

WMC

WISCONSIN MANUFACTURERS & COMMERCE

TO: Members, Senate Committee on Labor and Regulatory Reform

FROM: Chris Reader, WMC Director of Health & Human Resources Policy

DATE: February 14, 2018

RE: Support for Senate Bill 665

Chairman Nass and committee members, thank you for the opportunity to show our support for Senate Bill (SB) 665, a product of the Worker's Compensation Advisory Council that will bring needed price relief to worker's compensation medical bills in Wisconsin.

My name is Chris Reader, and I am the Director of Health and Human Resources Policy for Wisconsin Manufacturers & Commerce (WMC), the largest business trade association in Wisconsin. WMC has over 3,800 members, of all sizes, from all industries, and from every corner of Wisconsin. Our membership strongly supports SB 665. In my testimony today I am going to focus primarily on the high medical costs of worker's compensation, and the solution to those high costs contained in SB 665.

I am also a member of the Worker's Compensation Advisory Council (WCAC), appointed by Department of Workforce Development (DWD) Secretary Ray Allen to represent employers. The advisory council has 10 voting members, 5 representing employers and 5 representing workers. We are charged under Wis. Stat. §102.14(2) to "advise the department and the division in carrying out the purposes of this chapter," and to "submit its recommendations with respect to amendments to this chapter to each regular session of the legislature." Senate Bill 665 is the Council's recommendation to the 2017-2018 legislature for amendments to Wis. Stat. §102. After careful negotiations last summer, the Council unanimously approved the bill before you today.

Beyond the council, there are 56 employer groups that have joined an employer coalition to support this bill and the enactment of a medical fee schedule for worker's compensation in Wisconsin. The coalition is broad, from construction groups to farm and grower groups, banks, restaurants, retail, and local governments (see Appendix A for full list). Additionally, a letter was sent to legislative leaders in December signed by 49 CEOs in Wisconsin, and nearly 400 employers from all over Wisconsin signed petitions in support of enacting a medical fee schedule last year. Copies of that letter and those petitions will be delivered to each of the committee members.

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Founded in 1911, WMC is Wisconsin's chamber of commerce and largest business trade association.

Worker's Compensation has been the law of the land in Wisconsin since 1911. We were the 2nd state to pass a worker's compensation law, and the 1st to have our law upheld in court. The grand bargain of worker's compensation is that workers who are injured while working are entitled to medical treatment at no cost, and employers are protected from lawsuits.

The worker's compensation system in Wisconsin is working well. But it has one glaring flaw – the lack of price controls that almost every other state has in place has allowed medical pricing to skyrocket. Medical costs in worker's compensation, compared to costs paid in other states for identical treatment, or compared to identical treatment paid for by other sources like group health, has been increasing year over year, sometimes with double-digit increases, for the last two decades. The high costs are now a competitive disadvantage for Wisconsin.

Before I get into the discussion on the medical fee schedule that SB 665 seeks to put into place, I want to discuss the current state of worker's compensation in Wisconsin. I will also dispel some of the myths and misinformation that you are sure to hear later in the day from those seeking to maintain their ability to profit off of worker's compensation claims.

False Claim: "Free Market"

It's important to have a proper understanding of worker's compensation when working through the reforms in SB 665. You will likely hear from opponents later today that implementing a fee schedule goes against "free market" principles, and therefore shouldn't be considered. I want to dispel that myth off the bat. Nothing about worker's compensation follows free market principles; similar to how health care generally is riddled with mandates and subsidies today and does not follow free market principles.

There is a schedule in Wis. Stat. §102.52 for the amount of benefits an injured worker receives for various injuries, all the way down to setting the exact value of a great toe with 100% loss at various joints compared to a little toe with the same injury. Did you know that state law says your great toe at 100% loss is worth 83 1/3 weeks of disability payments, while a 100% loss of your little toe is worth 20 weeks of disability payments? (See Wis. Stat §102.52(13) and Wis. Stat. §102.52(14)(g)).

The rates for insurance coverage, which virtually every employer must purchase if they are not self-insured, are set by actuaries working for the Wisconsin Compensation Rating Bureau (WCRB), approved by the WCRB Governing Board, and finally approved by the Wisconsin Commissioner of Insurance on an annual basis. State law prohibits employers from controlling where injured workers must go for treatment. Employers, themselves or through their insurance company, must pay the medical bills of injured workers. In short, it is not a free market system today.

False Claim: Injuries keep costs high

The committee will likely hear some misinformation over injuries in Wisconsin, and that the fault of high costs lie not with medical providers, but with employers for having high injury

rates. Here are the hard facts and data. Injuries in Wisconsin have fallen dramatically over the last 20+ years. In 1994, Wisconsin had almost 220,000 workplace injuries. In 2014, Wisconsin had approximately 95,000 workplace injuries (see Appendix B)

Employers are working to improve safety, and have had significant demonstrated results. Unfortunately, medical pricing has increased over that same time from a little over \$300 million spent overall on worker's compensation injuries to more than \$650 million in 2014 (data is from insured employers only). This equals a more than 450% increase per claim. And it's not just that medical pricing has gone up – worker's compensation medical pricing has far outpaced general medical inflation. Since the mid-1990s, according to the Bureau of Labor Statistics at the Department of Labor, inflation has increased a bit over 150%. Medical inflation over that time was closer to 200%. Yet worker's compensation medical costs in Wisconsin have increased close to 450% (see Appendix C). Clearly something is not working right when Wisconsin worker's compensation costs outpace medical inflation by such a large margin.

False Claim: Insurance rates falling so no need to act

You will also likely hear that worker's compensation insurance rates fell last October by 8.46%, and over 3% the year prior, therefore nothing needs to be done to correct the high medical bills employers receive. Unfortunately this too is an attempt to misdirect by those seeking to maintain their ability to profit on worker's compensation claims. The drop in insurance rates follows a national trend of rates reducing due to reductions in injuries and other risk factors. As stated previously, insurance rates are set by the Wisconsin Compensation Rating Bureau. I serve on the governing board of the Bureau, appointed by the Governor as one of two employer representatives. The Bureau, through its actuaries, looks at the expected risks for the upcoming year and sets rates accordingly. The dramatic reduction in injuries year over year, a lower percent of our workforce in high-risk sectors, an aging workforce, and the fact that the severity of injuries is down all lead to lower risk exposure, and therefore lower rates. Expected medical costs are also factored in, and currently work to keep rates higher than they otherwise could be because we still see year over year increases in medical costs.

When you compare our rates to other Midwest states, Wisconsin employers currently pay \$1.74 per \$100 of payroll. That's the highest in the Midwest and 46% higher than the Midwest median according to the latest data from the National Academy of Social Insurance¹. Even with the latest decrease, Wisconsin rates are still the highest in the Midwest (see Appendix D).

False Claim: Wisconsin per-claim cost below average means no action needed

The committee is also likely to hear later today that the average cost per worker's compensation claim in Wisconsin is below average, so there is no need to implement a medical fee schedule.

¹ <https://www.nasi.org/research/2017/workers-compensation-benefits-coverage-costs>

What defenders of the status quo would have you believe is that because other areas of worker's compensation are working well, there's no need to adjust the part that has a glaring problem. That's like saying lawmakers may have a handle on the budgets in 9 of 10 state agencies, so there's no need to also fix the 10th agency.

According to the Workers Compensation Research Institute (WCRI) out of Boston, Massachusetts, Wisconsin medical costs for worker's compensation per claim are among the highest in the nation². For injuries that result in lost time of more than 7 days, WCRI's latest data places Wisconsin's per claim medical costs at 61% higher than the national median for 2015/16. For all injuries, even those without lost time, Wisconsin is 46% higher than the national median over the same time (see Appendix E). On a 3 year view, 2013/2016, medical prices in Wisconsin for worker's compensation claims are 38% higher than typical for those with more than 7 days of lost time, and 19% higher for all claims.

WCRI also finds year over year that the cost of indemnity benefits for injured workers in Wisconsin and the cost of benefit delivery are well below average. If you take all three components that make up a worker's compensation overall claim cost, Wisconsin is currently 5% below average according to WCRI (see Appendix f). While that is a good thing, it is little comfort to employers paying the highest-in-the-nation medical bills. There is simply no reason Wisconsin can't be a leader in all categories.

False Claim: Fast return to work justifies high costs

Part of the reason indemnity benefits in Wisconsin are well below average is because Wisconsin ranks very well at getting workers back on the job quickly. Providers will say this is because they treat worker's compensation patients better than other patients; insinuating that a higher payment is justified. If true, what does that say to the care received by patients whose bills are paid by Medicare or Medicaid?

Employers and insurers strongly believe that the reason we have a strong return to work ranking is because employers and insurers work with injured workers to provide opportunities to come back to work in short order, even if it means doing alternative work for a time while the worker continues to heal. Further, WCRI has found that Wisconsin has system features that encourage fast return to work (see Appendix G). High medical bills is not one of the factors highlighted.

Why are Costs High?

In forty-four states, worker's compensation medical costs are contained by the use of a medical fee schedule (see Appendix H). A fee schedule works to set the maximum price a provider can charge. In forty-nine states, either a medical fee schedule or employer direction of care is available to reduce costs. Direction of care is where the employer is able to direct injured workers to specific providers or provider systems, allowing the employer to then negotiate

² All WCRI data in testimony from CompScope Medical Benchmarks for Wisconsin, 18th Edition (Belton, 2017).

meaningful price discounts with those providers, like what happens in group health. Wisconsin does not allow either tool, which means employers and insurers have little ability to actually control medical costs once a worker is injured. While there are currently slight discounts offered to carriers and some large employers, the amount is minimal due to employers' inability to steer large volumes of patients to specific providers or networks. Therefore, the discounts today do not come close to matching group health discounts or what employers pay in other states.

Without a real mechanism to control prices, the data overwhelming shows that costs in Wisconsin have increased well beyond what most would consider reasonable. Compared to other states, Wisconsin currently has the highest medical payments per claim amount in the nation (see Appendix E). Wisconsin has the highest non-hospital prices paid in the nation (see Appendix I). Wisconsin has the highest outpatient payment per claim (see Appendix J). Wisconsin saw medical costs per claim grow on average 3.9% between 2011-2015, and 8.8% between 2005-2010 (see Appendix K). We now have costs in Wisconsin that lead the nation for being most expensive in key areas, including pain management injections at 334% above the median price and major surgeries at 209% above the median (see Appendix L). Since 2010, medical costs accounted for 73% of the growth in Wisconsin claim costs (see Appendix M). If you read through the full 2017 WCRI CompScope study, you'll see that these are just a sampling of the many ways that Wisconsin worker's compensation medical costs are the most expensive in the nation.

SB 665 Medical Fee Schedule

SB 665 would enact a medical fee schedule in Wisconsin, bringing relief that employers have long sought. While most states follow a Medicare-based fee schedule, typically set at 150% of Medicare, the fee schedule before you today does not do that. Instead, it attempts to find a Wisconsin solution that treats all parties fair. Providers have voiced their concerns over having a Medicare-based system and being at the whims of the federal government adjusting and possibly lowering reimbursement rates. In response, this bill has a different foundation.

The fee schedule in SB 665 would set a fee schedule that is 2.5% higher than the average price paid for group health. To build the fee schedule, DWD is charged under SB 665 to collect group health price data, from sources they already have or from surveying self-insured employers, to establish average group health paid amounts. Since healthcare is not a free market system, it's impossible to know what a market price of various procedures are, so the assumption in this bill is that group health pricing is the closest thing to a market price available. DWD then is to determine, based on current federal Medicare rates, what the percentage off of Medicare is to match the average group health price. The fee schedule is then set at that percent off of Medicare in order to maintain the framework, such as procedure codes, that Medicare offers. The amount is then increased automatically by an additional 2.5% to account for administrative costs providers may have with worker's compensation compared to group health.

From that moment forward, the fee schedule is decoupled from Medicare, so that it is not subject to federal tinkering with Medicare reimbursement rates. Going forward, the fee schedule is increased annually to match medical inflation, and the exercise is repeated in ten years to ensure the system stays true to group health pricing. Additionally, providers have an opportunity under SB 665 to request a hearing at DWD where they can argue that their unique administrative costs for worker's compensation are higher than 2.5%, and DWD is authorized to increase the additional amount up to a total of 10% if providers prove their case to DWD.

Once enacted, the fee schedule called for under SB 665 will reduce costs, but of note it also maintains worker's compensation as the highest payer for providers. You may hear today how enacting a fee schedule could make providers decide to no longer take worker's compensation patients, making access to treatment difficult. While that hasn't happened in forty-four other states, this bill recognizes the issue and keeps worker's compensation as the highest payer to alleviate that concern.

Recent Experience in Indiana

Indiana enacted a medical fee schedule on hospital prices in 2014, set at 200% of Medicare. According to WCRI's review of that state, the fee schedule was a key driver in Indiana seeing a 10% per-claim cost reduction in 2015.

Utilization

A concern we have heard over enacting a fee schedule is what may happen to utilization. It is true that the experience in other states suggests that with a fee schedule controlling costs, some providers will resort to increasing utilization by bringing patients in for extra, unnecessary treatments in order to make up the difference. Indiana has seen their savings from the fee schedule diminished slightly by an increase in utilization, according to WCRI. Some will argue this is reason enough to not enact a fee schedule. For employers, this potential negative action by some providers is not a convincing reason to not enact cost containment. It is, however, a reason to continually monitor utilization rates going forward and for the Advisory Council and Legislature to act swiftly to crack down on such abuses should they occur in Wisconsin.

Administrative Cost Savings

Beyond the fee schedule, SB 665 also implements electronic billing and records for worker's compensation. While healthcare generally has moved to a paperless system, that is not necessarily the case with worker's compensation. These provisions will help reduce administrative costs for all parties within worker's compensation.

Savings

We don't know the full amount of medical spending on worker's compensation claims in Wisconsin because only insured employers, and not self-insured, are accounted for at DWD. Estimates range on the total annual amount spent on worker's compensation medical bills from between \$750 million to \$1 billion. If the experience in Indiana is a baseline, that means Wisconsin could see a savings of between \$75 million and \$100 million annually. We expect the

savings to exceed Indiana because their fee schedule is limited to only hospital charges, while SB 665 controls costs across-the-board. What that means is money can be put back into safety, it can go to increasing indemnity for injured workers, and it can be used generally for hiring, training, and wages. Specifically on indemnity payments for injured workers, it means we can start to fix the disproportion between the amount of money spent on medical bills versus the amount of money spend for injured workers. Nationally, and historically in Wisconsin, 50 cents of every dollar spent in worker's compensation goes to medical bills, and 50 cents goes to injured workers. Because of the skyrocketing healthcare costs over the last 20 years, 77 cents on the dollar in Wisconsin now pays medical bills, the highest percent in the nation.

Opioids

Finally I'll hit briefly on the provisions in the bill dealing with the opioid abuse epidemic. SB 665 includes important education requirements for injured workers and providers on alternative treatments that are available, other than opioids. It also importantly limits how many opioids a provider can allow an injured worker to leave the office with on the initial visit to only a 7 day supply, requiring follow-up care and prescriptions for additional pills.

With that, I am going to conclude my testimony. Thank you for your thoughtful consideration of this important legislation, and I respectfully ask that you support its passage. I am happy to take any questions committee members may have.

