



AN ASSOCIATION OF
MONTANA HEALTH
CARE PROVIDERS

**Testimony on HB 87
Before the House Business and Labor Committee
January 21, 2011
Bob Olsen, Vice President, MHA**

MHA appears today before this committee in opposition to House Bill 87. It is exactly where our Association, and Montana hospitals and physicians did not want to be. We applaud the work of the Labor Management Advisory Council, and we appreciate the hard work and substantial effort that led to the recommendations contained in House Bill 87. We also want to thank Representative Chuck Hunter for taking the time to work with hospitals and doctors and the members of LMAC to sort out our differences with LMAC recommendations.

Hospitals are major employers in Montana. We share the goal of reducing the cost of the workers' compensation program. But we are also caregivers. We want to provide the needed medical care to injured workers and return them to work as soon as is possible. We also want a fair payment for the work that is done.

Since the late 1980's, Montana has forced price discounts on hospitals as a strategy to keep premium costs low. From paying nearly 100% of charges in those days, workers' compensation payers now enjoy a statutory discount of 46% from charges. Workers' comp payers are entitled to cut the bill nearly in half. But premium costs remain high. Cutting payments as a strategy to reduce premium appears not to work.

LMAC has recommended a great many changes, many of which will increase premium costs. Someone has to pay the bill for these new benefits. This is why we believe the LMAC recommended deep payment reductions as part of their package. It might also be why despite our best efforts to the contrary, LMAC continues to insist on greater discounts from providers to achieve their goals of lower premium costs.

During the summer we heard from the Department and others that the problem for Montana workers' compensation stem from 3 primary causes: We hurt our workers more often than in any other state; Our workers remain on benefits longer than in other states and injured workers utilize more medical services than in other states.

Late in the summer we began to hear a message that a great deal of money could be saved merely by slashing the payments made to hospitals, doctors and other medical providers. Further, LMAC was told our payments were unreasonably high, and therefore the reductions were reasonable recommendations.

Specifically, LMAC was told that Montana's cost per admission was among the highest in the country. The problem is that the AHA statistic being cited includes outpatient costs in the formula. When you properly adjust the formula the account for this fact, Montana's hospital costs per discharge are among the lowest in the country.

LMAC was told that workers' compensation pays Montana's hospitals more than 200% of the amount that would be paid by Medicare for the same care. And, LMAC was told that workers' compensation pays hospitals more than private commercial insurance pays. None of this is based on analysis of data. But Montana hospitals supplied the data and showed LMAC that workers' compensation pays hospitals about 178% of what Medicare pays, and workers' compensation pays 37% less than private commercial insurance.

LMAC told MHA that the goal for the payment system in Montana is to pay for reasonable treatment costs, plus afford a reasonable profit margin. Montana hospitals supplied the data to show that current payments to Montana hospitals are 105.4% of treatment costs. In other words, the current system already yields the desired results.

In summary, we disagree that cutting provider payments is reasonable or necessary. The Department is implementing the utilization and treatment guidelines which may produce medical cost savings. The magnitude of the expected savings should be adequate for the time being to help bring medical costs down.

We began by saying the three things that were cited that cause workers compensation premiums to be too high are too many injuries, too long a time off work and too much medical utilization. We believe the safety programs being implemented by the State will affect the number of injuries, other legislation being considered this session will address the length of time on benefits and the utilization and treatment guidelines should address the amount of medical care covered by workers' compensation insurers.

Thank you for your consideration.

