$ 2,254.44	\$ 658.32	\$ 540.10	\$ 616.68	\$ 714.00	\$1,705.20
17	64721	Neuroplasty and/or transposition; median nerve at carpal tunnel	\$ 9,548.21	\$ 1,564.74	\$ 1,283.75	\$ 1,464.45	\$ 1,697.09	\$4,070.22
18	64493	Injection(s) diagnostic or therapeutic agent paravertebral facet (zygapophyseal) joint (or nerves innervating that joint) with image guidance (fluoroscopy or computed tomography (CT)) lumbar or sacral; single level	\$ 3,978.42	\$ 658.32	\$ 540.10	\$ 616.68	\$ 714.00	\$ 2,015.04
19	29824	Arthroscopy shoulder surgical; distal claviclectomy including distal articular surface (Mumford procedure)	\$ 12,288.24	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$4,755.06
20	64416	Injection anesthetic agent; brachial plexus continuous infusion by catheter (including catheter placement)	\$ 2,254.44	\$ 658.32	\$ 540.10	\$ 616.68	\$ 714.00	\$1,305.77
21	29880	Arthroscopy knee surgical; with meniscectomy (medial and lateral including any meniscal shaving) including debridement/shaving of articular cartilage	\$ 11,264.22	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$6,174.00
22	29877	Arthroscopy knee surgical; debridement/shaving of articular cartilage	\$ 11,264.22	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$5,325.03
23	29875	Arthroscopy knee surgical; synovectomy limited (eg plica or shelf resection) (separate procedure)	\$ 11,264.22	\$ 2,457.12	\$ 2,015.88	\$ 2,295.48	\$ 2,664.95	\$4,986.61
24	64415	Injection anesthetic agent; brachial plexus single	\$ 2,254.44	\$ 339.47	\$ 278.51	\$ 318.07	\$ 368.19	\$1,409.28
25	64494	Injection(s) diagnostic or therapeutic agent paravertebral facet (zygapophyseal) joint (or nerves innervating that joint) with image guidance (fluoroscopy or CT) lumbar or sacral; second level (List separately in addition to code for primary procedure)	\$ 3,978.42	\$ 212.49	\$ 174.93	\$ 199.21	\$ 230.46	\$ 2,629.20

*** Alaska's Fee Schedule combines revenue codes into the surgical CPT code, which is used to determine the outpatient facility allowance

Top 25 procedures based on NCCI 2011 Medical Data Call for the State of Alaska

The Alaska Healthcare allowance is based on data obtained from Premier, Aetna, ASEA Health Trust, and the State of Alaska - AlaskaCare

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules
- Member: Resources, Community & Regional Affairs,
Economic Development Trade & Tourism,
Fisheries, 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

CSHB 316 Sectional Analysis ver. P

Section 1. Amends the physician, outpatient and ambulatory surgical center, and inpatient hospital fee schedules to be based on the federal Centers for Medicare and Medicaid Services fees.

Section 2. Requires the Workers' Compensation Advisory Board to annually review and adjust fees set under Section 1. Requires the board to request and consider recommendations from the Medical Services Review Committee on setting the conversion factors and rates specified in Section 1. Provides for maximum reimbursement for fees rendered in another state. Requires the board to set the rate for air ambulance service. Requires the board to set the markup, and reimbursement limits for durable medical equipment. Requires the board to set the markup, dispensing fee, and reimbursement limits for prescription drugs. Requires a prescription drug dispensed by a physician to include in an invoice the original manufacturer's code from the National Drug Code Directory published by the USFDA. Exempts critical access hospitals from the fee schedules established in Section 1. Allows the board to apply a geographic adjustment factor to fee schedules in Section 1.

Section 3. Lists reference materials the department may incorporate, including future amended versions, into regulations.

Section 4. Section 1 and Section 3(j)-(0) are effective on July 1, 2015.

Section 5. Excluding Sections 6 and 7 of the Act, this Act is effective on July 1, 2014.

ALASKA STATE LEGISLATURE

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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.

Email: rep.kurt.olson@akleg.gov

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules
- Member: Resources, Community & Regional Affairs,
Economic Development Trade & Tourism,
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CSHB 316

Explanation of Changes-28-LS1362\N to \P

Section 2, page 2, subsection (2), lines 24-26 explicitly requires the Workers' Compensation Board to request and consider recommendations from the Medical Services Review Committee for setting conversion factors and rates.

Section 2, page 2, subsection (3), lines 27-29 requires the Workers' Comp Board to consult with the Medical Services Review Committee before evaluating or revising conversion factors for the fee schedules.

Section 2, page 3, line 18, paragraph (n) is an exemption for critical access hospitals.

Section 2, page 3, line 22, paragraph (o) allows the board to adjust fee schedules to reflect the cost in the geographic area where services are provided.

Section 3, page 3, line 25-directly refers to the statute (AS 44.62.245 (a)(2)) under which future amended versions of documents or reference material may be incorporated.

Page 3, line 12, following the second instance of "the" insert "original".

Page 3, line 15, following the first instance of "the" insert "original manufacturer's".

Page 4, line 14: delete "January 1, 2015 insert "July 1, 2015".

The sunset provision in Sections 2, 5, and 7 of version N were removed.

RESOLUTION NUMBER 13-01
RESOLUTION IN SUPPORT OF ADDRESSING SYSTEM COSTS
UNDER THE ALASKA WORKERS' COMPENSATION ACT

WHEREAS, the Alaska Workers' Compensation Board (Board) is a public organization that is accountable through its members to the residents, the Legislature, and the Governor of Alaska;

WHEREAS, the Board acts as the lead state agency for adjudicating disputes under the Alaska Workers' Compensation Act, to ensure quick, efficient, and fair payments of benefits to injured workers at a reasonable cost to employers;

WHEREAS, Alaska's workers' compensation premium rates are the highest in the nation according to the October 2012 Oregon Workers' Compensation Premium Rate Ranking Summary;

WHEREAS, medical costs comprise \$.75 of each dollar spent on workers' compensation benefits;

WHEREAS, medical benefit costs have risen 25% over the last 5 years despite a 14.2% decline in the frequency of workers' compensation claims over the same period;

WHEREAS, research is clear that inappropriate opioid use is an epidemic damaging lives and driving up costs, as stated in the August 28, 2013 joint policy recommendations of the International Association of Industrial Accident Boards and Commissions, the American College of Occupational and Environmental Medicine; the National Association of Insurance Commissioners, the National Alliance for Model State Drug Laws, and the National Council of Insurance Legislators;

WHEREAS, rehabilitation and reemployment of injured workers costs employers \$12.9 million in CY2012, with fewer than 8% of eligible injured workers successfully completing retraining;

NOW THEREFORE BE IT RESOLVED that the Board respectfully requests that the Alaska State Legislature amend the Alaska Workers' Compensation Act to provide the following:

1. That all fees and charges for medical treatment be subject to regulation by the Board;
2. That the physician fee schedule be based on Centers for Medicare and Medicaid Services (CMS) resource based relative value scale (RBRVS) increased by a board specified conversion factor;
3. That the outpatient hospital/ambulatory surgical center fee schedule be based on CMS ambulatory payment classification increased by a board specified conversion factor;

4. That the inpatient hospital fee schedule be based on CMS Medicare severity diagnostic related group (MSDRG) increased by a board specified base rate;
5. That the Board evaluate board specified conversion factors and rates every two years;
6. That air ambulance services be reimbursed at a board specified rate;
7. That medical providers be required to bill payers within 180 days of date of service;
8. That medical providers must submit a claim for disputed payment within 60 days of the disputed payment;
9. That reimbursement for out-of-state services be the lower of the workers' compensation fee schedule in the jurisdiction where the service is provided or the workers' compensation fee schedule adopted in Alaska;
10. That durable medical equipment not included in a covered medical procedure be reimbursed at manufacturer's invoice plus a board specified markup.
11. That reimbursement for prescription drugs be based on manufacturer's invoice plus a board specified mark-up and dispensing fee;
12. That prescription drugs dispensed by a physician include the manufacturer's national drug code (NDC) assigned by the U.S. Food and Drug Administration, and are subject to the same prescription drug formulary as retail pharmacies; and
13. Authorize the Board to adopt regulations relating to the prescription of opioids.

BE IT FURTHER RESOLVED that the Board respectfully requests that the Alaska State Legislature amend the Alaska Workers' Compensation Act to authorize the department, in adopting or amending a regulation that incorporates a document or other material by reference, to incorporate future amended versions of a document or other material if it is one of the following:

1. *Current Procedural Terminology Codes*, produced by the American Medical Association;
2. *Healthcare Common Procedure Coding System*, produced by the American Medical Association;
3. *International Classification of Diseases*, published by the American Medical Association;
4. *Relative Value Guide*, produced by the American Society of Anesthesiologists;
5. *Diagnostic and Statistical Manual of Mental Disorders*, produced by the American Psychiatric Association;
6. *Current Dental Terminology*, published by the American Dental Association;
7. *Resource Based Relative Value Scale*, produced by CMS;
8. *Ambulatory Payment Classifications*, produced by CMS;
9. *Medicare Severity Diagnosis Related Groups (MSDRG)*, produced by CMS;
10. *National Correct Coding Initiative Edits* produced by CMS; or
11. Any other document or material the board incorporates by reference.

BE IT FURTHER RESOLVED that that the Board respectfully requests that the Alaska State Legislature amend the Alaska Workers' Compensation Act to provide the following:

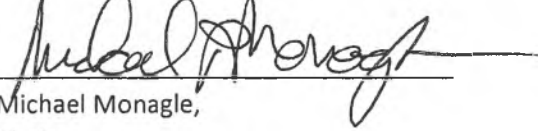
1. Transition from emphasis on retraining to emphasis on stay-at-work/return-to-work and on a voluntary basis, provide an initial consultation with the employer, the employee, and the employee's treating physician to determine the physical demands of the employer and the physical capacities of the employee to determine whether a stay-at-work/return-to-work plan can be implemented.
2. A repeal of the 90 day mandatory reemployment evaluation under AS 23.30.041, and return to evaluations on the request of either the employer or the employee.
3. Adopt the following:
 - a. Strengthen criteria by eliminating reemployment services by non-credentialed individuals and eliminating reemployment services being administered by firms not principally owned by credentialed individuals.
 - b. Authorize the Board to establish fees for reemployment specialist services.
 - c. Increase the benefit under .041(l) from \$13,300 to \$18,600, and adjust to cpi annually.
 - d. If found eligible, provide two choices
 - i. accept retraining with limit of 2 years and maximum benefit under .041(l), or
 - ii. accept a one-time cash payment of the maximum benefit under .041(l) plus 50%.
4. Increase evaluation time from 30 days to 60 days.
5. Provide statutory provision for RBA reconsideration with 30 days of decision.
6. Amend the statute to allow employers to controvert based on noncooperation & follow regular claim process.