WMC

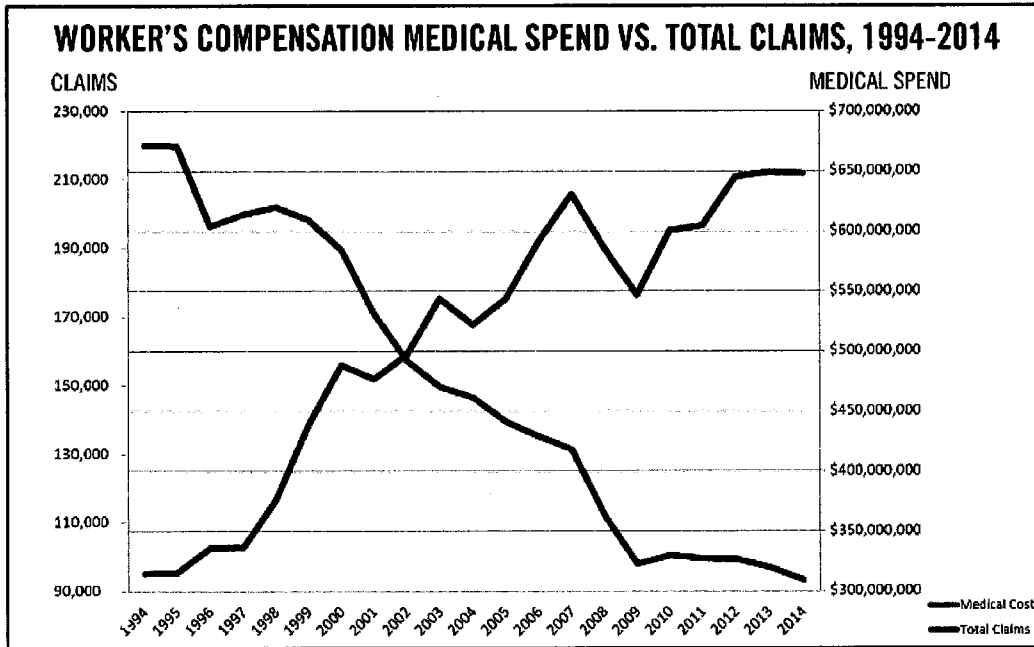
WISCONSIN MANUFACTURERS & COMMERCE

APPENDIX A

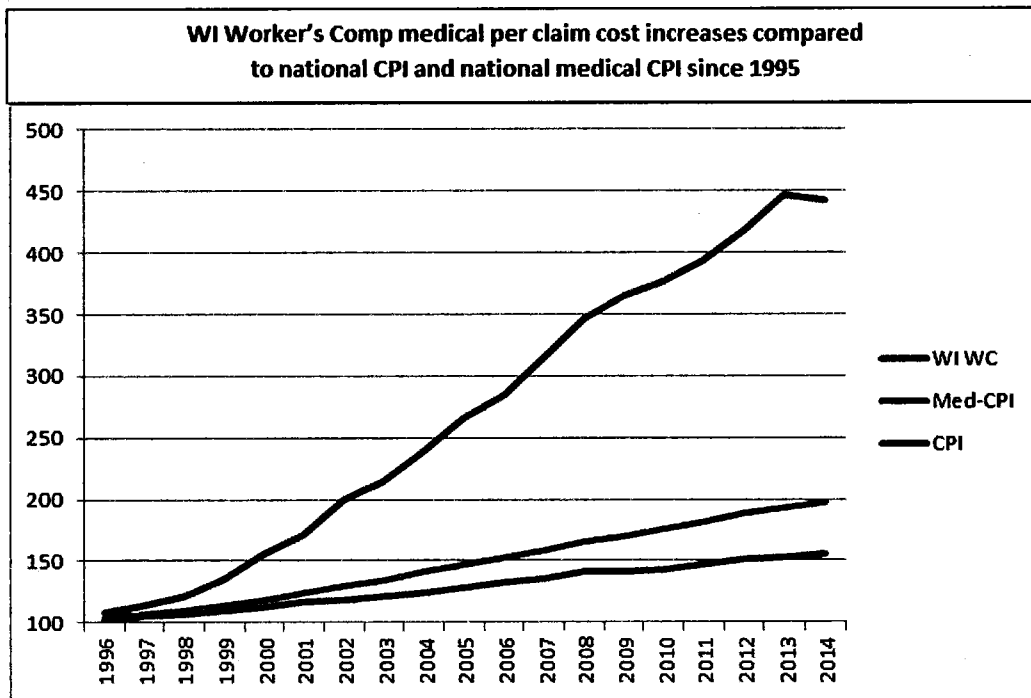
Members of the Worker's Compensation Employers Coalition

Wisconsin Manufacturers & Commerce Alliance of Wisconsin Retailers	Wisconsin Cheese Makers Association
ABC- Wisconsin	Wisconsin Christmas Tree Producers Association
AGC of Greater Milwaukee	Wisconsin Corn Growers Association
	Wisconsin Dairy Business Association
AGC of Wisconsin	Wisconsin Employers for Equitable Worker's Compensation
Independent Business Association of Wisconsin	Wisconsin Fabricare Institute
Independent Insurance Agents of Wisconsin	Wisconsin Farm Bureau
Integrated Risk Solutions	Wisconsin Geothermal Association
League of Wisconsin Municipalities	Wisconsin Green Industry Federation
Mechanical Contractors Association of Wisconsin	Wisconsin Grocers Association
Midwest Food Products Association	Wisconsin Housing Alliance
Midwest Hardware Association	Wisconsin Independent Businesses
Municipal Electric Utilities of Wisconsin	Wisconsin Industrial Energy Group
Plumbing and Mechanical Contractors Association of Wisconsin	
Plumbing Contractors of Southeastern Wisconsin	Wisconsin Insurance Alliance
Plumbing-Heating-Cooling Contractors of Wisconsin	Wisconsin Liquid Waste Carriers Association
Professional Insurance Agents of Wisconsin	Wisconsin Motor Carriers Association
Sheet Metal and Air Conditioning Contractors Association	Wisconsin Nursery and Landscape Association
SHRM – Wisconsin State Council	
	Wisconsin Onsite Water Recycling Association
Skiing Wisconsin	Wisconsin Paper Council
Southeastern Wisconsin Drywall & Plastering Contractors Association	Wisconsin Petroleum Marketers and Convenience Store Association
Tool, Die & Machining Association of Wisconsin	
Wisconsin Association of Staffing Services	Wisconsin Pork Association
Wisconsin Association of Textile Services	Wisconsin Pump & Well Suppliers
Wisconsin Automobile & Truck Dealers Association	Wisconsin Restaurant Association
Wisconsin Bankers Association	Wisconsin Roofing Contractors Association
Wisconsin Builders Association	Wisconsin State Telecommunications Association
Wisconsin Cast Metals Association	Wisconsin Transportation Builders Association
	Wisconsin Utilities Association
	Wisconsin Water Well Association

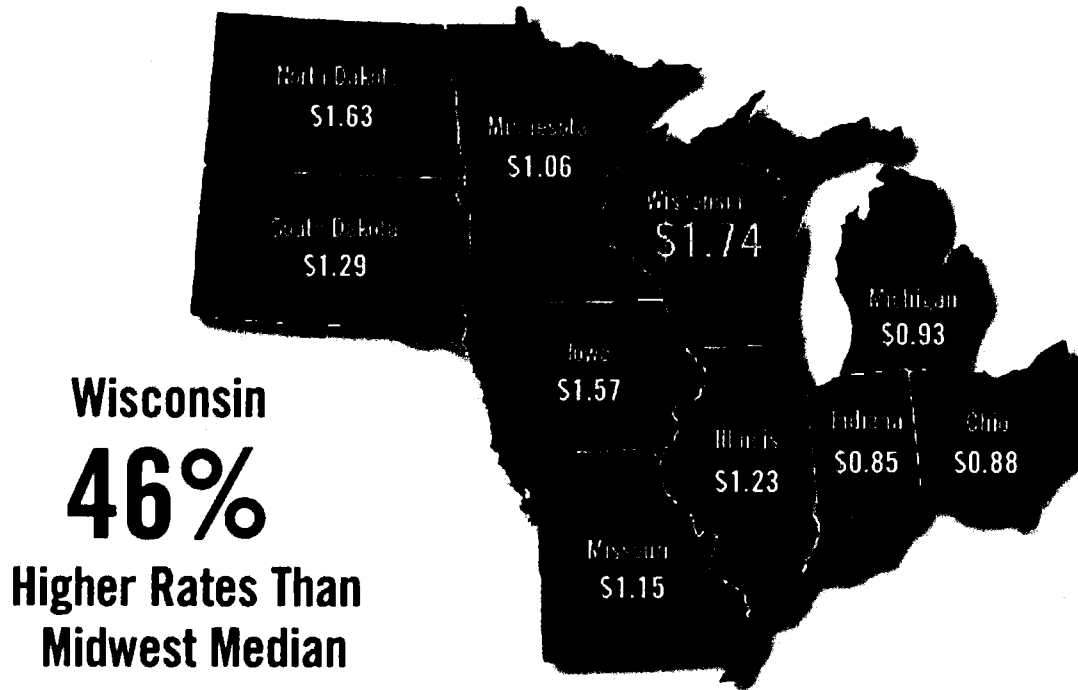
APPENDIX B



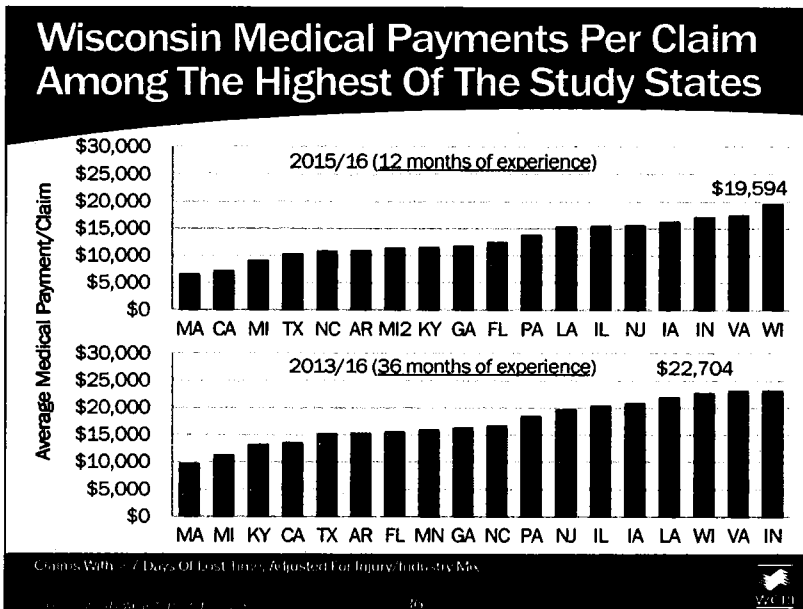
APPENDIX C



APPENDIX D



APPENDIX E



At \$19,594, the average medical payment per claim with more than seven days of lost time was 61 percent higher than the median of the 18 study states (for 2015/16 claims with more than seven days of lost time at an average 12 months of experience). Results for more mature 2013/16 claims, at an average 36 months of experience, show that the average medical payment per claim with more than seven days of lost time in Wisconsin was 38 percent higher than typical (Figure 3).

When we examined the average medical payment per all paid claims (which includes claims with less than seven days of lost time and claims with more than seven days of lost time) in 2015/16, Wisconsin was 46 percent higher than the median study state (\$5,064 in Wisconsin versus \$3,468 in the median state). The average medical payment was 19 percent higher for more-mature 2013/16 claims (\$5,471 in Wisconsin versus \$4,611 in the median study state).

APPENDIX F

Lower Indemnity Payments And Expenses Offset Higher Medical Payments In WI

Average Cost Per Claim	Wisconsin	Median State	WI Compared With Median State
Total	\$38,250	\$40,274	-5%
Medical	\$22,704	\$16,472	38%
Indemnity	\$11,405	\$18,269	-38%
Benefit Delivery Expenses	\$4,101	\$5,953	-31%

2013/16 Claims With > 7 Days Of Lost Time, Adjusted For Injury/Industry Mix And Wages.
Source: *CompScope™ Benchmarks For Wisconsin, 17th Edition (2017)*



APPENDIX G

COMPSCOPE™ MEDICAL BENCHMARKS FOR WISCONSIN, 18TH EDITION

WI System Features Contribute To Lower Indemnity Benefits And Less Litigation

- Wisconsin has system features that encourage faster return to work and less litigation
 - Standards for terminating TD benefits
 - Two-tier structure for PPD benefits
 - Low weekly maximum PPD benefit (but potentially paid over a longer maximum number of weeks)
 - Lump-sum settlements discouraged
 - Efficient disability assessment process
 - Reliance on treating physicians for ratings
 - Minimum rating required
 - Final offer adjudication process

Source: *CompScope™ Benchmarks For Wisconsin, 18th Edition (2017)*



Key: **MMI**: Maximum medical improvement. **PPD**: Permanent partial disability. **TD**: Temporary disability.

Sources: Boden. 1988. *Reducing Litigation: Evidence from Wisconsin*.
Belton. 2011. *Factors Influencing Return to Work: Lessons from Pennsylvania and Wisconsin*.
Belton. 2016. *CompScope™ Benchmarks for Wisconsin, 16th Edition*.

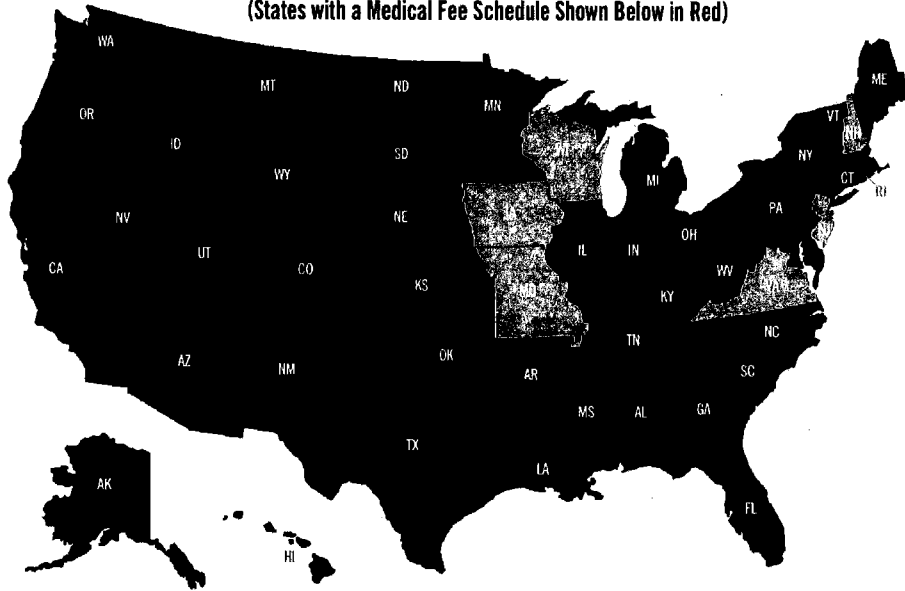
In Wisconsin, employers have the ability to unilaterally terminate TD benefits without a hearing if the worker has returned to work, refused an offer for suitable work, and/or reached the end of the healing period.

In addition, Wisconsin has a two-tier PPD structure for nonscheduled injuries. Workers who do not return to work, or who are rehired at less than 85 percent of their preinjury wage, are entitled to loss of earning capacity benefits in addition to impairment benefits. Workers who are rehired at 85 percent or more of their preinjury wage receive impairment benefits only. Lump-sum settlements of PPD benefits are paid under limited circumstances.

Wisconsin also has an efficient disability evaluation process. For example, the treating physician assigns the rating at the time of MMI. A final offer adjudication process is applied for scheduled injuries to eliminate the range of disagreements between the parties regarding the impairment rating. The Division of Workforce Development in Wisconsin has established a minimum PPD assessment for certain types of surgeries. Workers receive weekly PPD benefits based on the minimum impairment rating, pending the final agreement regarding the rating.

