



**Testimony Opposing Senate Bill 665**  
Senate Committee on Labor and Regulatory Reform  
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Good afternoon Chairman Nass, Vice-Chairman Wanggaard, and members of the Senate Committee on Labor and Regulatory Reform. Thank you for the opportunity to testify today. My name is Joanne Alig, and I am speaking today on behalf of the Wisconsin Hospital Association in opposition to Senate Bill 665, related to the Worker's Compensation program in Wisconsin.

As you know, Wisconsin's hospitals and health systems are on the front lines of providing high quality care every day, from our large urban communities to small rural areas so vital to our state, and everywhere in between.

The Wisconsin Hospital Association is testifying today in opposition to Senate Bill 665 because the bill would impose price controls in the worker's compensation program. That is, it would impose a fee schedule artificially capping the amount of reimbursement for health care providers who are providing critical care to injured workers.

Four years ago, the Legislature considered, and rejected, government price setting in the worker's compensation program. Since that time, worker's compensation premium rates have gone *down* two years in a row, with the most recent statement from the Department of Workforce Development indicating an 8.46% reduction in premiums, and a savings of \$170 million.

Yesterday, you received from the Benefit Services Group (BSG) and HC Trends a new report on prioritizing reforms for the worker's compensation program. This report was completed with the support of the Wisconsin Hospital Association and the Wisconsin Medical Society. Not only is BSG a credible employer benefit services company on its own, but BSG recently merged with Hausmann-Johnson insurance, one of the largest worker's compensation insurance agents in the state.

The report describes many of the benefits of Wisconsin's worker's compensation system, and states that by focusing on the unit prices, fee schedules ignore the number and appropriateness of medical services provided. For example, Wisconsin providers billed 26% fewer office visits and provided 13% fewer services per visit than the national average. Wisconsin also has 20% fewer inpatient hospital stays compared to the average. In other words, Wisconsin providers consistently perform above the national average when you look at the *total cost of care* – from time of initial diagnosis to the completion of treatment.

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The report also points out that Wisconsin employees return to work three weeks sooner than average, and according to HC Trends, this translates to a direct savings to employers of \$4,800 to \$6,600 for the average injured employee. Further, Wisconsin has the second *lowest* percentage of injured workers who never return to work. This is significant because every replacement worker will cost employers an estimated \$185,000, according to HC Trends.

There is a strong interest by some to make the worker's compensation system more like group health insurance. But government set health care reimbursement rates are not like group health insurance. Insurers in the group health market do the hard work of give-and-take negotiations which drive program efficiencies and advancements. Group health rates are negotiated to reflect administrative ease and timely payments. Negotiation can happen in worker's compensation, but unfortunately it is not common.

Group health differs from worker's compensation further in that:

- In Wisconsin, group health is 5 times larger than worker's comp in terms of premium dollars, but worker's comp has almost 24 percent more carriers.
- The medical loss ratio in worker's compensation is 62% compared to 87% in group health in Wisconsin (according to OCI reports). This means that of the total premium dollar, for worker's compensation, about 62% goes to injured worker benefits in wage replacement and medical care. The remaining 38% is retained by worker's compensation insurers.
- Worker's compensation insurers are not subject to the same requirements as group health insurers in terms of compliance with requirements such HIPAA and implementing ICD-10. These are requirements that help ensure records are transmitted electronically and that help reduce the overall administrative burden involved in claims processing.

Indeed, you will hear from providers today about the administrative burden and cost associated with the worker's compensation program. This burden is significant. The attached chart attempts to illustrate the many complications of the worker's compensation program, and the hurdles that providers face in dealing with a worker's compensation claim.

If the goal is to reduce costs in the system above the \$170 million in savings already achieved as premiums have come down, fee schedule proponents should work to remove the underlying costs to the system: get rid of the mounds of paperwork by adopting the federally-mandated electronic data interchange used by providers and group health insurers; ensure timely payment; and reduce the number of middlemen taking a piece of the pie while adding little or no value. A fee schedule does nothing to reduce these underlying costs. Therefore, we respectfully ask you to oppose government price setting in the Wisconsin worker's compensation program.