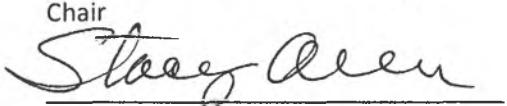
BE IT FURTHER RESOLVED that copies of the Resolution be promptly transmitted to the Governor, the President of the Senate, the Speaker of the House, and the Chairman of the Senate and House Labor and Commerce Committees.

CERTIFICATION

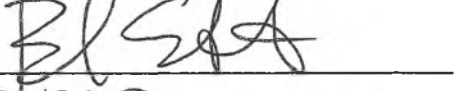
The Alaska Workers' Compensation Board held a meeting duly and regularly called, noticed, and convened this 27th day of September, 2013, and the foregoing Resolution was adopted at said meeting.


Signed this 27th day of September, 2013

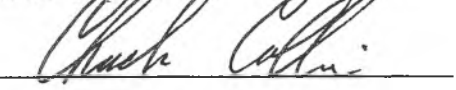

Michael Monagle,
Chair


Stacy Allen,
Labor Member


Stacy Allen,
Labor Member

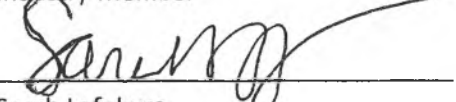

Brad S. Austin,
Labor Member



Pamela Cline,
Labor Member


Chuck Collins,
Industry Member


Linda Hutchings,
Industry Member

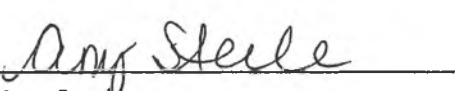

David Kester,
Industry Member

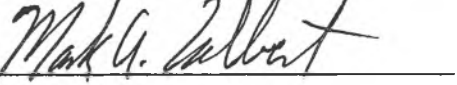

Sarah Lefebvre,
Industry Member

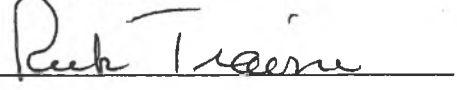

Krista Lord,
Industry Member

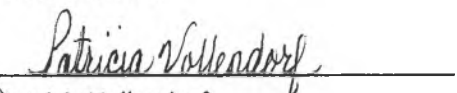

Ronald Nalikak,
Industry Member

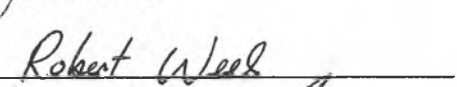
ABSENT
Michael O'Connor,
Industry Member



Amy Steele,
Industry Member


Mark Talbert,
Labor Member


Rick Traini,
Labor Member


Patricia Vollendorf,
Labor Member


Robert Weel,
Industry Member


Zeb Woodman,
Labor Member

Introduced By: City Manager
Date: February 26, 2014
Action: Adopted
Vote: 4 Yes, 0 No, 2 Absent

CITY OF SOLDOTNA
RESOLUTION 2014-008

A RESOLUTION SUPPORTING HOUSE BILL 141, WORKERS' COMPENSATION
MEDICAL FEES

WHEREAS, Alaskan employers pay the highest rates for worker's compensation insurance in the nation; and

WHEREAS, if employees go out of state to have health care treatment, the health care provider is authorized to bill at the State of Alaska rate rather than the lower rate established in the provider's state; and

WHEREAS, HB 141 eliminates that potential to bill at a higher rate for the services and provides that the reimbursement shall be billed under the worker's compensation statutes of the state where services are provided; and

WHEREAS, some out of state providers were not aware of the potential to bill at the higher rate when services were provided in the past and are now back billing at the higher rate; and

WHEREAS, HB 141 requires providers to submit bills within 180 days after services are rendered;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOLDOTNA, ALASKA:

Section 1. The Soldotna City Council urges the 28th Alaska State Legislature to enact HB141, "An Act setting the fee for medical treatment or services performed outside the state under Alaska Workers' Compensation Act, requiring a provider of medical treatment or services under the Alaska Workers' Compensation Act to submit bills for treatment or services to employers within 180 days after the date the treatment or services are rendered, and limiting the time for appealing an employer's denial or reduction of a bill; and providing for an effective date".

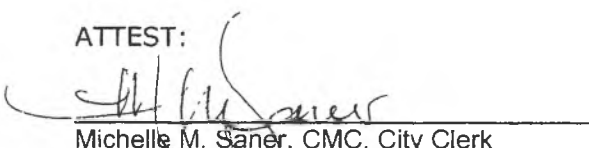
Section 2. That a copy of this resolution will be sent to House Labor & Commerce Committee Chair, Representative Kurt Olson.

Section 3. This resolution shall become effective immediately upon its adoption.

ADOPTED BY THE CITY COUNCIL THIS 26TH DAY OF FEBRUARY, 2014.


Nels Anderson, Mayor

ATTEST:


Michelle M. Sauer, CMC, City Clerk

Ayes: Whitney, Daniels, Baxter, Sprague
Noes: None
Absent: Bos, Murphy

14RES008

Mark Dixson

City of Soldotna • City Manager
177 N Birch St • Soldotna, AK 99669
(907)714-1227



MEMORANDUM

TO: Mayor and City Council

DATE: February 19, 2014

SUBJECT: HB 141

Alaska has the highest worker's compensation premiums in the nation. HB 141 eliminates the ability of out of state providers to bill at the State of Alaska reimbursement rates which are notably higher than those in the lower 48. Health care providers will be limited to their states reimbursement rates.

Many health care providers [and there is a firm specializing in doing this for providers] are going back and back billing for prior services resulting in substantial costs to many employers in the State. This bill would require billings to be made within 180 days of service.

This is the first in a series of bills being submitted by Rep. Olson in an attempt to reduce worker's compensation premiums in the state. There will be up to four new bills introduced between the date of this memo and our Council meeting. I will have copies of those bills for consideration at our meeting. Since we have no meeting on March 12 and the meeting on March 26 will be too late for the City to take a position, any position on these yet to be introduced bills must be made on February 26.

ALASKA STATE LEGISLATURE

REPRESENTATIVE KURT OLSON

- Chair: Labor and Commerce
- Vice Chair: Rules
- Member: Resources, Community & Regional Affairs,
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Interim: May - December
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Kenai, AK 99611
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Official Business

HB 141 Sectional Analysis

Section 1 amends AS 23.30.097(a) to apply to fees rendered in the state (b) adds that fees rendered in another state may not exceed the fee or charge for a treatment or service set by the workers' compensation statutes of the state where the services are rendered.

Section 2 adds a new subsection to AS 23.30.097 that allows the provider to receive payment for services if the bill for those services is received by the employer within 180 days after the later of the date of service, or the date the provider knew of the claim as it related to employment. Limits the appeal process for providers to 60 days after receiving notice of a denial or reduction of a bill.

Section 3 adds a new section determining applicability.

Section 4 adds a new section which allows providers a 180 day window to submit bills for services after the effective date of this act. Allows providers to appeal a bill denied or reduced before the effective date, if the appeal is filed within 60 days after the effective date of this act.

Section 5 adds a new section stating 23.30.097 (a), (h),(i) are retroactive.

Section 6 adds that this Act would take effect immediately under AS 01.10.070(c).

Please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill; the bill itself is the best statement of its contents.

Email: rep.kurt.olson@akleg.gov

ALASKA STATE LEGISLATURE

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HB 141 Sponsor Statement

HB 141 provides stability for Alaskan businesses by defining rates for workers compensation procedures performed out of state, and establishing billing timelines. Although workers compensation rates vary widely from state to state, and procedure to procedure, Alaskan employers consistently pay the highest premium rates in the nation.

HB 141 eliminates the potential for workers compensation claims that are treated in another state to bill at Alaska's higher rates. This legislation specifies that reimbursement for services is billed under the workers compensation statutes of the state where services are rendered.

HB 141 requires a provider of medical treatment to submit bills to the employer within 180 days after the services are rendered. This eliminates the ability for providers to back bill for claims that were paid and presumed by the employer to be closed, years after the fact, which can be financially devastating for employers. This legislation provides predictability, and therefore stability to Alaskan businesses as they budget and plan for the future.

Email: rep.kurt.olson@akleg.gov



Alaska Timber Insurance Exchange

2417 Tongass Avenue, Suite 214
Ketchikan, Alaska 99901
FAX (907) 225-9454
(907) 225-9451

January 28, 2014

The Honorable Kurt Olson
House of Representative
State Capitol Room 24
Juneau, AK 99801-1182

Dear Representative Olson:

The Alaska Timber Insurance Exchange (ATIE) supports enactment of House Bill 141 (HB 141). It is believed that HB 141 will help lower workers' compensation insurance costs for Alaskan employers by reducing workers' compensation medical costs when medical treatment or services are provided outside of Alaska. The bill would specify that the fee or charge for medical treatments or services provided outside of Alaska could not exceed the fee or charge for a treatment or service set by the workers' compensation statute of the state where the service is rendered.

Exhibit 1, at the end of this document, illustrates the potential cost savings. The exhibit compares the maximum amount payable for several procedures using the Alaska Workers' Compensation Fee Schedule, adjusted downward for where the service takes place, and the maximum amount payable using the workers' compensation fee for the state where the treatment or service was performed.

Employers in Alaska are subject to some of the highest workers' compensation insurance rates in the United States. The most current Oregon Workers' Compensation Premium Ranking released in October 2012 by the State of Oregon Department of Consumer and Business Services reports that Alaska has the highest workers' compensation premium rates in the United States. This report was based upon premium rates in effect during 2012.