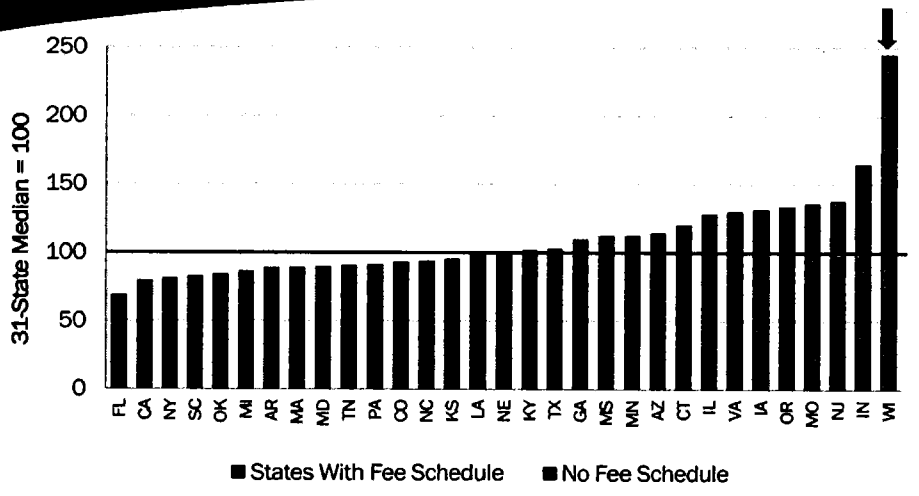
APPENDIX H

States With A Medical Fee Schedule
 (States with a Medical Fee Schedule Shown Below in Red)



APPENDIX I

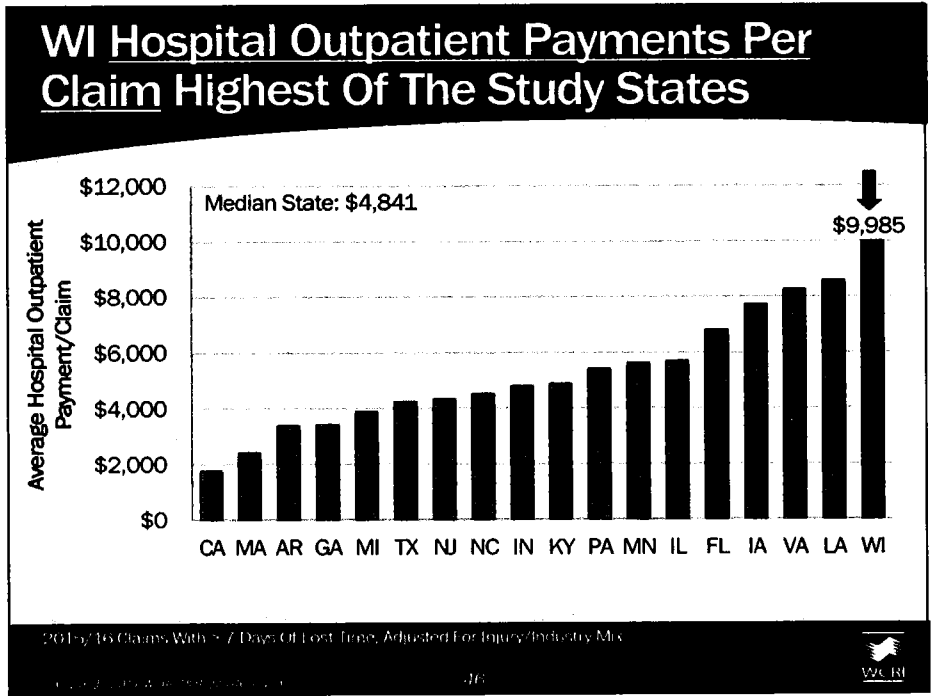
Nonhospital Prices Paid In Wisconsin Were The Highest Of 31 States



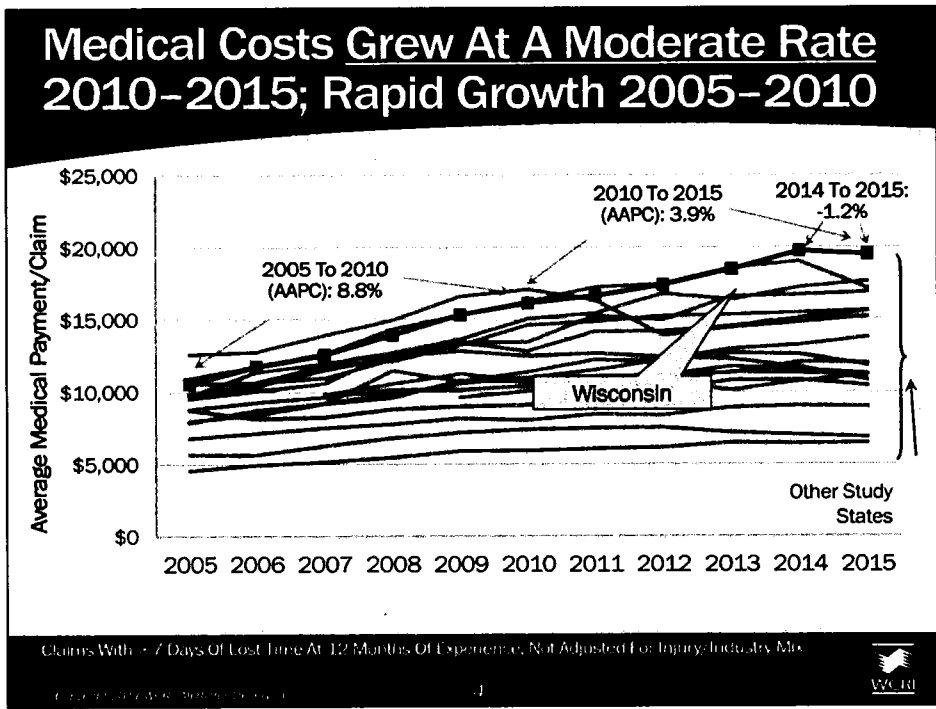
Price Index for Nonhospital Services, Reported In 2016 (with 2010 as through base)
 Source: WRI Medical Price Index for Workers' Compensation, Northville, 2017



APPENDIX J



APPENDIX K



APPENDIX L

Payments Per Claim In WI For Key Nonhospital Services 46%–334% Higher

Payments/Claim For Nonhospital Services	Wisconsin	Median State	% Difference
Pain Mgmt. Injections	\$2,030	\$467	334%
Major Surgery	\$8,181	\$2,647	209%
Major Radiology	\$1,714	\$696	146%
Minor Radiology	\$442	\$193	129%
Evaluation & Management	\$1,207	\$742	63%
Physical Medicine	\$4,613	\$3,166	46%

2015/16 Claims With < 7 Days Of Lost Time, Adjusted For Injury Industry Mix

Source: Wisc. Comp. Scop. Reports, 17th Edition (2017)

11



APPENDIX M

Medical Accounted For About 73% Of Growth In WI Claim Costs Since 2010/11

Average Cost Per Claim	2010/11	2015/16	Change	% Share Of Change
Total	\$23,753	\$28,401	\$4,648	
Medical	\$16,131	\$19,516	\$3,385	73%
Indemnity	\$5,636	\$6,087	\$451	10%
Expenses	\$1,976	\$2,791	\$815	18%

Claims With < 7 Days Of Lost Time At 12 Months Of Experience, Not Adjusted For Injury Industry Mix And Wage Source. Comp. Scop. Reports, 17th Edition For Wisconsin, 17th Edition (2017)

Source: Wisc. Comp. Scop. Reports, 17th Edition (2017)

12





Wisconsin Medical Society

Your Doctor. Your Health.

TO: Senate Committee on Labor and Regulatory Reform
Senator Steve Nass, Chair

FROM: Mark Grapentine, JD – Senior Vice President, Government Relations

DATE: February 14, 2018

RE: **Opposition** to Senate Bill 665

On behalf of nearly 12,500 members statewide, thank you for this opportunity to share the Society's strong opposition to Senate Bill 665, due to the bill creating a fee schedule for health care services in the state's Worker's Compensation (WC) program.

Simply put, the fee schedule proposed for health care is a bad idea for a non-problem.

Wisconsin's WC program is often referred to as a national model, in no small part due to injured workers' ready access to high quality health care. As detailed below, this care is a key element in why injured workers return to work more rapidly than almost anywhere else in the nation, are more satisfied with their care than anywhere else in the nation, and at a cost that is near the national average.

The proposed fee schedule is unfair at its core, unwieldy in its creation, and is clearly designed to eventually become a rudimentary Medicare-based fee schedule. It is a direct threat to maintaining a core element that helps make Wisconsin's WC a national model: allowing injured workers good access to top-notch care.

Whenever a fundamental change to a state program is proposed, we believe it is important that the change needs to address an identified problem and show how that change will help solve that problem. While it is quite easy to identify the fee schedule proposal contained in SB 665 as a fundamental change, it is much more difficult to identify the problem this fee schedule is designed to solve.

The "agreed-to" bill in the 2013-14 state legislative session failed this test, and the WCAC's effort that session – introduced as companion bills AB 711 and SB 550 in 2013 – failed to move past a joint public hearing of both houses' Labor committees due to an inability to show a problem that a health care fee schedule would solve.

We note that testimony the Society prepared for the joint committees on February 4, 2014 remains instructive for analyzing this session's fee schedule proposal. Here is the key language from that 2014 testimony, which was included as a cover memo to a packet of information discussing Wisconsin's WC system:

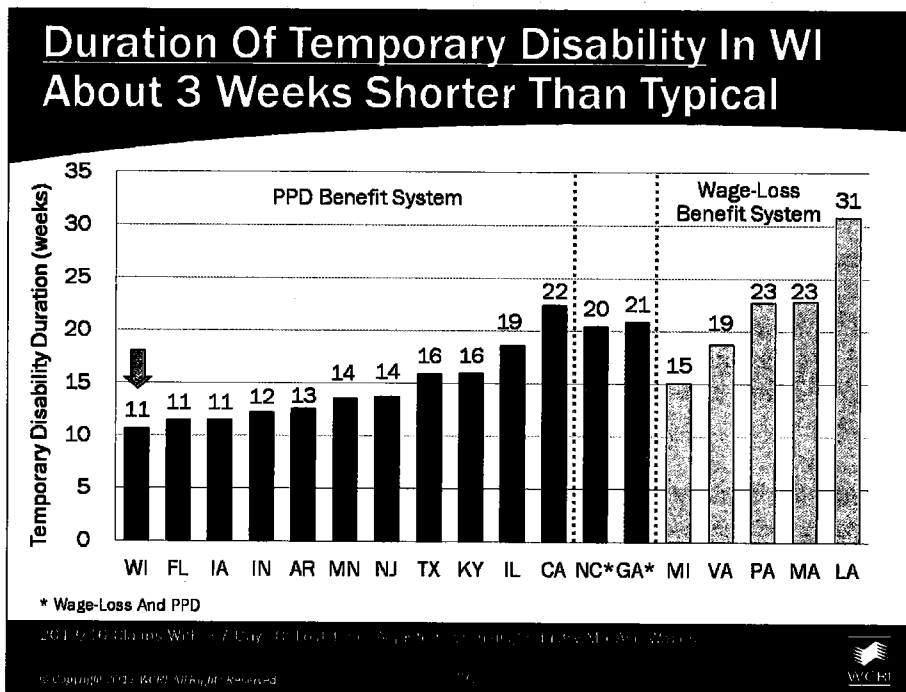
Injured workers in Wisconsin return to work faster than their counterparts in the rest of the nation – which benefits both the employee and the employer. These employees are also satisfied with their care – they see less need to hire an attorney to ensure their interests are protected. And despite Wisconsin’s relatively poor rate of injuries happening in the workplace, Wisconsin’s physicians and health care partners provide effective, efficient care at a cost below the national average for a worker’s compensation claim. While prices for individual procedures may be higher in worker’s compensation than in other areas, Wisconsin health care’s quality means fewer visits are required per incident and fewer services are required per visit. That efficient utilization combined with the high quality of care results in costs-per-medical-claim that most other states can only envy.

In short, health care is fulfilling its part of the bargain when it comes to the state’s worker’s compensation system. Foisting an artificial fee schedule on the health care sector will likely result in less-available care delivered less efficiently, meaning potentially less-satisfied employees will be less productive and less likely to rejoin the workforce as soon as they do today.

When looking at each of the factors mentioned in 2014, a similar situation arises in 2018: proponents of a health care fee schedule in WC have not only failed to show how a health care fee schedule would solve a problem – they fail to show a problem that needs fixing in the first place.

Just as it was in 2014, Wisconsin’s WC system remains a model program in 2018 for both employers and employees. What follows in this memo are the data points that show it.

2014 memo: “Injured workers in Wisconsin return to work faster than their counterparts in the rest of the nation...”



Key: PPD: Permanent partial disability.

Source: *CompScope Benchmarks for Wisconsin, 17th Edition (WCRI, April 2017)*

Comment: The sooner an injured employee can get back to work, the sooner the employer can once again benefit from that employee’s productivity. An important element in accomplishing this impressive return-to-work figure is the employee’s access to our state’s high quality care.

2014 Memo: “These employees are also satisfied with their care...”

Table 3.7 Satisfaction with Overall Care and Primary Providers

	Comparison of States' Outcomes															WI Compared with 15-State Median
Satisfaction with health care																
<i>Satisfaction with overall care</i>																
Percentage who were “somewhat” or “very” satisfied	FL	GA	IN	TN	NC	IA	MI	AR	MN	VA	PA	CT	KY	MA	WI	
	71%	73%	73%	74%	74%	75%	75%	76%	77%	78%	79%	80%	80%	81%	82%	Higher
Percentage who were “very dissatisfied”	WI	MA	KY	CT	PA	VA	MN	AR	MI	IA	NC	TN	IN	GA	FL	
	11%	12%	13%	13%	14%	14%	15%	16%	16%	17%	17%	17%	18%	18%	20%	Somewhat Lower
Satisfaction with primary provider																
Percentage who were “somewhat” or “very” satisfied	IA	FL	PA	GA	AR	NC	TN	VA	IN	MI	MN	CT	KY	MA	WI	
	78%	78%	79%	80%	80%	81%	81%	83%	83%	84%	85%	86%	86%	88%	88%	Higher
Percentage who were “very dissatisfied”	WI	MA	KY	CT	MN	MI	IN	VA	TN	NC	AR	GA	PA	FL	IA	
	7%	8%	9%	9%	9%	10%	11%	11%	12%	13%	13%	13%	14%	14%	15%	Somewhat Lower
Percentage ever wanting to change provider because of dissatisfaction with care																
Initial provider	MA	WI	VA	MN	KY	MI	CT	IN	GA	FL	TN	PA	NC	IA	AR	
	17%	20%	20%	21%	23%	24%	26%	27%	27%	27%	27%	27%	28%	29%	30%	Lower
Primary, non-initial provider ^a	MA	IN	KY	CT	MN	WI	NC	MI	GA	IA	AR	VA	PA	TN	FL	
	12%	13%	14%	15%	16%	17%	17%	18%	21%	21%	21%	22%	24%	26%	26%	Similar

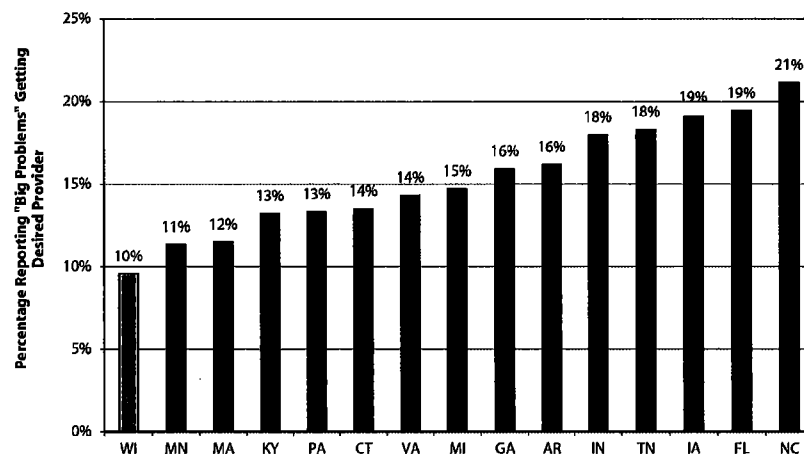
Notes: Sample of workers in 15 states. Workers in Minnesota and Pennsylvania were injured in 2010 and interviewed in 2013. Workers in Connecticut, Iowa, and Tennessee were injured in 2011 and interviewed in 2014. Workers in Arkansas were injured in 2010 and 2011 and interviewed in 2014. Florida, Georgia, and Kentucky workers were injured in 2012 and interviewed in 2015. Workers in Indiana, Massachusetts, Michigan, North Carolina, Virginia, and Wisconsin were injured in 2013 and interviewed in 2016. All workers experienced more than seven days of lost time. Case-mix adjusted. For more details about case-mix adjustment, see Technical Appendix C.