2007 Expenses by State -- Registered Community Hospitals

	2007	2007	2007
	Number of	Expense per	Expense per
	Hospitals	Adj Admission	Adj Inpat Day
			Expense
			per Capita
US Total	4897	\$9,377	\$1,696
DC	10	\$15,942	\$2,381
Oregon	58	\$10,253	\$2,336
Washington	87	\$10,487	\$2,332
California	355	\$11,751	\$2,250
Maryland	49	\$9,772	\$2,113
Massachusetts	78	\$10,752	\$2,113
Alaska	22	\$12,682	\$2,104
Arizona	66	\$9,195	\$2,039
New Jersey	73	\$10,409	\$2,014
Colorado	75	\$10,549	\$1,998
Connecticut	34	\$10,273	\$1,988
Utah	41	\$9,006	\$1,959
Rhode Island	11	\$9,979	\$1,923
New Mexico	35	\$8,306	\$1,900
Nevada	33	\$9,763	\$1,875
New Hampshire	28	\$10,082	\$1,854
Indiana	114	\$9,194	\$1,849
Ohio	171	\$9,105	\$1,833
Texas	409	\$9,141	\$1,806
Illinois	190	\$9,210	\$1,799
Delaware	6	\$11,363	\$1,778
Missouri	117	\$9,163	\$1,768
Maine	37	\$9,429	\$1,729
Wisconsin	124	\$9,313	\$1,682
New York	202	\$12,134	\$1,673
Florida	200	\$8,495	\$1,652
Idaho	39	\$8,096	\$1,643
Michigan	143	\$9,108	\$1,642
Pennsylvania	187	\$8,821	\$1,626
Virginia	87	\$8,831	\$1,622
South Carolina	67	\$9,100	\$1,557
Hawaii	23	\$11,060	\$1,556
Minnesota	131	\$9,939	\$1,500
Vermont	14	\$9,726	\$1,434
North Carolina	113	\$8,447	\$1,433
Oklahoma	113	\$7,139	\$1,424
Louisiana	129	\$7,547	\$1,417
Tennessee	133	\$7,776	\$1,396
Kentucky	104	\$7,056	\$1,390
Arkansas	84	\$6,962	\$1,353
Alabama	109	\$6,658	\$1,332
Georgia	147	\$8,520	\$1,279
Nebraska	85	\$9,628	\$1,250
Mississippi	95	\$7,689	\$1,179
West Virginia	56	\$6,740	\$1,176
Iowa	117	\$7,398	\$1,132
Kansas	128	\$7,095	\$1,093
Montana	52	\$8,708	\$975
North Dakota	41	\$8,430	\$958
Wyoming	24	\$8,146	\$887
South Dakota	51	\$9,253	\$869

SOURCE: Health Forum, 2007 AHA Annual Survey of Hospitals. Figures are based on reported and estimated data from 4897 registered community hospitals.

Expense per adjusted admission= total expense / adjusted admssions

Expense per adjusted inpatient days= total expense / adjusted inpatient days

Expense per capita= total expense / state population

Estimated Cost Impact of Workers' Compensation Changes
2007 to date

	In Millions
(LMAC created 12/2006)	
NCCI Lost Cost Filing 7/1/07	-1.30%
	-\$6.1
NCCI Lost Cost Filing 2/1/08	-2.90%
	-\$13.5
NCCI Lost Cost Filing 7/1/08	-1.80%
	-\$8.2
NCCI Lost Cost Filing 7/1/09	-2.20%
	-\$10.0
NCCI Lost Cost Filing 7/1/10	-6.40%
	-\$27.8
Impact of 5th to 6th Edition AMA Guides	
	-1.10%
	\$4.4
Used for Cost Estimates Below:	2010 Total Costs
	\$403 Million

Recommended Changes

	Benefit	Percent Benefit Impact	Percent Indemnity Impact	Percent Medical Impact	Percent Impact on Rates	Employer Costs in Millions	Running Total	Adjustments for Interaction	Yes = 1
1. a. End TTD benefits at MMI (if rtw at full wage) or MMI + 30 (if not rtw)	TTD	-4.0%	-1.7%		-0.5%	-\$2.1	\$400.5		
1. c. Eliminate the eligibility for vocational rehabilitation services/benefits for disabled workers or those workers with a >15% impairment rating provided in Title 39, Chapter 71, Part 10.	VR	-40.0%	-3.6%		-1.1%	-\$4.4	\$396.2		
2. Codify in Statute the use of the 6th Edition AMA Guides (assumed in effect)	PPD	0.0%	0.0%		0.0%	\$0.0	\$396.2		
4. Shorten from 30 days to 14 days the length of time for insurer decision to pay or deny						\$0.0	\$396.2		
Adj. % ER impact									
9. Adoption of Utilization and Treatment Guidelines.	Medical	-36.0%		-36.0%	-19.9%	-\$80.8	\$315.3		1
10. Modification of Fee Schedules to 130% of Medicare	% Medical	% Affected	Current Multiple to Medicare	Impact on Medical				% of Medicare	
a. Non-Facility	57.6%	90.0%	181.0%	-14.6%	-8.1%	-\$32.8	\$282.5	130%	1
b. Hospital Inpatient	15.7%	80.9%	216.6%	-5.1%	-2.8%	-\$11.4	\$271.1	130%	1
c. Outpatient Surgery - Total of ASC and Hospital Outpatient	16.6%	80.1%	203.4%	-4.8%	-2.6%	-\$10.8	\$260.4	130%	1
i. Ambulatory Surgery Centers	7.2%	78.8%	195.6%	-1.9%				130%	
ii. Outpatient Hospital	9.4%	80.9%	212.1%	-2.9%				130%	
11. Clarifying Course and Scope.	Ind/Med								
12. Statutory Claim Closure.	Ind/Med				0.0%	\$0.0	\$260.4		
13. Settlement of Future Medical Benefits.	Medical	-10.0%		-10.0%	-5.5%	-\$22.5	\$237.9		1
Total After Savings							\$237.9		
Total Savings							\$169.1		