Per the National Council on Compensation Insurance, medical benefits make up 76% of the total benefit costs in Alaska. This compares to medical benefits making up 59% of total benefit costs on a countrywide basis.

Alaska Timber Insurance Exchange

Any reduction to amounts paid for workers' compensation medical treatment or services would be helpful in lowering workers' compensation costs for Alaskan employers.

ATIE is small workers' compensation insurance company that is owned by its policyholders. It functions similarly to a cooperative in that most profits generated are returned to its policyholders in the form of dividends.

For policy years 2008 to 2012, ATIE paid dividends equal to 26% of the premiums collected. Any reduction in workers' compensation medical costs for ATIE will directly benefit its employer owners.

Sincerely,



Michael Hinch
General Manager

CC: Alaska Timber Insurance Exchange Board of Governors
Alaska Timber Insurance Exchange Policyholders

**Fee Schedule Comparison by Where Medical Treatment or Service Provided
Exhibit 1**

CPT Code	Description	Seattle, Washington		Portland, Oregon		Boise, Idaho	
		Alaska WC Fee Schedule	Washington WC Fee Schedule	Alaska WC Fee Schedule	Oregon WC Fee Schedule	Alaska WC Fee Schedule	Idaho WC Fee Schedule
63042	Laminotomy w/decompression, lumbar	\$ 9,567.19	\$ 2,154.94	\$ 9,041.52	\$ 3,035.99	\$ 8,737.80	\$ 5,034.15
97110	Physical Therapy, 1+ areas, 15 min	\$ 78.62	\$ 53.68	\$ 74.30	\$ 53.38	\$ 71.81	\$ 44.10
29888	Arthroscopic ligament repair	\$ 7,192.93	\$ 1,648.03	\$ 6,797.72	\$ 2,305.25	\$ 6,569.37	\$ 3,242.20
29881	Arthroscopy w/meniscectomy	\$ 4,224.42	\$ 912.56	\$ 3,992.31	\$ 1,270.75	\$ 3,858.20	\$ 2,091.70
99283	ER evaluation, moderate complexity	\$ 326.67	\$ 97.95	\$ 308.73	\$ 116.97	\$ 298.35	\$ 121.10
63056	Spinal cord/Nerve root decompression, lumbar	\$ 10,457.16	\$ 2,446.58	\$ 9,882.59	\$ 3,452.78	\$ 9,550.62	\$ 5,732.10
22612	Spinal fusion, lumbar	\$ 10,608.37	\$ 2,635.84	\$ 10,025.49	\$ 3,713.36	\$ 9,688.72	\$ 6,166.80
99213	Office visit, expanded, 15 mins	\$ 139.21	\$ 121.75	\$ 131.56	\$ 141.56	\$ 127.15	\$ 142.80
63044	Laminotomy w/decompression, add'l lumbar interspace	\$ 3,170.52	\$ 1,076.36	\$ 2,996.32	N/A	\$ 2,895.67	N/A
20103	Exploratory surgery, traumatic wound, extremity	\$ 2,290.20	\$ 1,003.31	\$ 2,164.37	\$ 1,498.40	\$ 2,091.66	\$ 1,454.71

1 By: Luke Hopkins, Mayor
2 Introduced: 02/13/2014
3 Adopted: 02/13/2014
4

5
6 FAIRBANKS NORTH STAR BOROUGH

7
8 RESOLUTION NO. 2014 - 09

9
10 A RESOLUTION SUPPORTING LEGISLATIVE ACTION TO ADOPT THE
11 RECOMMENDATIONS CONTAINED IN RESOLUTION 13-01 OF THE ALASKA
12 WORKERS' COMPENSATION BOARD
13

14 WHEREAS, the Alaska Workers' Compensation Board is a public
15 organization that is accountable to the residents, Legislature and Governor of Alaska
16 and that acts as the lead agency for adjudicating disputes under the Alaska Worker's
17 Compensation Act, to ensure quick, efficient and fair payments of benefits to injured
18 workers at a reasonable cost to employers; and,
19

20 WHEREAS, despite a 14.2% decline in the frequency of worker's
21 compensation claims over the past 5 years, Alaska has seen its workers' compensation
22 premium rates climb to the highest in the nation; and,
23

24 WHEREAS, workers' compensation medical costs have increased 25%
25 over the last 5 years and are the primary driver in the increase in premium with \$0.75
26 of every \$1.00 spent on workers' compensation benefits being spent on medical cost;
27 and,
28

29 WHEREAS, identical medical services paid by a workers' compensation
30 claim versus private insurance or self-pay is often multiples higher; and,
31

32 WHEREAS, Resolution 13-01 of the Alaska Workers' Compensation
33 Board identifies changes needed to address the escalating workers' compensation
34 costs while protecting the rights of workers to fair and reasonable compensation when
35 injured while working; and,
36

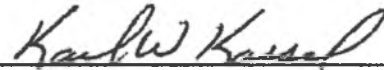
37 WHEREAS, legislative action to implement the changes recommended in
38 Resolution 13-01 of the Alaska Workers' Compensation Board is in the best interest of
39 the Fairbanks North Star Borough, its residents, and its employers.
40

41 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the
42 Fairbanks North Star Borough supports legislative action to adopt the recommended
43 changes outlined in Resolution 13-01 of the Alaska Workers' Compensation Board.
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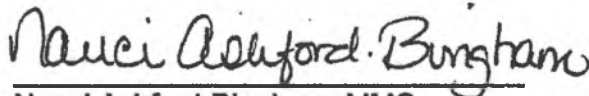
BE IT FURTHERED RESOLVED that copies of this resolution shall be sent to the Alaska Interior Delegation and the Honorable Governor Sean Parnell.

PASSED AND APPROVED THIS 13TH DAY OF FEBRUARY, 2014.



Karl Kassel
Karl Kassel
Presiding Officer

ATTEST:



Nanci Ashford-Bingham, MMC
Nanci Ashford-Bingham, MMC
Borough Clerk

51
52
53
54

Ayes: Hutchison, Golub, Roberts, Dodge, Davies, Kassel
Noes: Lawrence
Excused: Sattley, Dukes



March 5, 2014

The Honorable Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

Re: Support for HB 316 - Workers' Compensation Medical Fees

Dear Representative Olson:

The Alaska Hotel and Lodging Association (AkH&LA) is the leading voice and resource for Alaska's lodging industry, providing jobs to over 13,000 Alaskans and contributing over \$52 million in municipal tax revenues each year.

AkH&LA supports policies that will help Alaska's hospitality businesses succeed. Among AkH&LA's priorities for 2014 is support for enacting systemic changes to the Alaska workers' compensation insurance statutes to reduce the cost of insurance for employers while maintaining effective treatment programs that promote injury recovery and the return to full employment of injured workers.

Alaska's current workers' compensation premium rates at 60 percent above the median of U.S. states rank the highest in the nation. Medical costs for work related injuries were the largest workers' compensation cost driver comprising \$0.76 of every dollar paid in workers' compensation benefits in 2012, as compared to \$0.59 nationwide. A strong and well-trained workforce is Alaskan hoteliers' greatest asset, and such costs are working against our ability to produce jobs and remain competitive.

AkH&LA supports the provisions in HB 316 to address the escalating workers' compensation costs while protecting the rights of workers to fair and reasonable compensation when injured on the job.

Sincerely,

Gretchen Kenney, Executive Director
Alaska Hotel and Lodging Association

*330 E. 4th Avenue, Suite 201 – Anchorage, AK 99501
Tel: (907) 272-1229 – Fax (907) 272-1289 – Email: info@akhla.org*



March 5, 2014

The Honorable Kurt Olson
Labor & Commerce Committee Chairman
Alaska House of Representatives
State Capitol, Room 24
Juneau, Alaska

Re: House Bill 316 – Workers' Compensation Medical Fees

Dear Representative Olson:

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 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. The following 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.



➤ **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.



➤ **Require input from the Medical Services Review Committee (MSRC).**

The Board, by statutory design, does not have the expertise to set the relative value multiplier. The Alaska Chamber believes that the Medical Services Review Committee (MSRC) with representatives from business, labor and the medical provider industry could provide valuable information to the Board to assist in setting a reasonable multiplier.

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,

Rachael Petro
President/CEO



Alaska Public Entity Insurance

418 Harris Suite 401
Juneau, AK 99801

Phone: (907) 523-9400
Fax: (907) 586-2008
www.akpei.com

March 7, 2014

The Honorable Kurt Olson, Chair,
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801
Sent by email

Re: Support for House Bill 316

Dear Chair Olson:

I am the CEO of Alaska Public Entity Insurance (APEI), one of the two joint insurance associations, or pools, in Alaska that provide workers' compensation, property, and liability coverage for Alaska's school districts and municipalities. I am writing in support of HB 316.

APEI did a study in October 2011, shortly after the current statute went into effect, comparing medical costs in our workers' compensation claims already paid for the preceding year with what would be paid under the new law. We found that medical costs for identical services were up approximately 46%. A similar study by the Division of Risk Management found the same 46% medical cost increase with respect to injured state workers. Since medical costs constitute over 70% of claim costs in Alaska, this 2011 change is having a serious impact on premium rates paid by all Alaska employers. APEI rates have been rising at a rate of 10% per year, even though claim frequency is down. Alaska currently pays the highest workers' compensation premiums in the country. High premiums are a drain on resources in both the public and private sectors.

APEI supports the 2009 recommendations of the Alaska Medical Services Review Committee, including use of the Relative Value Scale Method, for setting workers' compensation medical fees in Alaska.

Thank you for the opportunity to comment on HB 316.

Sincerely,

Jeffrey W. Bush, CEO

ALASKA SURGERY CENTER

March 5, 2014

I'm sure we all agree there is a need to address the Worker Compensation healthcare costs in Alaska. There is also a need to create a basis for fair reimbursement for services rendered, but this does not get accomplished by giving the Worker Compensation Board full authority over the decisions to set the fee schedule.