States are characterized as either *somewhat higher*, *higher*, *somewhat lower*, or *lower* if they satisfy policy and statistical significance thresholds. Details of these thresholds are discussed in Chapter 2 and presented in Table 2.3. Details on statistical significance are provided in Table TAC.5.

^a Among workers with a primary, non-initial provider.

Source: *Comparing Outcomes for Injured Workers in Wisconsin (WCRI, June 2017)*

Figure 3.2 Percentage of Workers Reporting “Big Problems” Getting Desired Primary Provider

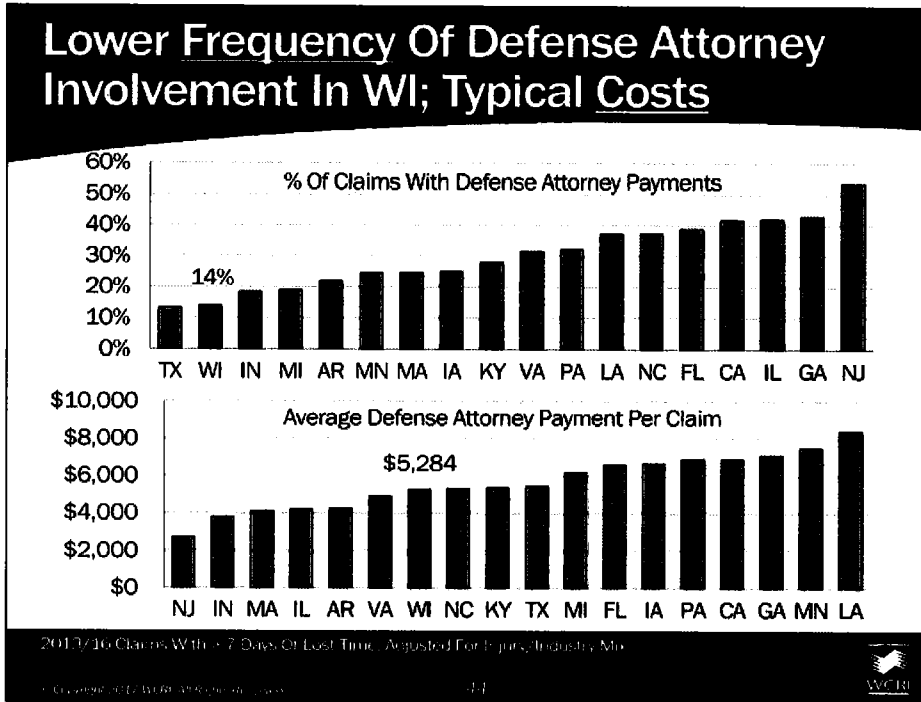


Notes: Sample of workers in 15 states. Workers in Minnesota and Pennsylvania were injured in 2010 and interviewed in 2013. Workers in Connecticut, Iowa, and Tennessee were injured in 2011 and interviewed in 2014. Workers in Arkansas were injured in 2010 and 2011 and interviewed in 2014. Florida, Georgia, and Kentucky workers were injured in 2012 and interviewed in 2015. Workers in Indiana, Massachusetts, Michigan, North Carolina, Virginia, and Wisconsin were injured in 2013 and interviewed in 2016. All workers experienced more than seven days of lost time. Case-mix adjusted. For more details about case-mix adjustment, see Technical Appendix C.

Source: *CompScope Benchmarks for Wisconsin, 17th Edition (WCRI, October 2016)*

Comment: Wisconsin leads the study states in having the fewest barriers to accessing care, and is among the nation’s leaders in patient satisfaction with their primary provider and for their health care treatment overall.

2014 memo: “... and see less need to hire an attorney to ensure their interests are protected.”



For 2013/16 claims at an average maturity of 36 months, Wisconsin had a lower percentage of claims with payments to defense attorneys (14 percent versus 30 percent in the median study state). At \$5,284, payments to defense attorneys were 3 percent lower than typical.

Wisconsin's process for transitioning injured workers from TD to PPD benefits (described on an earlier slide) may play a key role in helping to facilitate return to work. These system features may also provide more certainty about the process for determining PPD benefits, thereby reducing the need for litigation. In addition, the DWC uses an administrative process with specially trained alternative dispute resolution personnel for resolving disputes about TD benefit termination, without the need for a hearing or attorney representation. This process may result in a faster resolution of issues, a more narrow scope of disputes, and a faster return to work for those whose issues are resolved without the need for a formal hearing (Belton, 2011). The Division's active claims monitoring, actions to promote timely reporting and payment, administrative resolution of disputes over medical bills and treatment, and the use of other informal dispute resolution mechanisms may prevent disputes.

Key: **DWC:** Division of Worker's Compensation. **PPD:** Permanent partial disability. **TD:** Temporary disability.
 Note: Defense attorney payments include payments for either or both in-house and outside defense counsel. A \$500 threshold was used in reporting the frequency of defense attorney involvement and the average payment made to defense attorneys to identify where defense attorneys were more likely to be involved in disputes, rather than involved in a more nominal way, such as drafting settlement agreements. The \$500 threshold was adjusted annually by the annual change in the Consumer Price Index, using 2008 as the base year.

Source: *CompScope Benchmarks for Wisconsin, 17th Edition (WCRI, April 2017)*

Comment: It is not surprising that low litigation follows patient satisfaction with the ability to find care and with the quality of that care. The current system treats the injured worker fairly by providing plentiful access to high quality care.

2014 memo: "... Wisconsin's physicians and health care partners provide effective, efficient care..."

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State level summaries and snapshots across measures

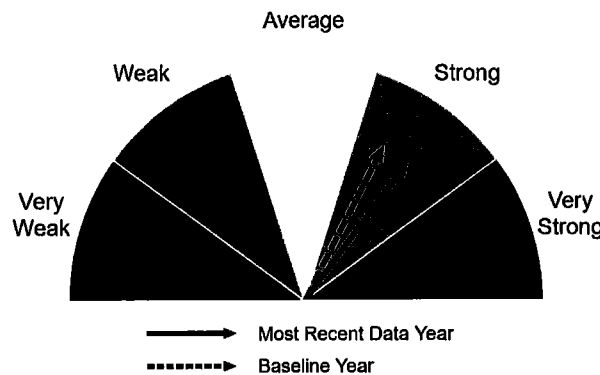
Data Query

Search data across specific measures

Resources

Resources to improve quality performance

[Home](#) [State View](#) [Wisconsin](#)



- Wisconsin's Score for the Recent Data Year: 70.65
- Wisconsin's Score for the Baseline Year: 65.33

[Review underlying data](#)

Performance of All States Across All Measures

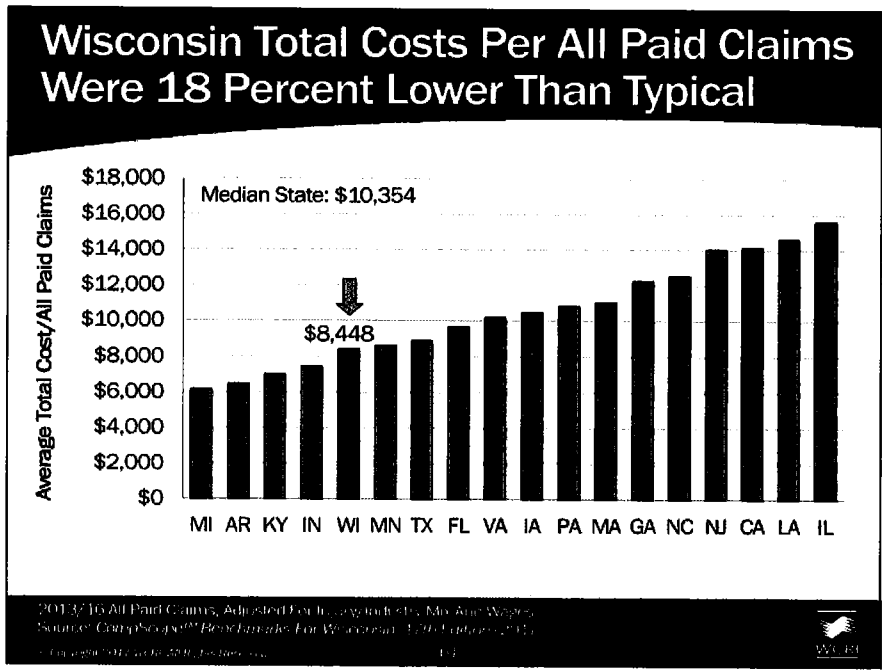
State	Score
Wisconsin	70.65
Massachusetts	70.43
Pennsylvania	66.55
Maine	64.91
North Dakota	64.73
Iowa	63.97
New Hampshire	63.68
Rhode Island	62.77
Virginia	62.5
New Jersey	61.43
Minnesota	60.81

Source: https://nhqrnet.ahrq.gov/inhqdr/Wisconsin/snapshot/summary/All_Measures/All_Topics (02.12.18)

Comment: Wisconsin leads the nation in this measure of health care quality.

2014 memo: “... at a cost below the national average for a worker’s compensation claim.”

COMPSCOPE™ MEDICAL BENCHMARKS FOR WISCONSIN, 18TH EDITION



WCRI's *CompScope™ Benchmarks for Wisconsin, 17th Edition* reported that total costs per claim with more than seven days of lost time in 2013/16 were typical of the median of the 18 study states (5 percent lower).
 On the basis of all paid claims (including claims with income benefit payments as well as claims with only medical payments), total costs in Wisconsin for 2013/16 were 18 percent lower than the median for claims with 36 months of experience. Much lower indemnity payments per claim were a key factor contributing to lower costs per all paid claims, as the lower indemnity payments offset the higher medical payments per claim in Wisconsin.

Source: Belton. 2017. *CompScope™ Benchmarks for Wisconsin, 17th Edition*.

Comment: Here it is also important to note the historic WC insurance premium rate reduction for Wisconsin businesses announced in 2017: the 8.46 percent drop was the largest reduction in more than 20 years. Following another significant 3.16 percent drop in 2016, the state’s Department of Workforce Development estimates the savings for businesses is around \$170 million. The math is clear: since the legislature last took up legislation with a WC health care fee schedule, premium rates have dropped:

Year	Rate Change	Year	Rate Change	Year	Rate Change
1990	-1.30%	2000	-2.90%	2010	3.35%
1991	9.60%	2001	4.03%	2011	-0.01%
1992	11.60%	2002	11.19%	2012	-1.36%
1993	2.74%	2003	4.37%	2013	-1.73%
1994	-8.19%	2004	-4.15%	2014	3.19%
1995	-11.10%	2005	5.33%	2015	1.24%
1996	1.36%	2006	-0.82%	2016	-3.19%
1997	-5.21%	2007	-2.47%	2017	-8.46%
1998	-6.81%	2008	2.91%	2018	
1999	-1.16%	2009	0.40%	2019	

Source: Wisconsin Department of Workforce Development (June 2017)

2014 memo: "... Wisconsin health care's quality means fewer visits are required per incident and fewer services are required per visit."

COMPSCOPE™ MEDICAL BENCHMARKS FOR WISCONSIN, 18TH EDITION

Services/Visit: Driver Of Lower Utilization Of Nonhospital Physical Medicine

Nonhospital Physical Medicine Services	WI	Median State	Difference (% or ppt)	
% Of Claims	46%	60%	-14 ppt	2nd Lowest
Visits Per Claim	18.2	19.6	-7%	Typical
Services Per Visit	3.3	3.8	-13%	2nd Lowest

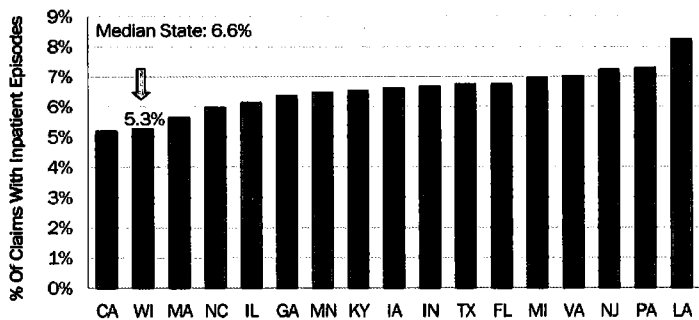
The higher overall prices paid in Wisconsin for nonhospital services were partially offset by typical to lower-than-typical utilization of medical services, especially for office visits and physical medicine. As shown in this table, lower utilization of nonhospital physical medicine services resulted from fewer services per visit.

2014/16 Claims With 7 Days Of Lost Time Adjusted For Age, Sex, And Race

Key: ppt: Percentage points.

COMPSCOPE™ MEDICAL BENCHMARKS FOR WISCONSIN, 18TH EDITION

WI Had A Slightly Lower Percentage Of Claims With Inpatient Episodes



For hospital inpatient services and surgery, we show data based on claims at an average maturity of 24 months because large portions of these services are often utilized later than 12 months after injury.

This chart shows that the percentage of claims with inpatient care was lower in Wisconsin—5.3 percent compared with 6.6 percent in the median study state for 2014/16 claims. Figure 27 shows the percentage of claims with inpatient episodes. A case can have more than one episode of inpatient care.

In Wisconsin, 42 percent of the hospital inpatient episodes involved surgery in 2014/16. This was comparable to the median study state (also 42 percent).

2014/16 Claims With 7 Days Of Lost Time Adjusted For Age, Sex, And Race

Note: Arkansas is not included on this chart because the cell sizes underlying the data in Arkansas for hospital inpatient measures are too small to support an interstate comparison.

Source: CompScope Benchmarks for Wisconsin, 18th edition (WCRI, October 2017)

Comment: Health care in Wisconsin isn't just high quality – it is also delivered more efficiently to the WC patient than in other states, with fewer claims requiring expensive hospital stays.