Estimated Cost Impact of Workers' Compensation Changes

5th to 6th Edition AMA Guides Recommended Changes	Benefit	Percent Impact			Percent Indemnity Impact	Percent Medical	Percent Impact on	Employer Costs in Millions	Running Total
		Benefit	Indemnity	Medical					
	PPD	-10.3%	-3.6%	-1.0%			-\$4.1		
Assuming 6th Edition as starting point									
1.b. d. and e. immediately start paying PPD or PPD upon termination of LTD; Pay PPD impairment modifiers for age, education, restrictions and wage loss of double impairment (worker job not or been offered work at full wage at the TOI employer; increase PPD rate to 66 2/3% of the way with the max. at 100% of the saww.	PPD	17.5%	6.2%		1.7%		\$7.0	\$244.9	
Alternative - Pay PPD at max. of 75% of SAWW and PPD at max. of 75% SAWW	PPD	14.6%	5.2%		1.4%		\$5.8		
Current PPD Structure At 400 Weeks	PPD	8.2%	3.0%		0.8%		\$3.3		
At 425 Weeks	PPD	13.5%	4.5%		1.3%		\$5.4		
At 450 Weeks	PPD	20.5%	7.2%		2.0%		\$8.2		
At 475 Weeks	PPD	27.5%	9.7%		2.7%		\$10.0		
At 500 Weeks	PPD	33.9%	12.0%		3.4%		\$13.5		
Pay PPD at max. of 75% of SAWW and PPD at max. of 75% SAWW at 400 Weeks	PPD	21.6%	7.7%		2.1%		\$8.6		
At 425 Weeks	PPD	29.2%	10.2%		2.9%		\$11.7		
At 450 Weeks	PPD	37.4%	13.2%		3.7%		\$14.9		
At 475 Weeks	PPD	45.0%	15.9%		4.5%		\$18.0		
At 500 Weeks	PPD	52.6%	19.6%		5.2%		\$21.0		
Pay PPD at max. of 100% of SAWW and PPD at max. of 100% SAWW at 400 Weeks	PPD	35.1%	12.4%		3.5%		\$14.0		
At 425 Weeks	PPD	44.4%	15.7%		4.4%		\$17.7		
At 450 Weeks	PPD	52.0%	18.4%		5.2%		\$20.8		
At 475 Weeks	PPD	60.2%	21.3%		6.0%		\$24.0		
At 500 Weeks	PPD	70.2%	24.8%		7.0%		\$28.0		
3. Implement an "Early Return to Work" being developed by the WorksafeMT SAW/RTW committee	ERTW				0.1%		\$0.4	\$245.3	
7. Enact retroactive Payment Period									
7a. After 14 days of disability	TTD	3.3%	1.4%		1.0%		\$4.0	\$249.3	
7b. After 21 days of disability	TTD	2.9%	1.2%		0.9%		\$3.5		
7c. After 28 days of disability	TTD	2.6%	1.1%		0.8%		\$3.2		
14. Attorney Fees	Medical	0.1%			0.1%		\$0.3	\$249.6	
Projected Employer Costs (Millions)							\$249.6		
Projected Total Benefit Increases							\$11.7		

Ratio of Decreases/Increases: \$14.5 / \$1