While listening to the Worker Compensation Board discussions, it was stated that approximately 10% of the total Worker Compensation Healthcare spend is due to physician re-dispensing of medications to patients at an extremely high dollar value as compared to other retail chains that provide the same medications at a much lower cost. I believe the state would benefit by establishing a network with pharmacies. This would offer several low cost options for patient's prescriptions, but would only be beneficial, if the patient was held accountable to be part of the solution and it was mandatory to use the designated pharmacies.

Another area of opportunity to reduce the cost of healthcare for Worker Compensation beneficiaries is to not pay the Alaska Worker Compensation fee schedule rates to physicians providing care in other states. They should be reimbursed at the local rate where the services are provided.

As the Administrator of an Ambulatory Surgery Center, I see many Worker Compensation claims and understand the cost can be significant. Ambulatory Surgery Centers provide a cost effective option to bigger facilities and the specialized care allows the patient greater access, thus returning the patient back to work sooner.

Allowing those who are responsible for paying for the services provided, to decide what the reimbursement should be is unacceptable and no other industry allows the payer to set the prices. Imagine a board of physicians being given the full authority to set the cost for construction projects, or wages for workers, or the price of a new vehicle.

I am sure there are many more options, all of which, can easily be implemented and immediately create a significant savings for the healthcare services rendered to injured Alaskan workers. Our goal is to continue providing the best and most cost effective care to all Alaskans, and we want to be part of the solution.

Sincerely,

Kevin Barry, MHA
Administrator / CEO- Alaska Surgery Center

ALASKA AFL-CIO

3333 Denali Street, Suite 125 · Anchorage, Alaska 99503 · 907-258-6284 · Fax 777-7276

VINCE BELTRAMI
Executive President



BRUCE LUDWIG
Secretary / Treasurer

Honorable Kurt Olson, Chair
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801

RE: Support for House Bill 316

Dear Chairman Olson:

We understand the myriad challenges that exist in the Worker's Compensation system. Among the most important considerations from the perspective of the largest labor organization in the state is that injured workers have as few obstacles as possible to getting effective treatment from the medical community in Alaska.

Of course, higher medical costs drive higher premium rates. However, HB 316 attempts to address the balance between the cost component and assuring access for injured workers to a willing and available medical provider community.

As a participant in the Alaska Medical Services Review Committee I supported and still support use of the Relative Value Scale Method the committee recommended in 2009 and which HB 316 seeks to adopt.

Mr. Chairman, I would also respectfully request that you consider amending Sec. 23.30.095.(j)(5) under the Medical treatments, services, and examinations section. Currently, this provision calls for "four public members who are not within the definition of "health care provider." While I currently sit as one of those public members, there is no guarantee it will be filled by someone from organized labor in the future. As the only advocate organizations for workers, that provision should be enshrined in the statute to assure someone who represents organized labor has a seat at the table. Please consider this simple amendment.

Thank you for your consideration.

Respectfully,

A handwritten signature in cursive script that reads 'Vince Beltrami'.

Vince Beltrami
President



March 1, 2014

The Honorable Representative Kurt Olson and
Members of the House Labor and Commerce Committee
State Capitol Room 24
Juneau, Alaska 99801

RE: Support HB 316

Dear Rep. Olson and members of the committee,

On behalf of the members of the Alaska Municipal League Joint Insurance Association (AMLJIA), I would like to voice our support of HB 316.

The AMLJIA is a joint insurance arrangement organized under AS 21.76. With approximately 156 member municipalities and school districts pooling for workers' compensation coverage, these political subdivisions share with the private sector the financial burden imposed by the highest workers' compensation rates in the country. Alaska's economy is suffering as a result.

Clearly, the current system is ineffective at controlling costs. In the last five years, medical costs have risen 25 percent, while the frequency of workers' compensation claims has declined over 14 percent. Medical costs are the primary driver of workers' compensation loss costs. Approximately 75 percent of loss costs in the system are medical-related.

House bill 316 advances recommendations made by the Medical Services Review Committee and the Alaska Workers' Compensation Board (AWCB), and supported by the Alaska State Chamber of Commerce, the Alaska Council of School Administrators and many, many other individual businesses, associations, school districts, and local government entities.

The bill adopts a fee schedule based on the cost of treatment or procedures using a system created by a multi-disciplinary team of researchers from Harvard University which included statisticians, physicians, economists and measurement specialists. This Resource Based Relative Value Scale (RBRVS), constitutes the basis for Medicare and Medicaid's payment schedule, nearly all group health, health maintenance organizations as well as nearly two-thirds of the state workers' compensation systems. The American Medical Association (AMA) owns and updates the RBRVS periodically.

Under this system, the AMA assigns a Relative Value Unit (RVU) to each treatment code. The RVU is based on three separate factors: estimated physician work/time, physician expense associated with the procedure and malpractice expense. The RVU is then multiplied by a conversion factor to determine the amount of payment. HB 316 would require this conversion factor and the fee schedule to be adjusted annually to fit Alaska by the AWCB.



While in its present form, HB 316 does not directly address utilization, opioid abuse, the vocational rehabilitation process or employer-directed care, HB 316 takes a very positive step towards addressing the number one issue affecting rates: medical costs.

Please help fix Alaska's workers' compensation problems. Support HB 316.

Thank you,



Kevin Smith
Executive Director



MAR 14 2014

MAR 14 2014

907.563.3145 ~ www.afoc.com

March 14, 2014

Davis Peterson MD, President,
Alaska State Orthopedic Society

Rep. Kurt Olson, Chair
House Labor and Commerce Committee
Rm24, State Capitol
Juneau, AK, 99801

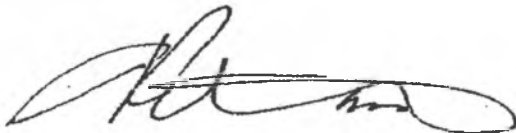
Dear Mr. Chairman,

With regards to HB 316, our primary concern revolves around transfer of rate setting powers from the legislative branch to the executive branch of our state government. As written, the worker's compensation board will have final authority to establish a fee schedule with input from an advisory group also appointed by the executive branch. Public input is critical to the process, and access to the board will likely be limited to the advisory board.

It is our recommendation that final decisions regarding rate setting be entrusted to a Commissioner level board, accessible to the public, and that fee schedules be indexed to private insurance rates, regardless of the coding methodology selected.

Our elected legislators remain our primary point of access into state governmental processes.

Thank you,



Davis Peterson MD

Leslie P. Dean, M.D. | Richard W. Garner, M.D. | John E. Lapkass, M.D. | Richard D. McEvoy, M.D. | Declan R. Nolan, M.D.
Davis C. Peterson, M.D. | Douglas P. Prevost, M.D. | Adrian B. Ryan, M.D. | Gregory L. Schumacher, M.D. | Bradley L. Sparks, M.D.
Upshur M. Spencer, M.D. | Kenneth C. Thomas, M.D. | Stephen S. Tower, M.D. | Thomas P. Vasileff, M.D.

MAR 06 2014

1:23 PM

March 4, 2014

The Honorable Kurt Olson
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Representative Olson:

As you are very much aware, Alaska's workers' compensation costs are the highest in the country. Hospitals and nursing homes are the largest or among the largest private sector employers in their communities and in the state. As large employers, we feel the burden of workers' compensation costs, which affect our competitiveness and cost structure. We are also health care providers, which gives us a unique perspective on this issue.

The Alaska State Hospital and Nursing Home Association believes that workers' compensation reform must be addressed and that this bill represents an important component of that overall effort. We would, however, like to share with you some concerns regarding the current draft of the bill and to offer our assistance in resolving those issues.

First, large, acute care facilities are paid under the Medicare Prospective Payment System. This bill contemplates the base Medicare fee schedule increased by a multiplier. Hospitals paid under this methodology, however, are not all paid the same rate due to a variety of add-ons that can increase reimbursement. In addition, certain rehabilitation services are also reimbursed differently. Given that complexity, the impact of the proposed change to the fee schedule needs to be fully understood and an appropriate methodology needs to be in place to account for these differences in payment.

We are also concerned about the Workers' Compensation Board having complete discretion to set a multiplier. The board does not have a sufficient number of members with health care experience or with knowledge of health care financing. Our concerns could be resolved by language directing the Workers' Compensation Board to set a multiplier that would approximate commercial rates or setting some further policy direction in statute that gives the board guidance in determining a multiplier. National actuarial firms could be hired to advise the board on prevailing commercial rates or to assist the board in carrying out statutory direction.

Second, not all health care facilities are paid by Medicare under the Prospective Payment System. We are concerned that paying all facilities based on a payment methodology that

only applies to some of them would result in significant problems.

- Critical Access Hospitals (CAHs) in our smaller communities receive cost-based reimbursement from Medicare, recognizing that their cost structure is very different than that of a large PPS hospital and they provide critical life-saving services in 13 Alaskan communities. A Medicare schedule based on PPS hospital reimbursement would not be appropriate for these facilities and any proposed fee schedule should reflect their unique situation. It is highly likely that payment to CAHs by the workers' compensation system is a small dollar amount; however, these facilities allow patients to remain close to home for their care. The State of Idaho has adopted a Medicare-based fee schedule for hospitals, but has specifically provided an exemption for Critical Access Hospitals.
- Medicare does not pay for a significant percentage of skilled nursing facility care, so using a Medicare-based fee schedule does not make sense for this category of facility. Most skilled nursing facilities have a very significant percentage of Medicaid, which is a cost-based reimbursement system. As with CAHs, there is likely very little payment to skilled nursing facilities from workers' compensation. However, workers' compensation patients deserve access to these services close to home. Changing the language to reflect that skilled nursing facilities should be paid Medicaid rates would resolve this issue.
- Reimbursement of health services, including health services covered under workers compensation, provided in tribal health facilities is subject to the provisions of Section 206 of the Indian Health Care Improvement Act, Pub. L. 93-638, as amended, 25 U.S.C. § 1621e. Under this provision of federal law, tribal health programs must be paid their reasonable charges or the highest amount paid to other providers, whichever is higher. This same provision of federal law also expressly makes the laws of any state inapplicable to payments to tribal facilities.