Worker’s Comp: Missed Opportunities for Improvement

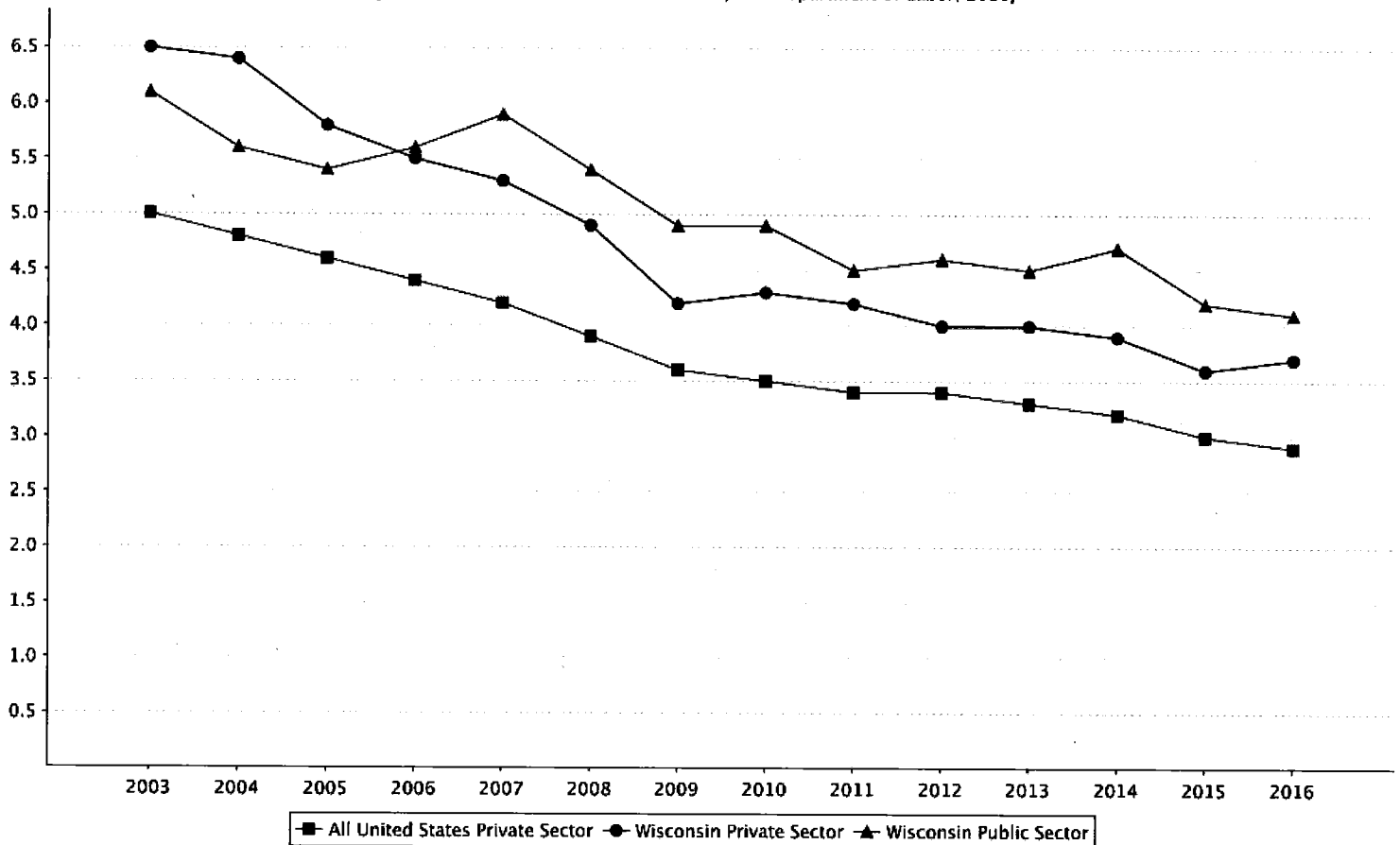
With all of the above said, there *is* a legitimate problem in the Worker’s Compensation system that cries out for a solution. There is another excerpt from the Society’s 2014 testimony that is still pertinent today on this issue:

2014 memo: “And despite Wisconsin’s relatively poor rate of injuries happening in the workplace ...”

Health care in 2014 raised the issue of Wisconsin’s historic performance in this area: Wisconsin’s workplace injury rate is significantly higher than the national average. And while Wisconsin has tracked the national downward trend in that rate, our state’s workplaces have proven to be consistently more dangerous than the national average. According to the U.S. Bureau of Labor Statistics in the U.S. Department of Labor, it appeared that Wisconsin’s private sector employers were closing the gap toward the national average: in 2003 Wisconsin’s rate was 25 percent above the national average; in 2009 the margin had shrunk to 16.7 percent.

But the gap widened again in 2010. And the most recent data released in mid-January revealed that the number of injuries actually *increased* to the point where Wisconsin is now 27.6 percent higher than the national average.

Incidence rates per 100 full-time workers for total nonfatal occupational injuries and illnesses, Wisconsin and All United States, 2003–2016
 [SOURCE : U.S. Bureau of Labor Statistics, U.S. Department of Labor, 2018]



One of the best ways to save money in the Worker's Compensation program is by preventing injuries in the first place. It seems that this issue should receive more WCAC and legislative attention: it is an actual problem that deserves solutions.

Thank you again for this opportunity to testify in opposition to Senate Bill 665. The Society, along with other health care entities, remains strongly committed to working with all parties in finding ways to further improve our state's Worker's Compensation system.

WORKER'S COMPENSATION

IT'S TIME TO REJECT GOVERNMENT CONTROL OF HEALTH CARE...ONCE AND FOR ALL

WHAT IS DIFFERENT IN WISCONSIN?

High-Quality, High-Value Health Care...A Competitive Advantage.

WI RANKED #1

Ranked top state for health care quality in 2017 by the federal Agency for Healthcare Research and Quality (AHRQ) in 2017. In 10 of the last 12 years, Wisconsin has never ranked lower than 4th.

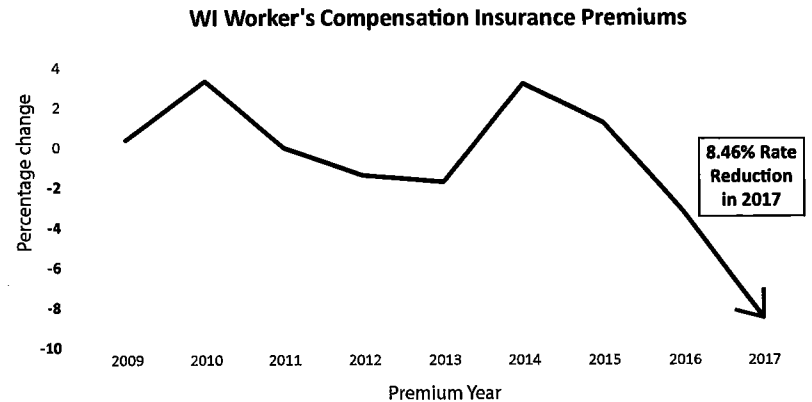
WI RANKED #1

Ranked top state for critical access hospitals in 2017 by the federal Health Resources and Services Administration (HRSA).

WI RANKED AT TOP

Ranked in top quintile of states based on health system performance by the Commonwealth Fund in 2017.

Wisconsin's top-notch health care supports Wisconsin's employers in many ways. Injured employees have ready access to excellent health care delivered efficiently for a reasonable cost, resulting in faster return to work for the workers and improved productivity for the employer. Importantly, high-value health care with shorter periods of disability ultimately results in lower worker's compensation premiums for employers. Worker's compensation premiums have gone down in four of the past six years.



The overall medical costs to treat injured workers in Wisconsin depends on the number of injured workers and the medical costs per claim. While the average medical costs per claim has been consistently below the national average, the number of injured workers in Wisconsin has been consistently above the national average. Wisconsin health care providers are a ready partner for Wisconsin employers striving to reduce their injury rates and working to get their injured employees back to work as quickly as possible, both of which will reduce worker's compensation costs.

MORE INJURIES, BUT BETTER OUTCOMES.



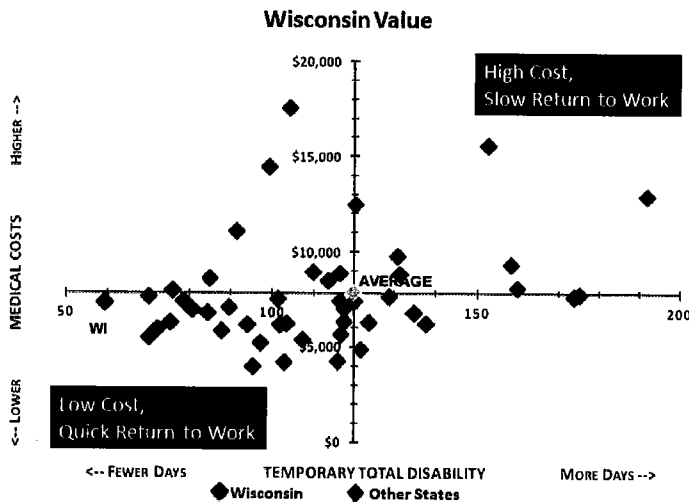
20% more likely to be injured than in most states



WI workers return to work faster, are more satisfied with their care and engage in litigation less than in most states



WHAT IS DIFFERENT IN WISCONSIN?



While Wisconsin's medical costs are at or below average, the outcomes of that medical care are anything but average. According to the National Council on Compensation Insurance, Wisconsin workers get back to work faster, using fewer temporary total disability days than workers in any other state. High-value health care supports a high-value worker's compensation program.

Every state's worker's compensation program has a cost containment mechanism, including Wisconsin. Forty-four states, however, rely on government price setting and/or take control of care away from the patient through employer or government-directed care. Predictably, none of the 44 states have a better worker's compensation system than Wisconsin.

States with government controlled health care

SHOWN IN RED



States with medical costs below national average and faster return to work than WI



THE PROBLEM THAT NEEDS A SOLUTION

Increasing government control of health care, including in worker's compensation, clearly is *not* the solution. It makes more sense to rely on the market to recognize and reward good ideas and good outcomes.

The Legislature, for the most part, has not mandated administrative and payment terms for worker's compensation carriers and self-funded plans. While the Worker's Compensation Advisory Council seeks payment levels similar to those negotiated by group health insurers, the worker's compensation carriers do not meet even the minimum payment and processing standards of the health insurance industry. For example, worker's compensation claims dominate health care providers' aged accounts receivables, which is a significant cost for providers. Wisconsin's health care providers encourage worker's compensation carriers and self-funded plans to commit to improving their payment and processing standards. Like with group health, the private market will appropriately respond to the administrative efficiencies and any other improvements with negotiated discounts.



2016 Oregon Workers' Compensation Premium Rate Ranking Summary

Department of Consumer and Business Services

October 2016

By Chris Day, Mike Manley, and Jay Dotter

Oregon employers in the voluntary market pay, on average, the seventh lowest workers' compensation premium rates in the nation. Oregon's rates are 31 percent below those of the median state in the study.

Premium rate indices are calculated based on data from 51 jurisdictions, for rates in effect as of Jan. 1, 2016. The 2016 median value is \$1.84, which is a drop of less than 1 percent from the \$1.85 median of the 2014 study. Oregon's premium rate index is \$1.28 per \$100 of payroll, or 69 percent of the national median. National premium rate indices range from a low of \$0.89 in North Dakota, to a high of \$3.24 in California. There were 21 states that had an index rate that was within plus or minus 10 percent of this benchmark value. In the upper part of the rate distribution, 12 states had index rates higher than 110 percent of the median, while 18 states were below 90 percent of the median. For an interactive map of the state rankings, click [here](#).

Figure 1. 2016 Workers' compensation premium index rates



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

Occupation	Ranking
Clerical office employees	46
Salespersons - outside	49
College: professional employees and clerical	41
Physician and clerical	34
Restaurant	43
Hospital: professional employees	45
Store: retail	48
Automobile service/repair center and drivers	29
Trucking: all employees and drivers	39
Retirement living centers: health care employees	34

The study is based on methods that put states' workers' compensation rates on a comparable basis, using a constant set of risk classifications for each state. This study used classification codes from the National Council on Compensation Insurance (NCCI). Of approximately 450 active classes in Oregon, 50 were selected based on relative importance as measured by share of losses in Oregon. To control for differences in industry distributions, each state's rates were weighted by 2010-2012 Oregon payroll to obtain an average manual rate for that state. Listed in Table 1 are Oregon's rankings in the top 10 (by payroll) of the 50 classifications used.

Table 2. Workers' compensation premium rate ranking

2016 Ranking	2014 Ranking	State	Index Rate	Percent of study median	Effective Date	Percent of 2014 study median
1	1	California	3.24	176%	January 1, 2016	188%
2	3	New Jersey	2.92	158%	January 1, 2016	152%
3	4	New York	2.83	154%	October 1, 2015	148%
5	2	Connecticut	2.74	149%	January 1, 2016	155%
5	5	Alaska	2.74	149%	January 1, 2016	145%
6	9	Delaware	2.32	126%	December 1, 2015	125%
8	6	Oklahoma	2.23	121%	January 1, 2016	137%
8	7	Illinois	2.23	121%	January 1, 2015	127%
9	20	Rhode Island	2.20	119%	August 1, 2014	107%
10	10	Louisiana	2.11	115%	January 1, 2016	120%
11	11	Montana	2.10	114%	July 1, 2015	119%
12	23	Wisconsin	2.06	112%	October 1, 2015	104%
14	8	Vermont	2.02	110%	April 1, 2015	125%
14	13	Maine	2.02	110%	April 1, 2015	116%
15	17	Washington	1.97	107%	January 1, 2016	108%
17	27	Hawaii	1.96	107%	January 1, 2016	100%
17	12	New Hampshire	1.96	106%	January 1, 2016	118%
18	17	South Carolina	1.94	105%	September 1, 2015	108%
20	21	Missouri	1.92	104%	January 1, 2016	107%
20	20	New Mexico	1.92	104%	January 1, 2016	108%
22	20	Minnesota	1.91	104%	January 1, 2016	107%
22	27	North Carolina	1.91	103%	April 1, 2015	100%
23	31	Wyoming	1.87	101%	January 1, 2016	95%
24	24	Iowa	1.86	101%	January 1, 2016	101%
25	29	Alabama	1.85	100%	March 1, 2015	97%
26	17	Pennsylvania	1.84	100%	April 1, 2015	108%
27	32	Georgia	1.80	98%	March 1, 2015	95%
28	14	Idaho	1.79	97%	January 1, 2016	109%
29	38	Mississippi	1.70	92%	March 1, 2015	85%
30	22	Tennessee	1.68	91%	March 1, 2015	105%
32	30	Nebraska	1.67	91%	February 1, 2015	96%
32	25	South Dakota	1.67	91%	July 1, 2015	100%
33	28	Florida	1.66	90%	January 1, 2016	98%
34	34	Michigan	1.57	85%	January 1, 2015	91%
35	41	Colorado	1.56	84%	January 1, 2016	81%
36	40	Kentucky	1.52	82%	October 1, 2015	82%
38	37	Arizona	1.50	82%	January 1, 2016	86%
38	35	Maryland	1.50	82%	January 1, 2016	88%
40	36	Texas	1.45	79%	July 1, 2015	87%
40	33	Ohio	1.45	79%	July 1, 2015	94%
41	39	Kansas	1.41	77%	January 1, 2016	83%
42	45	District of Columbia	1.37	74%	November 1, 2015	70%
43	46	Nevada	1.31	71%	March 1, 2015	68%
44	48	Massachusetts	1.29	70%	April 1, 2014	63%
45	43	OREGON	1.28	69%	January 1, 2016	74%
46	45	Utah	1.27	69%	December 1, 2015	71%
47	48	Virginia	1.24	67%	April 1, 2015	63%
48	43	West Virginia	1.22	66%	November 1, 2015	74%
49	49	Arkansas	1.06	57%	July 1, 2015	58%
50	50	Indiana	1.05	57%	January 1, 2016	57%
51	51	North Dakota	0.89	48%	July 1, 2015	47%

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

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

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Wisconsin Physical Therapy Association

A CHAPTER OF THE AMERICAN PHYSICAL THERAPY ASSOCIATION

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TO: Chairman Nass and Committee members of the Senate Committee on Labor and Regulatory Reform

FR: Lynn Steffes, PT, DPT, CHC; WPTA Payment Specialist

DA: February 14, 2018

RE: ***Wisconsin Worker's Compensation System: We MUST be Doing Something Right.*** Lynn Steffes, PT, DPT, CHC; WPTA Payment Specialist

Senator Nass and Members of the Senate Committee on Labor and Regulatory Reform thank you for the opportunity to testify today regarding the Wisconsin Workers Compensation system.

As the Payment Specialist for the Wisconsin Physical Therapy Association (WPTA) I have the privilege of representing nearly 2700 Physical Therapy professionals of the more than 7200 licensed in our state. I am a 1981 graduate of Northwestern University's Physical Therapy Program and received my Doctorate in PT in 2010. I travel throughout WI working with hospitals, clinics and third-party payers. I can assure you that physical therapists in WI embrace the opportunity to be key members in the Worker's Compensation healthcare system because we specialize in return to work.

What do Physical Therapists offer the WI Worker's Compensation System?

Physical therapists serve Worker's Compensation clients and their employers in a wide variety of settings including hospitals, clinics, on-site clinics residing within industries and through consulting arrangements. It is inherent in our professional role in all settings to actively address the needs of an injured person and get them back to the highest level of function. In doing so, we not only serve as healthcare providers –we embrace our role as proponents of safe and sustainable return to work.