We are concerned that paying these facilities on the same fee schedule as PPS hospitals could potentially result in inappropriately low reimbursement and thus would recommend that they be exempt. It is possible that these concerns could be resolved another way, and we are open to other approaches. Attached for your reference is a breakdown of Alaska's hospitals and nursing homes that shows the numbers of CAHs, tribal facilities, skilled nursing facilities and PPS facilities.

Finally, we urge you to consider incorporating health care management principles such as

evidence-based medicine and utilization review into the legislation. Price is one component of health care costs, but equally important is sound health care management. Absent such a framework, it is not clear that fee schedule change alone will accomplish the goal of cost-containment.

Again, we thank you for addressing this important issue for Alaska's employers and we want to work cooperatively with you on the issues we have raised in this letter.

Sincerely,

Jeanne Malt for Karen Perdue

Karen Perdue
President/CEO

ALASKA'S HOSPITALS AND NURSING HOMES - 2014

ORGANIZATION	LOCATION	ACUTE	LONG TERM	SWING	OTHER
Alaska Native Medical Center	Anchorage	150			Tribal
Alaska Pioneers Home	Six Homes				
Alaska Psychiatric Institute	Anchorage	80			
Alaska Regional Hospital	Anchorage	254			
Alaska VA Healthcare System	Anchorage				74 Outpatient
Bartlett Regional Hospital	Juneau	55			
Bassett Army Community Hospital	Fort Wainwright	43			Military
Central Peninsula General Hospital	Soldotna	62		8	
Cordova Community Medical Center	Cordova	13	10	4	CAH
Denali Center	Fairbanks		90		
Fairbanks Memorial Hospital	Fairbanks	152			
Heritage Place	Soldotna		60		
Kanakarak Hospital	Dillingham	16		4	Tribal/CAH
Ketchikan PeaceHealth Medical	Ketchikan	25	29		CAH
Maniilaq Health Center	Kotzebue	17			Tribal/CAH
* Mat Su Regional Medical Center	Palmer				
North Star Behavioral Health	Anchorage				108 Psych/Subs Abuse
Norton Sound Health Corporation	Nome	19	15		Tribal/CAH
Petersburg Medical Center	Petersburg	12	15	5	CAH
PrestigeCare and Rehabilitation	Anchorage		102		
Providence Alaska Medical Center	Anchorage	340			
Providence Extended Care Center	Anchorage		96		
Providence Horizon House	Anchorage		77		Assisted Living
Providence Kodiak Island Medical	Kodiak	25	19	25	CAH
Providence Seward Medical and Care	Seward	6	43	6	CAH
Providence Transitional Care Center	Anchorage		55		
Providence Valdez Medical Center	Valdez	10	10	10	CAH
Samuel Simmonds Memorial Hospital	Barrow	14			Tribal/CAH
SEARHC/Mt Edgumbe Hospital	Sitka	27			Tribal
Sitka Community Hospital	Sitka	12	15	12	CAH
South Peninsula Hospital	Homer	22	25	4	CAH
St. Elias Specialty Hospital	Anchorage	60			
Tanana Valley Clinic	Fairbanks				Ambulatory
USAF 3rd Medical Group - Elmendorf	Elmendorf AFB	59			Military
Wildflower Court	Juneau		57		
Wrangell Medical Center	Wrangell	8	14	4	CAH
Yukon-Kuskokwim Delta Regional	Bethel	50	18		Tribal

*Mat Su Regional Medical Center is not a member of ASHNSA.



Workers' Compensation Committee of Alaska

PO BOX 200631 ANCHORAGE, ALASKA 99520

Email: workerscompcommitteeofalaska@gmail.com

March 6, 2014

The Honorable Kurt Olson
House of Representatives
Alaska State Capitol
120 Fourth Street
Juneau, AK 99801-1182

RE: HB 316

Dear Representative Olson:

The Workers' Compensation Committee of Alaska (WCCA), an employer advocacy organization, wants to thank you for all your efforts in trying to achieve some meaningful workers' compensation reform. Though we support HB 316 as written we do have the following concerns and recommendations:

- While HB316 reduces medical costs initially, other states that set medical fee schedules with no treatment guidelines have found after the fees are reduced, treatment frequency and modalities increase. We believe the same will happen in Alaska and recommend treatment guidelines and frequency standards be developed to ensure treatment is reasonable, necessary and begets positive outcomes for the patient in a reasonable timeframe.
- The board should take input from the Medical Services Review Committee (MSRC) to set the relative value multiplier, as the MSRC has representatives from the medical community (as well as business and labor) and the Board does not. We feel medical community representation will bring more of their buy-in to the relative value multiplier.

Thank you for allowing us to share our concerns and recommendations. We look forward to continue working with you on Alaska's workers compensation reform. In that vein, we recommend two additional changes to the workers' compensation system that we feel will have positive outcomes for injured workers and will reduce costs to employers immensely:

- **AS 23.30.095(a) needs to be completely rewritten.** The Alaska Supreme Court in its Weidner v. Hibdon, [989 P.2d 727 (1999)] decision set precedent of virtually automatic coverage for medical costs in the first two years after a workplace injury. The Hibdon decision has completely changed the application and meaning of the law.
- Eliminate the vocational rehabilitation system as it currently exists.

Thank you again for your efforts to help Alaska business!

Very truly yours,

Chuck Brady
President
Workers Compensation Committee of Alaska

CHUCK BRADY, PRESIDENT AND TREASURER; TOMMIE SAVINA, VICE PRESIDENT;
STEPHANIE ASLAKSON, SECRETARY



Fairbanks North Star Borough *Office of the Mayor*

809 Pioneer Road P.O. Box 71267 Fairbanks, AK 99707-1267 (907) 459-1300

Fax: (907) 459-1102

www.co.fairbanks.ak.us

Email: mayor@fnsb.us

February 28, 2014

Representative Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

RE: Support for HB 316 - Workers' Compensation Fees for Medical Treatment and Services

Thank you for the opportunity to comment on the above referenced proposed legislation. The Fairbanks North Star Borough administration supports the proposed changes as identified by the Workers' Compensation Board in Resolution 13-01 dated September 27, 2013, and the subsequent legislative changes proposed in HB316.

The lack of cost containment for workers' compensation related expenses continues to increase the financial burden of this important and necessary program. Having the ability to limit fees and other associated charges to a reasonable amount would be financially beneficial to all state employers. As proposed, allowing the board to adopt a fee schedule using quantified data, based upon federal Centers for Medicare and Medicaid Services scales is a positive change and has our full support.

The Fairbanks North Star Borough Assembly passed a resolution on February 13, 2014 supporting the provisions expressed by the Workers' Compensation Board in its September 27, 2013 resolution. A copy of the Assembly resolution is attached.

Sincerely,

A handwritten signature in black ink, appearing to read 'Luke Hopkins'.

Luke Hopkins, Borough Mayor
Fairbanks North Star Borough

Attachment: FNSB Assembly Resolution 2014-09

1
2 By: Luke Hopkins, Mayor
3 Introduced: 02/13/2014
4 Adopted: 02/13/2014
5

6 FAIRBANKS NORTH STAR BOROUGH

7
8 RESOLUTION NO. 2014 - 09
9

10 A RESOLUTION SUPPORTING LEGISLATIVE ACTION TO ADOPT THE
11 RECOMMENDATIONS CONTAINED IN RESOLUTION 13-01 OF THE ALASKA
12 WORKERS' COMPENSATION BOARD
13

14 WHEREAS, the Alaska Workers' Compensation Board is a public
15 organization that is accountable to the residents, Legislature and Governor of Alaska
16 and that acts as the lead agency for adjudicating disputes under the Alaska Worker's
17 Compensation Act, to ensure quick, efficient and fair payments of benefits to injured
18 workers at a reasonable cost to employers; and,
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20 WHEREAS, despite a 14.2% decline in the frequency of worker's
21 compensation claims over the past 5 years, Alaska has seen its workers' compensation
22 premium rates climb to the highest in the nation; and,
23

24 WHEREAS, workers' compensation medical costs have increased 25%
25 over the last 5 years and are the primary driver in the increase in premium with \$0.75
26 of every \$1.00 spent on workers' compensation benefits being spent on medical cost;
27 and,
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29 WHEREAS, identical medical services paid by a workers' compensation
30 claim versus private insurance or self-pay is often multiples higher; and,
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32 WHEREAS, Resolution 13-01 of the Alaska Workers' Compensation
33 Board identifies changes needed to address the escalating workers' compensation
34 costs while protecting the rights of workers to fair and reasonable compensation when
35 injured while working; and,
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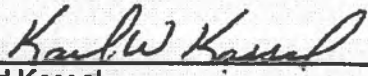
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38 Resolution 13-01 of the Alaska Workers' Compensation Board is in the best interest of
39 the Fairbanks North Star Borough, its residents, and its employers.
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41 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the
42 Fairbanks North Star Borough supports legislative action to adopt the recommended
43 changes outlined in Resolution 13-01 of the Alaska Workers' Compensation Board.
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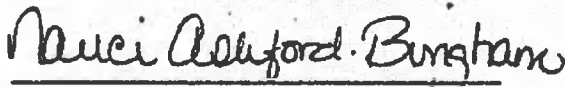
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BE IT FURTHERED RESOLVED that copies of this resolution shall be sent to the Alaska Interior Delegation and the Honorable Governor Sean Parnell.

PASSED AND APPROVED THIS 13TH DAY OF FEBRUARY, 2014.


Karl Kassel
Presiding Officer

ATTEST:


Nanci Ashford-Bingham, MMC
Borough Clerk

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54

Ayes: Hutchison, Golub, Roberts, Dodge, Davies, Kassel
Noes: Lawrence
Excused: Sattley, Dukes



HEALTHCARE
SOLUTIONS

March 11, 2014

MAR 17 2014

State Capitol
120 4th Street
Juneau, Alaska 99801-1182
Attn: House Labor & Commerce

Re: House Bill 316 – Workers' Compensation Medical Fee Schedule

Healthcare Solutions would like to thank the Alaska State Legislature for the opportunity to comment on the proposed House Bill that makes changes to the medical fee schedule. Healthcare Solutions provides a full range of services, nationwide, to insurance companies, third party administrators, self-insured companies, and case management companies in the workers' compensation industry. As an interested stakeholder, we appreciate the opportunity to have input on this proposed legislation.