We are here today to share the fact that we believe the Wisconsin Worker's Compensation system is a success story!

A few IMPORTANT FACTS:

safety training, stretching and strengthening programs, and working proactively with the companies' safety/health/wellness teams.

The results have been both professionally and financially gratifying:

- They have saved several companies over \$500,000 year in direct medical costs and saved one company over \$1.6 million in medical costs in 2017.
- They typically see a 50% reduction in WC claims with on-site prevention and injury management services.
- In addition to the significant \$\$ cost savings for companies and improved access to preventative health care, employees report very high satisfaction ratings and enhanced company loyalty/appreciation for their employer providing services that take care of the health of the employee.

Physical Therapists also want to be part of the solution by being available through prompt access to care. Where injured employees can move more quickly to physical therapy services following an injury.

ALTERNATIVE to OPIOIDS: Per the CDC: ... Even in situations when opioids are prescribed, the CDC recommends that patients should receive "the lowest effective dosage," and opioids "should be combined" with nonopioid therapies, such as physical therapy. Per University of Michigan Health System Treatment Guidelines on Pain: Treatment should be multi-dimensional, not merely pharmacological.

We want to be part of continuing to improve and build upon the successes of the current Worker's Compensation system in Wisconsin. Why tamper with a system that is performing so well?

Thank you again for the opportunity to provide testimony; I would be happy to answer any questions at this time.

To: Chairman Nass and members of the Senate Labor Committee

From: Kevin Wait, PT, DPT
Capitol Physical Therapy

Date: February 14, 2018

Re: SB-665

Good morning Chairman Nass and members of the Senate Labor Committee. Thank you for the opportunity to provide comments. My name is Kevin Wait, and I am a practicing PT in an outpatient, orthopedic setting treating patients with general musculoskeletal injuries, post-operative conditions, and injured workers. I attended Mayo Clinic graduating with my Doctorate in PT in 2010.

I am here today to testify against SB 665, specifically the portion that sets a government-imposed fee schedule.

Specifically, I would like to provide some perspective on treating workers' compensation patients. To start treating a WC patient, it begins as a relatively arduous process determining whether the claim is an approved WC injury. This administrative burden requires verifying benefits, contacting adjusters or case managers, and obtaining authorization for treatment. To treat a group health patient is much easier without these steps, and you can focus more effort on getting the patient better and back to a productive life. Adding a fee schedule will further complicate an already complicated process.

Physical Therapists serve a critical role in the treatment of an injured worker. It is well established that therapy services offer equivalent or better outcomes for many types of injuries when compared with surgeries including lower risk to the patient. Patients that start therapy sooner save thousands in imaging and surgical costs, not to mention time lost from work and other family/personal costs.

I always compare an injured worker to an injured athlete. Pain caused by repetitively shooting a basketball requires a similar plan of attack to treating pain caused by lifting bags of flour repeatedly. They are each very unique in their specific functional demands and require highly individualized programs to create the best outcomes. These injured workers require specialized equipment needed to better replicate their working environment. The big difference is sports are typically voluntary; earning an income is not.

Managing work injuries is often more challenging than sports injuries due to the added every day challenges life presents. These patients need to work to feed their families and it's usually the same work activity or task that is required of them that injured them in the first place. The work place pressures and family/societal stressors are significant and influence the timeline and overall difficulty level for these patients.

In summary, these patients present unique challenges, but we work very hard to get them back on the job as quickly as possible, and they are a blast to work with. Physical therapy services are critical not just for getting them back to work, but for teaching them the strategies necessary to prevent future injuries from happening in the first place. I truly believe our primary role as PTs in the health care world is to help patients avoid the health care system by empowering them to solve the problem on their own and avoid dangerous pain medications, injections, and surgery. Please help us accomplish this by not supporting SB 665.

WCRB

Wisconsin Compensation Rating Bureau

2018
STATE
OF
THE STATE

Wisconsin Worker's
Compensation

WCRB

WISCONSIN COMPENSATION RATING BUREAU

Founded in 1917

Existence is Written into Statute

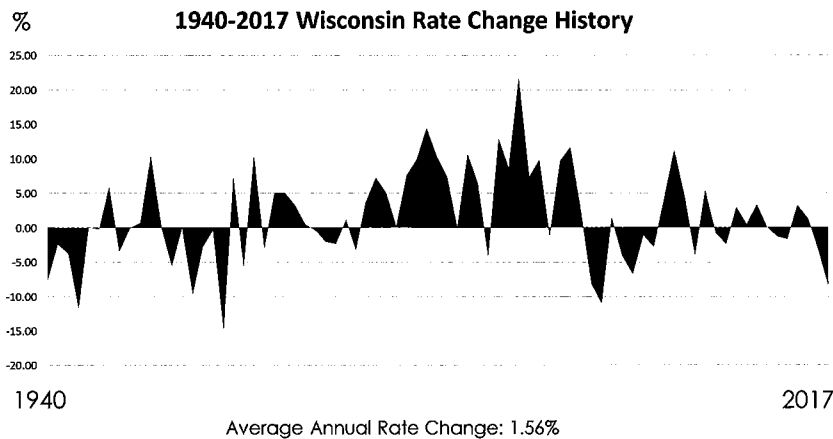
Calculate Worker's Compensation Insurance Premium/Rates

Calculate and Promulgate Experience Modifiers

Manage Worker's Compensation Insurance Pool

Non-Governmental

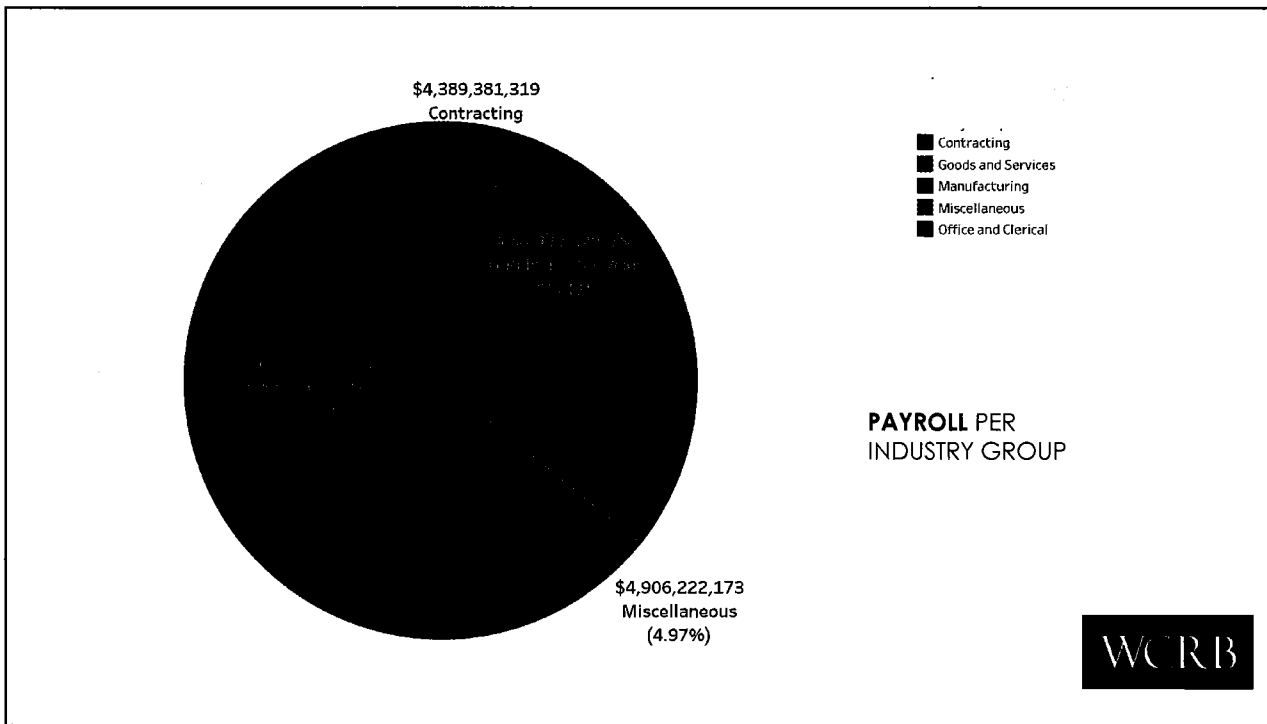
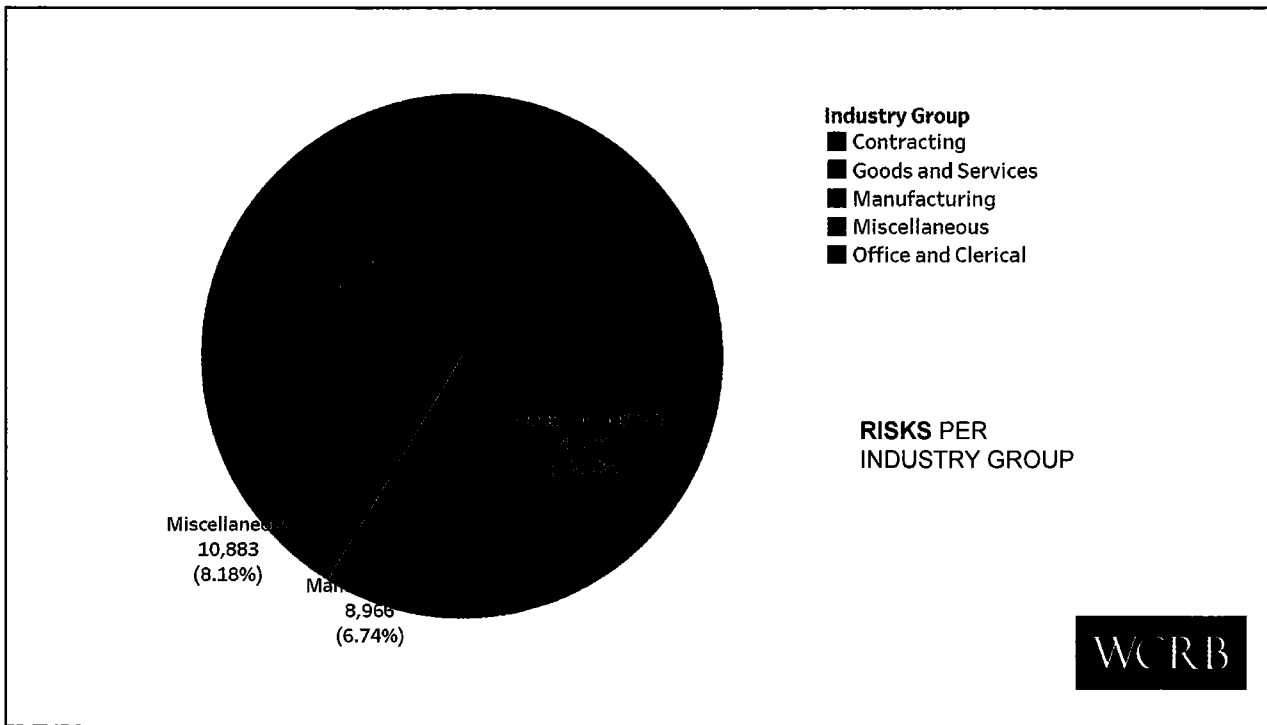
Non-Profit



WISCONSIN COMPENSATION RATING BUREAU

Non Self-Insured Employment Overview

- 132,000 Employers
- \$100,000,000,000 Payroll
- \$2,000,000,000 Worker's Compensation Premium
- 5 Industry Groups
 - Manufacturing
 - Contracting
 - Goods & Services
 - Office & Clerical
 - Miscellaneous
- 450+ Class Codes





WISCONSIN COMPENSATION RATING BUREAU

Aggregate Rate Ingredients



WISCONSIN COMPENSATION RATING BUREAU

PROVISIONS of AGGREGATE RATE (per \$100 payroll)

Indemnity and Medical Losses

DCCE (Defense and Cost Containment Expenses)

AOE (Adjusting and other Expenses)

WC Administrative Assessments (DWD, WCRB)

Insurance Company General Expenses

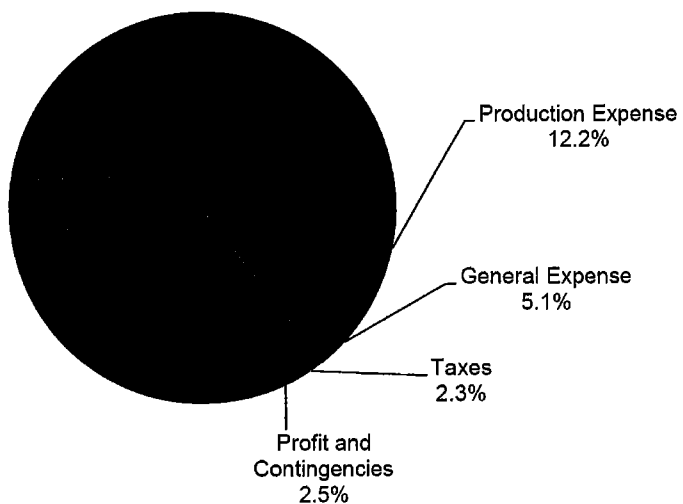
Insurance Company Production Expenses (Sales Commissions)

Taxes, Licenses and Fees

Insurance Company Profit and Contingencies (2.5%)



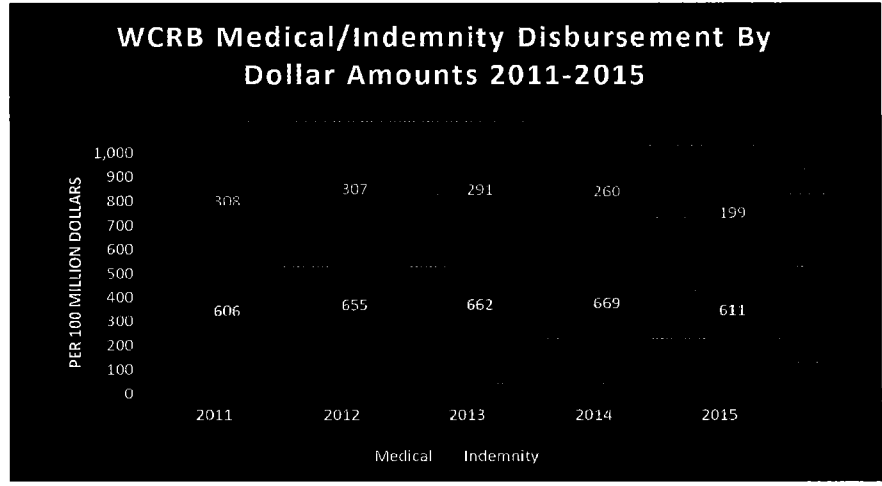
WISCONSIN COMPENSATION RATING BUREAU



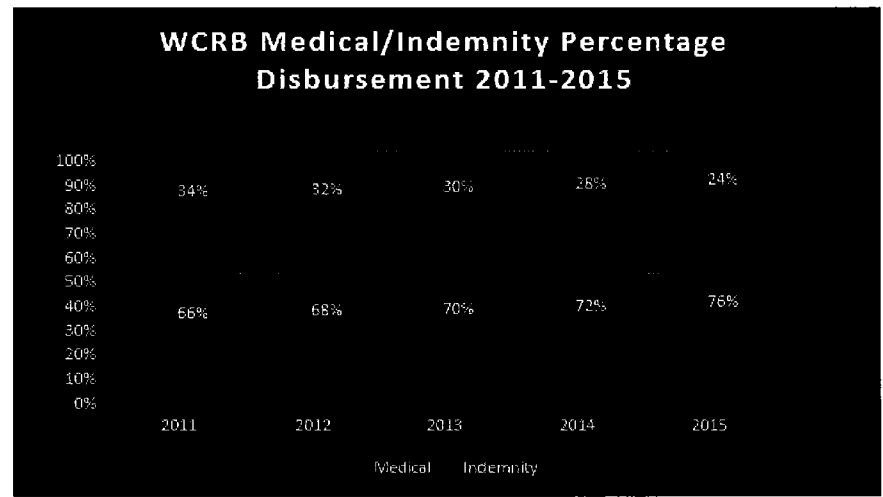
WISCONSIN COMPENSATION RATING BUREAU

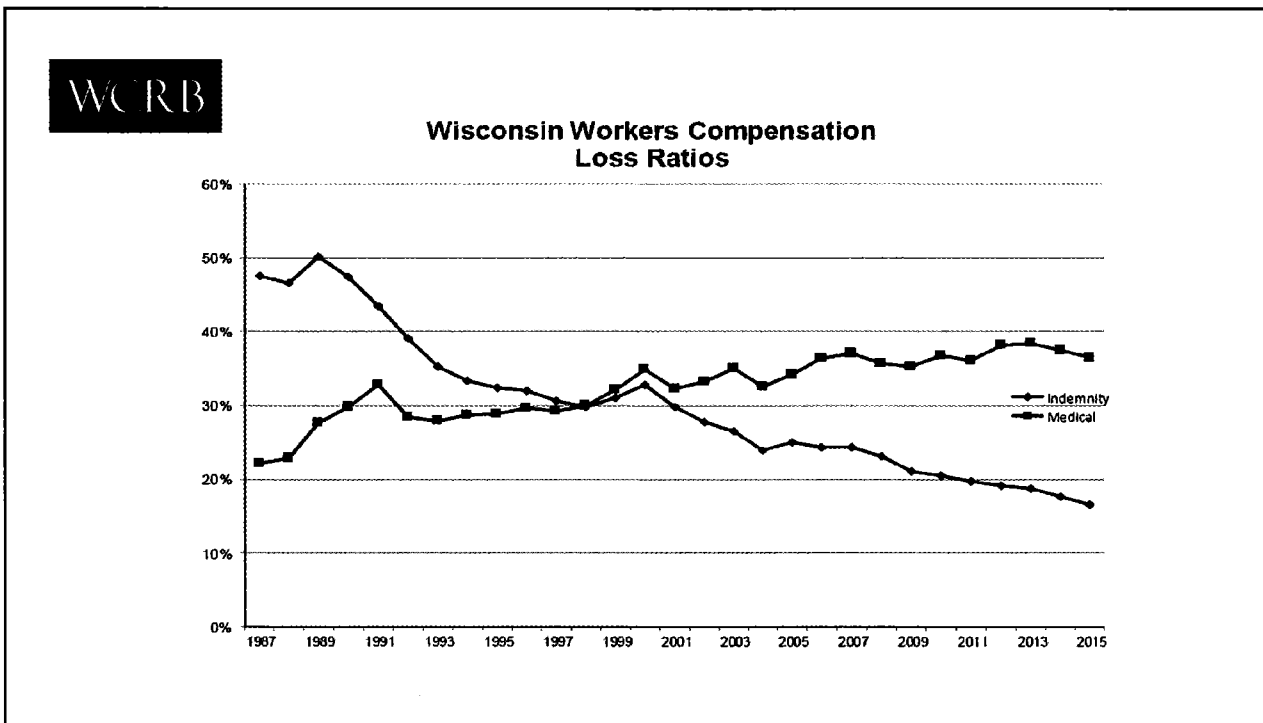
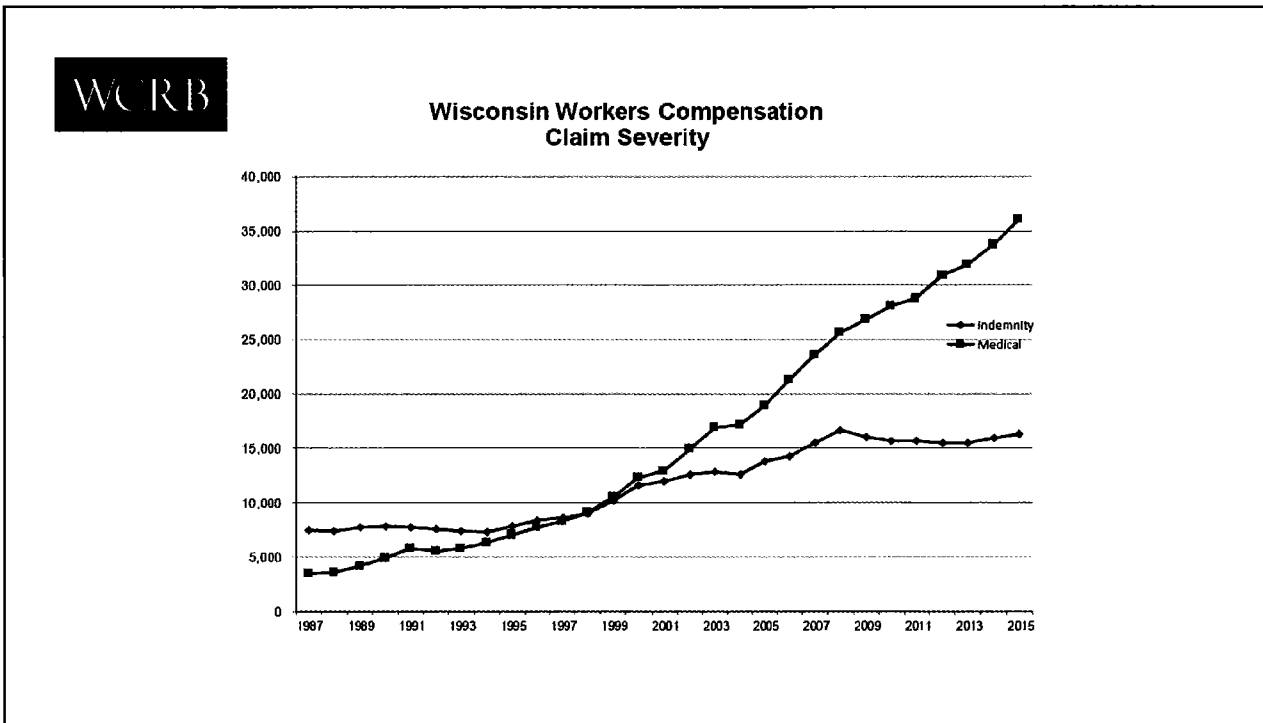
Medical and Indemnity Comparisons and Trends

WCRB



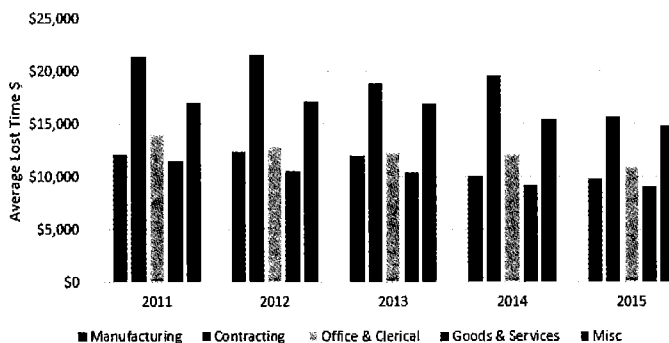
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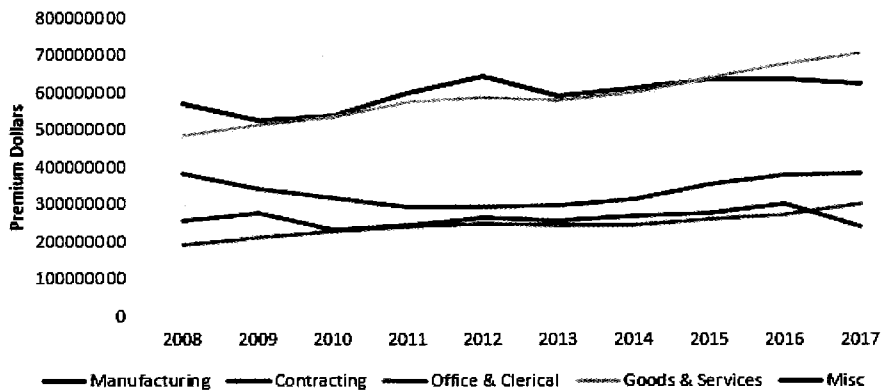
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WI Average Indemnity Per Industry Group
2011-2015



WCRB

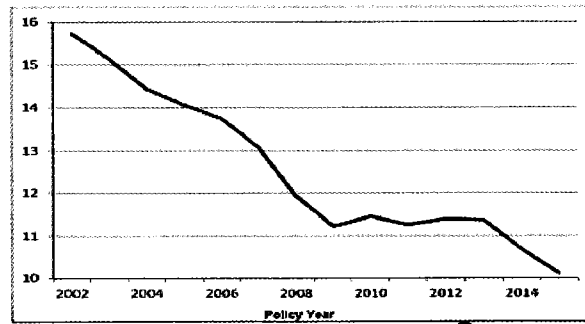
Statewide
Premium Trends Over Industry Groups





Wisconsin Workers Comp Indemnity Claim Frequency

- Claim frequency = ultimate number of claims divided by on-level developed premium, adjusted for wage inflation (to remove wage inflation from developed premium).
- Claim frequency decreased from 2001 through 2009.
- Rate of decrease in claim frequency may be slower in recession periods (Dec 2007-June 2009).
- Claim frequency flat 2010 through 2013 (four consecutive years), decreased in 2014 and 2015 (growth years).



WISCONSIN COMPENSATION RATING BUREAU

Why the -8.46% Rate Decrease in 2017?

WCRB

WISCONSIN COMPENSATION RATING BUREAU

ACCIDENT YEAR INDEMNITY SEVERITY

Accident Year	Accident Year	
	Indemnity Claim Severity	Percent Change
2009	16,360	
2010	15,637	-4.4%
2011	15,690	0.3%
2012	16,144	2.9%
2013	15,437	-4.4%
2014	15,873	2.8%
2015	16,246	2.3%
2016	16,400	0.9%
		0.2%
		0.8%

WCRB

WISCONSIN COMPENSATION RATING BUREAU

ACCIDENT YEAR MEDICAL SEVERITY

Accident Year	Accident Year	
	Medical Claim Severity	Percent Change
2009	26,768	
2010	27,389	2.3%
2011	29,105	6.3%
2012	30,565	5.0%
2013	31,767	3.9%
2014	33,923	6.8%
2015	34,421	1.5%
2016	37,329	8.4%
		4.8%
		4.9%



WISCONSIN COMPENSATION RATING BUREAU

ACCIDENT YEAR FREQUENCY

(8) Accident Year	ACCIDENT YEAR			
	(9) Frequency Per Million of On-level Premium	(10) Percent Change	(12) Frequency Adjusted for Wage Inflation	(13) Percent Change
2009				
2010				
2011				
2012	12.0		10.8	
2013	12.1	1.4%	11.1	3.4%
2014	11.7	-3.6%	11.0	-1.2%
2015	10.5	-10.3%	10.2	-7.0%
2016	9.6	-8.1%	9.6	-5.7%
		-5.6%		-3.0%



Annual Change Non Farm Employment
(Seasonally Adjusted)



WCRB

WISCONSIN COMPENSATION RATING BUREAU

Medical Data Call

	CPT/ HCPCS	Code Description	Wisconsin Workers Compensation Amount Paid 2015	Wisconsin Medicare 2015	Wisconsin Workers Compensation Median Paid 2015	WI WC Median as a Percent of Medicare	
1	97110	Therapeutic exercises	28,650,467	32	85	268%	
2	99213	Office/outpatient visit estab pat - 15 mins	15,430,424	71	160	227%	
3	97140	Manual therapy 1 or more regions	10,605,813	29	75	257%	
4	99214	Office/outpatient visit estab pat - 25 mins	8,807,894	105	243	232%	
5	29827	Arthroscopic rotator cuff repr	7,884,159	1,029	5,919	576%	+
6	73221	MRI joint upper extremity w/o dye	7,729,456	295	2,516	854%	+
7	73221_26	MRI joint upper extremity w/o dye	7,729,456	68	449	664%	+
8	73721	MRI joint of lower extremity w/o dye	6,831,617	294	2,542	865%	+
9	73721_26	MRI joint of lower extremity w/o dye	6,831,617	67	444	660%	+
10	99283	Emergency dept visit	5,849,530	60	320	530%	+
11	29826	Shoulder arthroscopy/surgery	5,781,206	171	3,450	2015%	+
12	29881	Knee arthroscopy/surgery	5,745,988	526	4,497	855%	+
13	99203	Office/outpatient visit new pat - 30 mins	5,174,706	105	250	239%	
14	99284	Emergency dept visit	4,615,402	115	465	405%	
15	72148	MRI lumbar spine w/o dye	4,127,578	288	2,833	984%	+
16	72148_26	MRI lumbar spine w/o dye	4,127,578	74	472	642%	+
17	97545	Work hardening	3,097,859	NA	287	NA	

			Wisconsin Workers Compensation Amount Paid 2015	Wisconsin Medicare 2015	Wisconsin Workers Compensation Median Paid 2015	WI WC Median as a Percent of Medicare	
18	97112	Neuromuscular reeducation	2,850,855	33	79	241%	
19	99212	Office/outpatient visit estab pat - 10 mins	2,711,413	42	111	262%	
20	29824	Shoulder arthroscopy/surgery	2,569,034	650	2,371	365%	
21	64721	Carpal tunnel surgery	2,564,422	416	2,999	721%	+
22	97001	Physical therapy evaluation	2,548,121	74	223	303%	
23	99204	Office/outpatient visit new pat - 45 mins	2,545,833	160	373	234%	
24	12001	Simple repair scalp/neck/ax/gen/trunk	2,396,242	86	383	443%	
25	73222	MRI joint upper extremity w/dye	2,332,350	445	2,896	650%	+
26	73222_26	MRI joint upper extremity w/dye	2,332,350	81	551	682%	+
27	97530	Therapeutic activities	2,247,124	34	68	199%	
28	70450	CT head/brain w/o dye	2,180,817	154	1,280	830%	+
29	70450_26	CT head/brain w/o dye	2,180,817	42	277	656%	+
30	72141	MRI neck spine w/o dye	2,023,370	289	2,726	945%	+
31	72141_26	MRI neck spine w/o dye	2,023,370	73	529	722%	+
		Top 25 CPT/HCPCS procedures	172,526,868				
		All CPT/HCPCS procedures	324,332,798				
		Total All Procedures - WI providers	482,377,730				



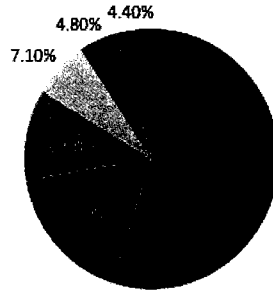
Wisconsin Compensation Rating Bureau

Opioids



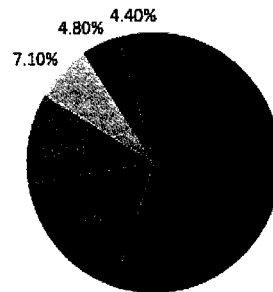
WCRB

Drug Obtainment



WCRB

Drug Obtainment



- Obtained free from a friend/relative
- Bought from friend/relative
- Took from friend/relative without asking
- Prescribed by a doctor
- Other source
- Got from a drug dealer/stranger



WISCONSIN COMPENSATION RATING BUREAU

End



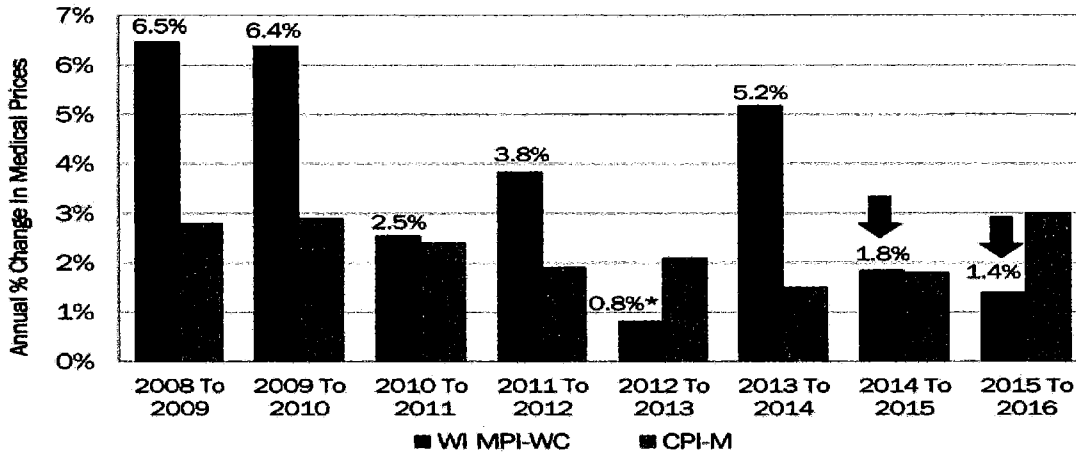
WISCONSIN COMPENSATION RATING BUREAU

This communication is intended solely for live review on February 14, 2018.