We have particular interest in the below proposed language under AS 23.30.097(l) & (m).

(l) Reimbursement for prescription drugs under this chapter may not exceed the amount of the manufacturer's invoice, plus a dispensing fee and markup specified by the board and adopted by reference in regulation.

(m) A prescription drug dispensed by a physician under this chapter shall include in a bill or invoice the code for the drug from the national drug code directory published by the United States Food and Drug Administration.

The Workers' Compensation Industry is moving towards electronic billing. Several jurisdictions have already adopted electronic billing and others have either proposed or are discussing electronic billing requirements. Many insurance carriers or employers are contracted with Workers' Compensation specific Pharmacy Benefit Managers (PBMs). PBMs are already connected electronically with pharmacies using industry standard National Council for Prescription Drug Programs (NCPDP) Telecommunication Standards version D.0 to help adjudicate pharmacy claims more quickly and efficiently. Currently, these electronic pharmacy standards do not support the inclusion of attachments. Our concern is that by requiring a manufacturer's invoice, electronic billing would likely be impossible. It would also add inefficiencies back into an industry that is already full of paperwork, adding significant costs to the system. Therefore, we would recommend the following language:

(l) Reimbursement for prescription drugs under this chapter may not exceed the Average Wholesale Price (AWP) of the National Drug Code (NDC) of a drug the amount of the manufacturer's invoice, plus a dispensing fee and markup specified by the board and



HEALTHCARE SOLUTIONS

adopted by reference in regulation. If a prescription drug or medicine has been repackaged, the Average Wholesale Price used to determine the maximum reimbursement shall be the Average Wholesale Price, as identified by its national drug code, of the underlying drug product used in the drug packaging.

(m) "Average Whole Price" or "AWP" means the average wholesale price of a prescription drug as provided by the most current release of the Medi-Span Master Drug Database by Wolters Kluwar or any successor publisher on the day a prescription is dispensed or other nationally recognized drug pricing index specified by the board and adopted by reference in regulation.

Physician dispensing and repackaged drugs are a hot topic in the workers' compensation industry and we applaud you for introducing language to help curb the inflated prices associated with these dispensed drugs. However, we would recommend the following language to provide more clarity and to streamline the reimbursement process. While repackaged drugs are typically dispensed by physicians, this revision establishes that price inflation through repackaging is unacceptable, regardless of who dispenses the drug. In addition, this revision eliminates ambiguity about the handling of deficient bills:

~~(m) (n) An invoice for a prescription drug dispensed under this chapter shall include, in a bill or invoice for the medication, the NDC code for the underlying drug product from the national drug code directory published by the United States Food and Drug Administration. If the NDC of the underlying drug product is not provided on the bill, the employer may reject the charge and is not liable for payment until a corrected bill is submitted with the underlying drug product's NDC. A prescription drug dispensed by a physician under this chapter shall include in a bill or invoice the code for the drug from the national drug code directory published by the United States Food and Drug Administration.~~

Again, Healthcare Solutions would like to thank the Alaska State Legislature for the opportunity to comment on this proposed legislation and we look forward to working with you on this and any future proposed legislation.

Sincerely,

Cory Wedding
Senior Manager, Compliance & Regulatory Affairs
Phone: (800) 547-3330
Direct Line: (740) 201-0328
Fax: (877) 247-3330
cwedding@modernmedical.com

NFIB

The Voice of Small Business.®

MAR 05 2014

ALASKA

March 5, 2014

The Honorable Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol Building
Juneau, Alaska 99801-1182

RE: Support for House Bill 316

Dear Representative Olson:

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for House Bill 316. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

House Bill 316 would change the basis for paying workers compensation health services from the outdated "usual and customary" method to the "resource based relative value scale" method. We believe that this updating in the payment methodology for workers medical treatment will allow more reasonable payment rates for those services.

Savings in the medical costs in Alaska's workers compensation are very important to small businesses. Alaska workers compensation insurance premiums are the highest in the country. These premiums add to the difficulty of small businesses to remain profitable. When businesses are not profitable, they close and Alaska loses jobs and opportunities for Alaskans to earn an income.

We believe that the workers compensation program must be balanced to assure that injured employees receive needed services and the premium costs charged to businesses. HB 316 provides the balance that will serve both the employee and the employer well.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council



Property Casualty Insurers
Association of America
Advocacy. Leadership. Results.

Kenton Brine
Assistant Vice President, NW Region

March 6, 2014

The Honorable Kurt Olson
Labor & Commerce Committee Chairman
Alaska House of Representatives
State Capitol, Room 24
Juneau, Alaska

RE: HB 316 – Workers’ Compensation medical fees

Dear Representative Olson:

On behalf of Property Casualty Insurers Association of America (PCI), thank you for the opportunity to write in support of HB 316 (workers’ compensation medical fees). We urge the committee to give this measure a favorable recommendation to the state House.

As you are likely aware, according to the most recent premium rankings report issued by the Oregon Department of Consumer & Business Services, Alaska owns the unfortunate distinction of having the nation’s highest workers compensation premiums. Employers in Alaska pay, on average, 160 percent of the national average for workers’ compensation coverage.

For employers, for workers injured on the job and for insurers who provide workers compensation coverage, there is a growing sense of the need for major reform of a system that does not perform well in rehabilitating injured workers in a timely and cost-effective manner. For this reason, we see the reforms included in HB 316 as an important element in what must become a larger and more comprehensive reform effort in Alaska.

Specific to HB 316, we support the establishment of a medical fee schedule for inpatient/hospital, physician, outpatient/ambulatory care for the treatment of injured workers under the workers’ compensation system. We would add, however, that employers have correctly pointed to ways in which this legislation could be strengthened. PCI agrees with employers represented by the Alaska State Chamber who have recommended that fee schedule reforms also include provisions to:

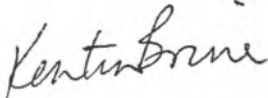
- Establish cost-control goals that should be met in the fee schedule, and measure the progress toward meeting those goals, to ensure that fees are reasonable for the treatment provided;
- Adopt evidence-based treatment guidelines and utilization review, to ensure that treatment is actually aiding injured workers toward recovery and return to full employment cost-effectively;
- Rely on the expertise of the Medical Services Review Committee to guide the Workers Compensation Board’s determination of the fee schedule’s relative value multiplier.

As you may know, just three short years ago, Montana had the nation's costliest workers compensation premiums (Alaska was #2 at the time). Montana's Legislature enacted comprehensive reforms that included evidence-based treatment and utilization review. Those reforms have begun to have a favorable effect on premiums in that state, as Montana dropped to 8th in average premium in the most recent Oregon DCBS rankings.

HB 316 is an important and welcome step toward reforming Alaska's workers compensation system, and PCI urges this committee to give the bill favorable consideration. But for the sake of Alaska employers and workers, we hope HB 316 represents only the first step in a more comprehensive reform effort, and we welcome the opportunity to assist or provide information to policymakers in that effort.

If we can provide any additional information, please do not hesitate to contact me, or PCI's Alaska lobbyist, Kris Knauss.

Respectfully,

A handwritten signature in cursive script that reads "Kenton Brine".

Kenton Brine
Assistant Vice President



Alaska Public Entity Insurance

418 Harris Suite 401
Juneau, AK 99801

Phone: (907) 523-9400
Fax: (907) 586-2008
www.akpei.com

March 7, 2014

The Honorable Kurt Olson, Chair,
House Labor & Commerce Committee
Alaska State Capitol
Juneau, AK 99801
Sent by email

Re: Support for House Bill 316

Dear Chair Olson:

I am the CEO of Alaska Public Entity Insurance (APEI), one of the two joint insurance associations, or pools, in Alaska that provide workers' compensation, property, and liability coverage for Alaska's school districts and municipalities. I am writing in support of HB 316.

APEI did a study in October 2011, shortly after the current statute went into effect, comparing medical costs in our workers' compensation claims already paid for the preceding year with what would be paid under the new law. We found that medical costs for identical services were up approximately 46%. A similar study by the Division of Risk Management found the same 46% medical cost increase with respect to injured state workers. Since medical costs constitute over 70% of claim costs in Alaska, this 2011 change is having a serious impact on premium rates paid by all Alaska employers. APEI rates have been rising at a rate of 10% per year, even though claim frequency is down. Alaska currently pays the highest workers' compensation premiums in the country. High premiums are a drain on resources in both the public and private sectors.

APEI supports the 2009 recommendations of the Alaska Medical Services Review Committee, including use of the Relative Value Scale Method, for setting workers' compensation medical fees in Alaska.

Thank you for the opportunity to comment on HB 316.

Sincerely,

Jeffrey W. Bush, CEO

Alaska State Medical Association

4107 Laurel Street • Anchorage, Alaska 99508 • (907) 562-0304 • (907) 561-2063 (fax)

March 12, 2014

Honorable Kurt Olson
Alaska House of Representatives
State Capitol Room 24
Juneau, AK 99801

RE: House Bill 316 Version N

Dear Representative Olson:

The Alaska State Medical Association (ASMA) represents physicians statewide and is primarily concerned with the health of all Alaskans.

The Alaska State Medical Association (ASMA) appreciates your past efforts and willingness to work with us and values our relationship with you. The medical community are Alaska businesses many of which are “small businesses” that employ thousands of people, contribute to the economy and also understand the cost of workers’ compensation from a business cost perspective. In short, we appreciate the cost impact of workers’ compensation insurance and are not opposed to looking for responsible ways to reduce the cost burden to businesses while protecting patient care.

Any effort to reform workers’ compensation must ensure patient access to care is protected. In Alaska, historically, the legislature has established the policy around medical fee reimbursement schedules for the workers’ compensation program. The legislative process allowed for robust open and public policy debate with established processes that ensured accountability and avenues for public participation. While the legislative process provides a robust process ASMA also recognizes that some other states do utilize executive branch processes for the establishment of fees schedules.

If the legislature desires to move the establishment of the reimbursement fee schedule from the legislative branch to the executive branch ASMA suggests the process be well defined to ensure the protections afforded to the public in the legislative process are captured in the executive process. ASMA suggests the following concepts be considered for establishing a fee reimbursement schedule:

Accountability

Any final decision for the adoption of the reimbursement fee schedule should be made at the commissioner level. This is a significant policy that impacts injured workers, health care providers and all businesses. When the legislature makes the policy decision the public has elected officials that can be directly held accountable for their decisions. The pressure that accountability adds to a public process is necessary to ensure the public process is meaningful. The workers’ compensation board is a quasi-independent board of eighteen members appointed by the Governor without consideration as to their knowledge or ability to set policy on medical fees. The workers’ compensation board is too far removed from public accountability to ensure the public process is

meaningful. ASMA believes that adding the additional complex task of establishing a medical reimbursement fee schedule to the workers' compensation board is inappropriate. If the process moves to the executive branch, ASMA believes that this accountability can be retained by having a commissioner or commissioners, as direct reports to the Governor, make the final decision. ASMA strongly opposes the Workers' Compensation Board having final decision authority.

Policy

ASMA believes that at a minimum the broad policy objectives that the reimbursement fee schedule is trying to accomplish should be established by the legislature. The current version of the bill instructs the workers' compensation board to establish a reimbursement fee schedule but does not provide any direction as to what the goal of the reimbursement schedule should be. What is the policy that the schedule is attempting to implement? That debate and decision should be legislative. ASMA believes that any fee schedule should be built around the policy of paying commercial rates. Although admittedly a somewhat broad concept we believe it is appropriate to establish the policy as one that sets reimbursement rates at a commercial fee rate, with the executive branch defining the policy, as opposed to adopting non-commercial, discounted or subsidized fee schedules that could impact an injured workers access to care.

Process

While the legislative process is robust in allowing the public to participate the regulatory process is deficient and closed. Department of Law advice to other departments on regulatory process dissuades public discussion or discourse once a regulatory package is released publically. In fact departments are often instructed to not answer questions or provide any additional information during public hearings except for pointing to the actual language in the proposed regulation. This leads to a frustrating and seemingly meaningless public process beyond submitting a written comment. Furthermore, once public hearings are held there is no requirement that the final regulations be similar to the proposed regulations.

ASMA supports the utilization of the Medical Services Review Committee as an advisory committee to mitigate the poor public process utilized by the regulatory process. By engaging stakeholders in public meetings and work sessions we believe that the use of this Committee and the regulatory scheme can provide adequate public input and process.

Additionally, while we believe the workers' compensation board should be removed from the decision process we think making two of the public seats on the Medical Services Review Committee Workers' Compensation Board seats could be a compromise.

ASMA is still analyzing potential impacts related to the provisions related to prescription drugs on page 4 lines 1 -7 and may provide additional information in the future.

Thank you and we look forward to working with you to make Alaska's Workers' Compensation better while protecting patient care and access.

Sincerely,



Jana Cole, MD
President – Alaska State Medical Association

Law Offices of
Michael J. Jensen

12350 Industry Way, Suite 208
Anchorage, Alaska 99515

Tel (907) 277-8000
www.alaskaworkerscomp.com
jensenlaw@alaska.net

January 2, 2014

State of Alaska Representative
Andy Josephson
733 W. 4th Ave.,
Anchorage, AK 99501

Dear Representative Josephson:

The Alaska Workers Compensation Board has proposed legislation for passage in 2014. This legislation may dramatically effect the ability of workers to obtain treatment. Please see attached copy.

My colleagues and I represent Alaska workers who have been injured and are entitled to medical care pursuant to the Alaska Workers' Compensation Act. We are concerned over the impact the Board's proposed legislation will have on the ability of workers to obtain quality medical care.

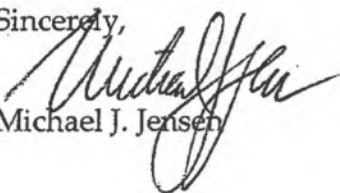
If this proposal is enacted the Board will set the amount doctors, therapist and hospitals will be paid by tying treatment costs to Medicare rates and setting the base rate amount. The Board will determine what medications can be provided to workers and set the prices pharmacies can charge for medications. Specific regulations will be enacted to address the prescription of opioids. It may set the prices for prosthetic devices such as artificial joints, spinal cord stimulators, TNS units, lumbar fixation devices such as screws and plates, artificial limbs and other devices. These costs will only be reimbursed at the manufacturer's invoice price plus a markup amount determined by the Board.

This legislation refers to medical costs being subject to reimbursement not direct payment to the provider. This reimbursement requirement, as well as, tying medical expenses to Medicare rates may shift the cost of medical care from the responsible employer or its insurer to Union health trusts, private insurance, some other form of government insurance such as ANHS, VA, Medicaid or Medicare, the uninsured worker or to be borne by the treating medical provider.

Pursuant to this proposed legislation the Board will be empowered to regulate all fees and charges for medical treatment. This in effect will take away the doctor's discretionary role in the treatment of his or her patient. The unintended effect may be that the Board can second guess the doctor's judgment and mandate the treatment it deems necessary, not the treatment deemed best. Medical care will be replaced by a government program in which treatment is determined not by physicians but by Board members appointed by the Governor.

I am sure the legislature will act thoughtfully when considering this proposed legislation. It should consult with injured workers, Union health trusts, other medical insurers and most importantly the medical community.

Sincerely,


Michael J. Jensen



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Labor & Commerce

Committee on H.B. 316. WC fees for medical treat. Dated 3-7-14
Committee Name
Bill / Subject

The proposal is broad reaching and may have serious ramifications. I urge the legislature to proceed with caution.

The proposed RBRVS based system has its foundation in the Medicare physician fee schedule, which is fundamentally flawed and broken system. It may or may not work in other states but is not a good fit for Alaska given our unique dynamics and challenges including cost of business and medical provider recruitment and retention.

As a business owner it is only thru focused management strategy & cost shifting that my clinic has been able to continue to see patients who's payers use an RBRVS system like Medicare. Workers compensation is a workers program and a safety net to insure workers stay employed or return to work quickly. If payment for medical services does not cover costs this safety net is compromised. Existing RBRVS schedules do not cover our costs.

This bill has a 5 year sunset. Five years of a Medicare type fee schedule could not be absorbed by my clinic and it would greatly affect my small business to serve patients in North Pole.

Given the potential unintended consequences and the negative ramifications this bill could have on small business healthcare providers and patients we serve, I strongly recommend not considering this bill or turning the legislation over to a study committee to fully investigate potential outcomes.

SIGNED: Juliana Ament
Testifier

NORTH POLE PHYSICAL THERAPY AND ALASKA CHAPTER AMERICAN PHYSICAL THERAPY ASSOC.
Representing

157 Lewis St. NP, AK 99705 (907) 488-4978
Address / Phone Number



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Labor & Commerce
 Committee on HB 316 Committee Name
 Dated 3/7/14
 Bill / Subject

My concern regarding HB 316 is implementation of a fee schedule based on Medicare & Medicaid centers. Currently my practice is able to accept all patients, but with current re-imbursement levels as Medicare / Medicaid, I will not be able to continue my private practice as such. We will have to limit this patient. As a small business owner I will not be able to maintain my practice with Medicare / Medicaid rates. I, too, am an employer and understand the need for reform, but with the broad reaching proposal as such, my concern is my ability to keep my practice viable.

SIGNED: Ruth Curson
 Testifier

Equinox Physical Therapy APTA
 Representing

PO Box 84109 Fols, AK 99708 907-388-2788
 Address / Phone Number



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the HOUSE Labor & Commerce
 Committee on HB 316 Committee Name
 Dated 3-7-2014
 Bill / Subject

The proposed changes to workers compensation will diminish provider payments so significantly that it will no longer be feasible for physicians to see work comp patients in our community. To link payments to CMS RVBS (Medicare) would essentially eliminate most physicians from caring for these patients, especially since Congress is now considering a 26% reduction in these payments as of this year.

also, payments for prescription meds, often given at the physician offices, should remain based on AWP (Average wholesale price) NOT on Manufacturer's invoice price (a much lower figure), or we can no longer provide this service.

SIGNED:

Richard H Cobden MD

Testifier

Alaska Physicians, Alaska Orthopedic Society
Representing

1405 Kellum St #101 Fairbanks AK 99701
Address / Phone Number

907 374 4636



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Labor & Commerce
 Committee on House Bill No 316 Committee Name Dated 3/7/14
Bill / Subject

We disagree with the House Bill No 316.
 As a Small Business this would hurt us
 as a small PT office with Medicare fees.

SIGNED: Deborah Mursch
 Testifier
Willow Physical Therapy
 Representing
1919 Lathrop St Ste 222 Fairbanks, AK 99701
 Address / Phone Number



**GENERAL
TEAMSTERS
LOCAL 959
STATE OF ALASKA**

Affiliated with the International Brotherhood of Teamsters
Rick Boyles, Secretary-Treasurer
520 E 34th Ave., Suite 102, Anchorage, Alaska 99503
Phone (907) 751-8501 • Fax (907) 751-8599

April 7, 2014

Honorable Kurt Olson
Chair-House Labor & Commerce Committee
State Capitol, Rm 24

Re: CS for HB 316-Workers' Compensation Fees

Dear Chairman Olson:

On behalf of the over 7,000 Teamster members that we represent in various industries around the state including, mining, healthcare, public sector including police officers, telecommunications, railroad, oil/gas, as well as tourism, to name a few we want express our support for HB 316. Many of our employers in the various industries have and maintain some of the best Safety and Return-to-Work programs that we believe help reduce and in some cases eliminate employee injuries, thereby reducing cost of workers compensation.

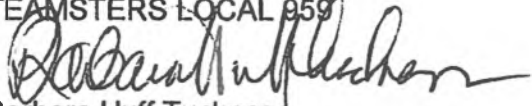
The Teamsters along with our employers work hard to keep employees safe on the job, a cost we can control to some degree. So it is unfortunate when an employee is injured and medical services are required. The cost of those services can be expensive. There are many reports showing the medical cost in our state rank one of the highest in country. That being said, it should be no surprise that our workers' compensation costs are also high.

Like many employers, we have been forced over the last ten years to make changes to our Teamster Health Benefit plan in an attempt to reduce medical cost, such as negotiated PPO's, wellness incentive programs and as of last year implementing a medical tourism option. While we recognize that this is not a complete fix to the workers' compensation program, we do support the effort. We look forward to working with you and addressing the many other issues that injured workers deal with as well in the future.

We applaud your introduction of HB 316 as opportunity to address overall cost without negatively impacting the injured workers ability to receive care, nor negatively impact a doctor's ability to provide quality treatment and overall care. We look forward to working with you in the future to improve the overall issues that injured workers face in Alaska.

Sincerely,

TEAMSTERS LOCAL 959


Barbara Huff Tuckness
Director Legislative and Government Affairs

MUNICIPALITY OF ANCHORAGE



Office of the Mayor

Phone: 907-343-7100

FAX: 907-343-7180

Mayor Dan Sullivan

April 8, 2014

The Honorable Kurt Olson
State Capitol, Room 24
Juneau, Alaska 99501

Dear Representative Olson,

I would like to start by extending my appreciation and applaud your efforts in taking on the issue of workers compensation costs and the incredible impacts those expenses have on employers across the state.

In 2002 Alaska's workers' compensation premium rates ranked fifteenth in the nation. Every year since 2004, Alaska has been ranked first or second for the highest workers' compensation premiums in the nation. In 2012, our rates were 170% above nationwide median costs. Alaska's rates are currently 1/3 higher than those of Washington, double those of Oregon and triple those of North Dakota. High premiums mean Alaskan businesses cannot compete with those of our sister states causing Alaskan employers to lose contracts and Alaskan labor to lose jobs. Because medical costs for workers' compensation injuries in Alaska now comprise nearly .75 of every dollar paid in workers' compensation benefits, medical cost control is critical to our economic future.

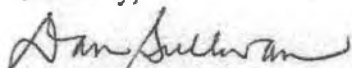
In 2005 the legislature sought to contain rising medical costs in workers' compensation through adoption of a medical fee schedule outlined in AS 23.30.197. The average medical cost per time loss injury at that time was \$29,000.00. Despite adoption of a fee schedule, the average medical cost per time loss injury had climbed to \$48,000.00 by 2011. A new fee schedule was adopted in 2011 in a further effort to control rising medical costs. Nevertheless, in 2012 the average medical cost per time loss injury jumped to \$54,076 compared to a nationwide average of just \$28,500.00.

Under the new fee schedule, the daily cost of a hospital stay for work related injuries more than doubled between 2010 and 2011 from \$8,906.12 in 2010 to \$19,650.00 in 2011. Private health insurance on the other hand pays between \$995.00 and \$1,768.00 plus itemized costs for the same stay. As the attached table prepared by the State Department of Labor illustrates, medical costs in workers' compensation are at rates 2 to 5 times greater than private health insurance for the *same procedures*. Not surprisingly, although the Municipality of Anchorage realized 28 fewer work injuries in the first nine months of 2012, our total workers' compensation costs increased by over \$1.5 million above those experienced for the same nine months in 2011 when 28 more work injuries were reported.

The medical fee schedule is simply not controlling medical costs. The failure of the fee schedule is in part due to its structure. The schedule allows payment at the 90th percentile of what is charged for the procedure in the treatment of work injuries *only*. Thus, the fee schedule spirals upwards as the 90th percentile rises and, worse, never captures fees for *all* user groups such as private health which would undoubtedly "level the playing field" in the medical cost arena. As a result, the majority of medical costs in Alaska are placed squarely on the backs of employers and their carriers who must pay for medical treatment at level 2 to 5 times greater than those paid in any other arena.

I urge the legislature to support HB 316 and undertake serious changes this session along the lines of those recommended by the Medical Services Review Committee in their November 2009 report to contain these out of control costs. [See link below]. A statutory scheme which allows for medical cost containment and treatment guidelines through the regulatory process with input from the Medical Services Review Committee appears to be the best answer so all parties can come to the table to resolve this serious problem. Unless drastic measures are taken, medical costs will only continue to climb while the ability of Alaskan businesses to compete for contracts and jobs will only continue to diminish. I would like to thank you and your fellow lawmakers for your time and consideration. Please feel free to contact me or my office if you have any questions or require additional information.

Sincerely,



Dan Sullivan
Mayor

Enclosure: DOL Top 25 Surgery Procedure Codes

Link: http://www.labor.state.ak.us/wc/forms/2009-11-MSRC_Final_Report.PDF

Top 25 Surgery Procedure Codes Ranked by Paid Amounts for Alaska (47% of total payments)

Rank	Procedure Code	Description	AK WC Fee Schedule	Medicare Fee	Washington WC Fee	AK Average Healthcare
1	29881	Arthroscopy Knee w/ Meniscus Repair	\$ 5,158.02	\$ 673.11	\$ 912.56	\$ 2,531.85
2	23412	Repair of Rotator Cuff	\$ 7,725.78	\$ 1,063.39	\$ 1,421.68	\$ 3,980.57
3	29826	Arthroscopy shoulder surgical w/decompression	\$ 5,436.83	\$ 224.46	\$ 288.87	\$ 853.41
4	63030	Laminotomy w/ decompression	\$ 10,391.15	\$ 1,186.95	\$ 1,605.97	\$ 4,450.70
5	29807	Arthroscopy shoulder surgical; labral tear	\$ 6,621.79	\$ 1,292.78	\$ 1,724.95	\$ 4,833.41
6	29888	Arthroscopic ligament repair	\$ 8,782.58	\$ 1,239.28	\$ 1,648.03	\$ 4,637.14
7	64483	Injection anesthetic agent/steroid epidural	\$ 2,364.74	\$ 274.82	\$ 392.91	\$ 1,070.73
8	29880	Arthroscopy knee surgical; with meniscectomy	\$ 5,576.24	\$ 700.17	\$ 947.42	\$ 2,642.16
9	22551	Arthrodesis anterior interbody; cervical	\$ 13,973.36	\$ 2,113.35	\$ 2,827.87	\$ 7,981.69
10	23430	Tenodesis of tendon	\$ 5,837.26	\$ 931.43	\$ 1,252.34	\$ 3,463.72
11	62311	Injection of diagnostic/therapeutic substance	\$ 1,295.28	\$ 248.65	\$ 371.33	\$ 920.00
12	23120	Claviclectomy; partial	\$ 2,704.02	\$ 722.91	\$ 983.95	\$ 2,679.98
13	22612	Arthrodesis posterior; lumbar	\$ 12,952.83	\$ 1,979.87	\$ 2,635.84	\$ 7,437.21
14	29827	Arthroscopy shoulder surgical w/cuff repair	\$ 7,318.82	\$ 1,346.27	\$ 1,789.14	\$ 5,050.22
15	29877	Arthroscopy w/debridement	\$ 4,879.21	\$ 774.76	\$ 1,045.37	\$ 2,881.03
16	29806	Arthroscopy shoulder surgical; capsulorrhaphy	\$ 6,970.30	\$ 1,326.86	\$ 1,768.67	\$ 4,964.70
17	49505	Repair initial inguinal hernia	\$ 3,461.14	\$ 655.21	\$ 863.30	\$ 2,430.13
18	64415	Injection anesthetic agent; brachial plexus	\$ 1,182.37	\$ 149.52	\$ 202.54	\$ 576.26
19	64721	Neuroplasty and/or transposition	\$ 5,187.82	\$ 525.08	\$ 724.40	\$ 1,946.17
20	29822	Arthroscopy shoulder surgical; debridement	\$ 4,739.80	\$ 714.19	\$ 965.13	\$ 2,660.81
21	20610	Arthrocentesis aspiration and/or injection	\$ 382.66	\$ 74.60	\$ 100.72	\$ 318.33
22	23420	Reconstruction of complete shoulder	\$ 9,871.83	\$ 1,208.38	\$ 1,616.48	\$ 4,516.47
23	63650	Percutaneous implantation of neurostimulator	\$ 6,791.60	\$ 564.80	n/a	\$ 2,082.27
24	12001	Simple repair of superficial wounds	\$ 489.30	\$ 109.18	\$ 154.95	\$ 415.91
25	63042	Laminotomy with decompression	\$ 11,681.55	\$ 1,609.81	\$ 2,154.94	\$ 6,040.11

Prepared by the Department of Labor and Workforce Development



ALASKA CHAMBER

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,

Rachael Petro
President/CEO

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

April 9 2014

Dear Representative Austerman and Stoltz and Honorable members of the House Finance
Finance Committee,

I am speaking opposed to HB 316.

The cost of workers' Compensation in Alaska is the highest Nationally. Indeed an article in the Anchorage Daily News and Fairbanks News Miner on March 27 and 28 report that a Committee on Economic research ranked 4 Alaskan cities at the top of the most expensive cities for health care in the US. A top reason for this is noted as the high cost of recruitment and retention of medical providers. In addition the high cost of shipping, heat, buildings etc which reflect the higher costs and prices in Alaska across industry. Overpayment of medical providers was not listed.

Cutting pay to providers in order to reduce workers' compensation costs in Alaska is not the answer. In my clinic it will simply result in the financial inability to rehabilitate injured workers. The RBRVS system proposed is the one used by Medicare and results in paying 65% of the cost of a visit in my clinic. Similarly the other payers using RBRVS like Medicaid, VA and TriCare also pay less than the cost of a visit. Those of you familiar with health care especially in the Anchorage area have seen an exodus of providers who simply do not take Medicare patients. If we now add workers compensation to this type of formula we will see the same. Currently, the reasonable payment of private payers at my clinic has allowed management strategies of cost shifting so that we can still care for Medicare, Medicaid, VA, Tricare patients. If workers compensation lowers payment, we could easily lose the ability to treat all of those patients and simply treat patients with private insurance.

A fix to lower workers compensation rates in Alaska would be to reduce the number and severity of injuries with injury prevention programs which research in my field has validated and by early access to rehabilitation professionals when injuries occur to reduce chronicity and cost of workers' compensation claims. Importantly, addressing the shortage of medical providers in Alaska would significantly reduce my costs. Thank you for your consideration to not support HB 316,

Sincerely,



Juliana Ament, DPT
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North Pole, AK
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