This information does not constitute professional advice or opinions upon which reliance may be made by the Wisconsin Compensation Rating Bureau, Milliman, or any other party, and it should be considered to be a work in progress.

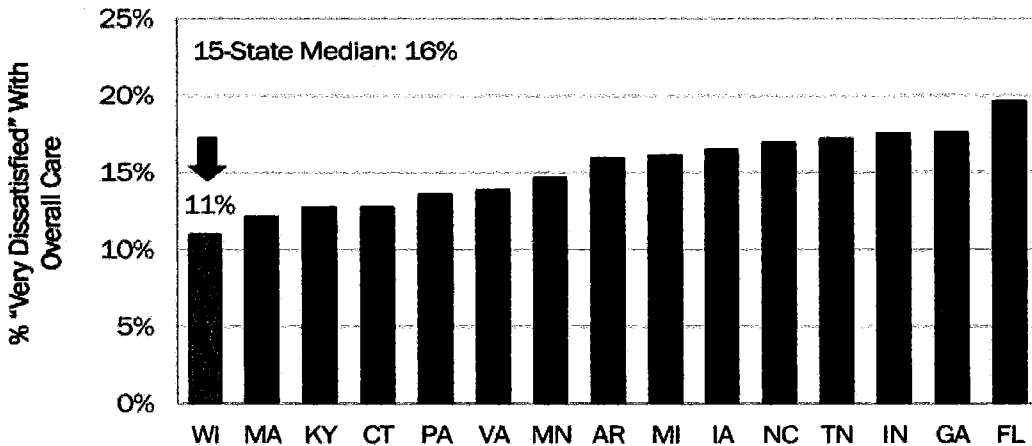
3. Little change in non-hospital medical price from 2014- 2016.

Little Change In Wisconsin Nonhospital Medical Prices From 2014 To 2016



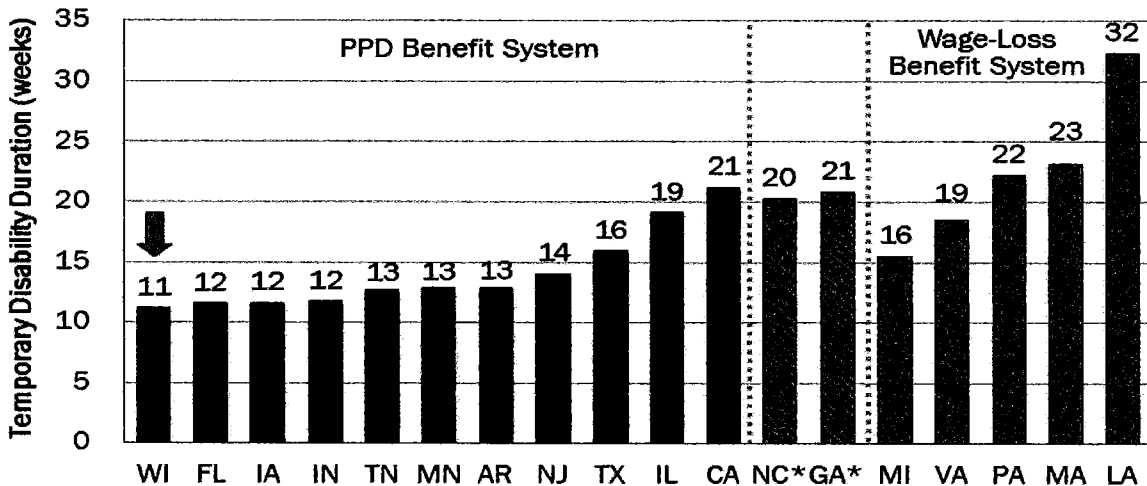
4. Wisconsin's injured employees reported they were the most satisfied.

11% Were "Very Dissatisfied" With Overall Care, Among Lowest Of The Study States



- Wisconsin workers were returned to work faster than any other state.

Duration Of Temporary Disability In WI About 3 Weeks Shorter Than Typical



Negative outcomes of SB 655 Fee Schedule:

- The current system, which attracts the best providers, pays providers fairly and has a great deal of good will and has produced excellent outcomes, will lose providers, limiting access.
- Imposition of fee schedule with no corresponding benefit to providers.
- Will not improve outcomes, in fact, likely that providers will not return workers to work as quickly.
- Will likely lead to lower employee satisfaction and higher rates of litigation.

Wisconsin does not need an additional fee schedule:

- There is a current provider fee mechanism in place. Ch 102.16 2 (d) disallows as unreasonable provider fees which are < 1.2 SD from the mean. [Originally 1.5 SD, reduced to 1.4 SD, now 1.2 SD] This means ~ 13% of provider fees are automatically reduced to the 1.2 SD level by the fee schedule.

WISCONSIN HOSPITAL ASSOCIATION, INC.



Testimony Opposing Senate Bill 665 **Senate Committee on Labor and Regulatory Reform** February 14, 2018

Joanne Alig, Policy Advisor
Wisconsin Hospital Association

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.

- OVER -

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.

THE WORKER'S COMPENSATION OBSTACLE COURSE

The current processes imposed on health care providers in the worker's compensation system are like an obstacle course. When it comes to worker's comp, providers find they need to:

JUMP through the hoops requested of them by investigators,

BALANCE the views of the independent medical examiner with their own expertise,

SWIM against the tide of multiple requests for lost records,

CLIMB over the mounds of paperwork that are embedded in the system, and

PROVE THEIR ENDURANCE by pursuing delayed payments for a year or more.

Proponents of a fee schedule created this obstacle course for providers but when system reforms are on the table, at best they ignore it and at worst, they protect it. They seek the reimbursement rates that health insurers in the group market have negotiated with providers, but offer none of the efficiencies that enable the lower rates.

There are many great features of the current system:

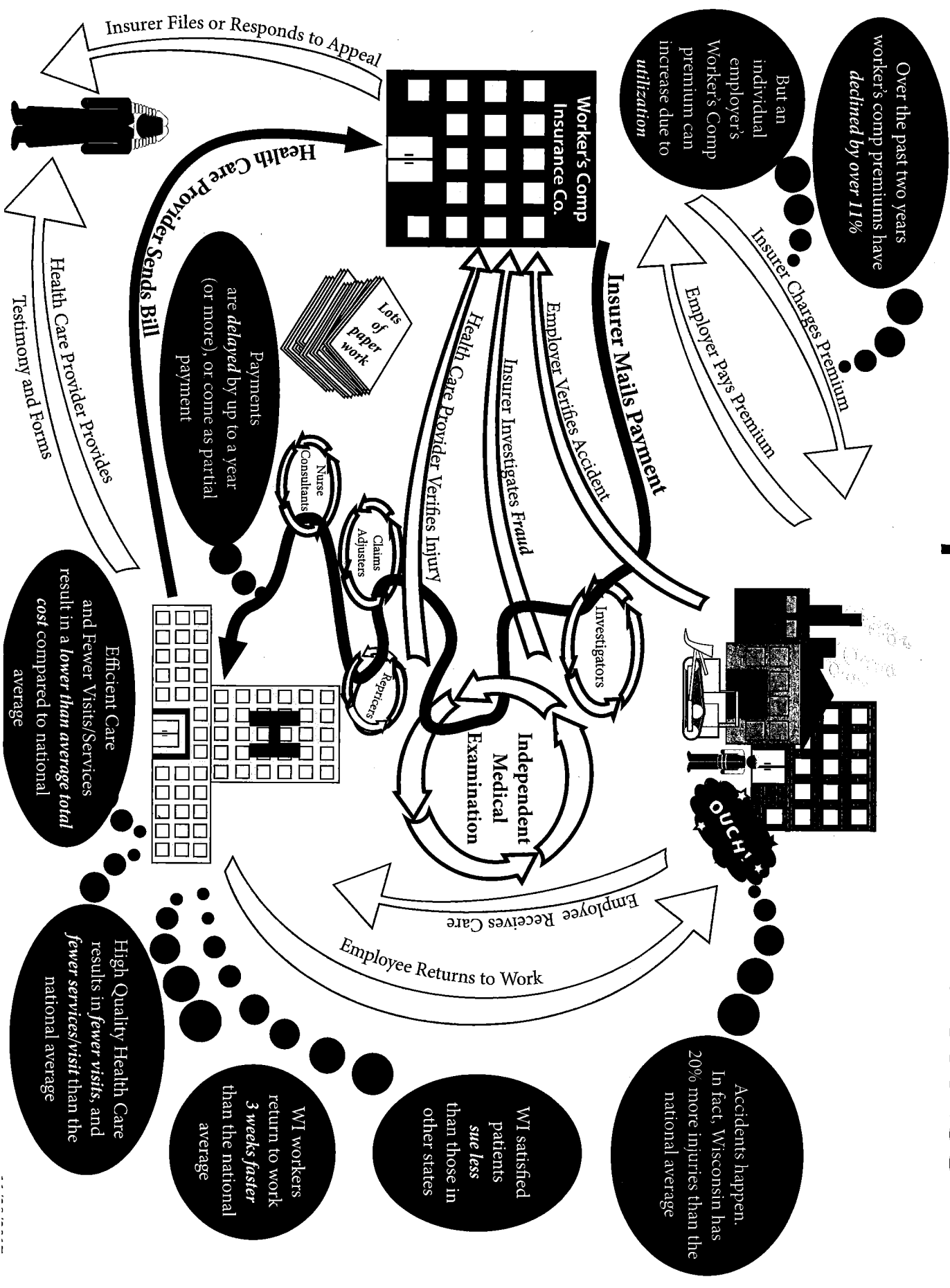
- Premiums have come down by more than 11% in the past two years.
- High quality health care helps employees return to work and productivity quickly.
- Injured employees are satisfied with their access to health care services and very satisfied with the care they receive
- Low litigation reduces costs for employers
- Providers and employers work together to reduce workplace injuries

If the goal is to reduce costs in the system, fee schedule proponents should work to remove costs to the system: get rid of the mounds of paperwork by adopting the federally-mandated electronic data interchange (EDI) 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.

It's time to start talking about the real costs of and the real obstacles to improving the worker's compensation system.



The Worker's Compensation Obstacle Course



Prioritizing Reforms that Preserve the Quality & Efficiency of Wisconsin's Worker's Compensation System

February 2018

A key tenet of medicine is the Hippocratic Oath, which physicians vow to follow when they become doctors. One of its most important pledges is "*Primum non nocere*," which translates to "First, do no harm." It's a continual reminder to physicians to avoid any treatment that would make the patient's condition worse. The Legislature should take a similar approach when it comes to the state's worker's compensation laws.

Wisconsin's health care system is nationally recognized for its quality. The federal Agency for Healthcare Research and Quality (AHRQ) has consistently ranked it among the top five states for the quality of medical care provided, including ranking it the best state in the nation in its most recent report, which was released in 2017.¹

Similarly, Wisconsin has been a leader in worker's compensation. It was the first state in the nation to implement a comprehensive worker's compensation program more than 100 years ago, and its current program outperforms the national average in terms of overall costs, employee satisfaction, and getting employees back to work.

Wisconsin's worker's compensation medical costs and premiums are declining. Between 2014 and 2015, Wisconsin's medical payments per claim decreased 1.2 percent, outperforming 11 of 18 states in a nationwide study.² During the same time period, payments to physicians and other non-hospital providers decreased 5.8 percent.³

The current system works for employers. Despite a workplace injury rate 28 percent higher than the national average⁴, Wisconsin's worker's compensation premiums are close to average and have declined 3.2 percent in 2017 and 8.5 percent in 2018, saving Wisconsin businesses nearly \$170 million.⁵

According to the Workers Compensation Research Institute (WCRI), a national, not-for-profit research organization that compares state worker's compensation programs:

- **Wisconsin costs per claim are 18 percent lower than the national average** due to fewer workers losing time from work after an injury, substantially lower indemnity payments per claim and shorter duration of temporary disability benefits.⁶

- **Wisconsin providers billed 26 percent fewer office visits and provided 13 percent fewer services per visit** than the national average for worker’s compensation claims involving more than seven days of lost work time.⁷ In addition, Wisconsin has 20 percent fewer inpatient stays than the average state.⁸ Most medical care in Wisconsin is provided through highly integrated health systems that coordinate the services provided by physicians, hospitals and other health care providers. This results in more efficient care by ensuring that care is provided in the most appropriate setting with a focus on returning the injured employee to work as soon as possible.
- **Wisconsin employees return two to three weeks sooner than average**, which means insurers spend significantly less on indemnity costs and employers spend significantly less on wages for temporary employees that replace injured workers until they return.⁹
- **Wisconsin has the highest employee satisfaction rate among states** according to WCRI surveys, with 82 percent of employees being either “somewhat” or “very satisfied” with their overall medical care.¹⁰ It also had the lowest proportion of workers (9 percent) reporting “big problems” accessing the providers and medical services they wanted.¹¹
- **Wisconsin has a very low litigation rate.** The percentage of claims with “defense lawyer involvement” is 14 percent, which is the second lowest of the states analyzed and less than half the 30-percent average.¹²

Worker’s Compensation Advisory Council Recommendations

Against this backdrop, the Worker’s Compensation Advisory Council (WCAC) has recommended legislative changes to the state’s worker’s compensation system. Included in those recommendations is a requirement that the Department of Workforce Development implement a medical fee schedule.

A mandated fee schedule presents several primary concerns:

1. **Fee schedules focus on unit prices, not outcomes.** Private-sector payers, and even Medicare and Medicaid, are moving away from unit-price approaches in favor of quality- and outcome-based initiatives that focus on the total cost of care – from the time of initial diagnosis through the completion of treatment. Medicare’s Value-Based Purchasing Program initiative rewards providers for patient safety, the quality of clinical care delivered, the efficiency of the total cost of care delivered and patient satisfaction. When ranked against these measures, Wisconsin providers consistently outperform the national average.

By focusing on unit price, fee schedules ignore the number and appropriateness of medical services provided. For example, in Illinois, a fee-schedule state, the unit price for one physical therapy visit is 41 percent less than Wisconsin, but injured workers receive 79 percent more physical therapy visits per claim.¹³ And, in terms of returning employees to work, Wisconsin significantly outperforms Illinois: On average, injured employees return to work eight weeks sooner than they do in Illinois.¹⁴ WCRI acknowledges that there is a potential relationship between unit price and utilization by noting that “fee schedule initiatives that change the price

differentials between different types of services can also affect the mix of services provided and billed.”¹⁵

Fee schedules also ignore the importance of quality in improving outcomes. Quality providers can have higher unit prices, but a lower total cost of care because they return patients to full functionality sooner than other providers. As a result, payers are willing to pay more for quality. A WCRI analysis of Massachusetts’ worker’s compensation program found that payers were willing to pay two to three times more than the fee-schedule amount for some worker’s compensation surgeries, because the injured workers had better outcomes and their return to work was faster.¹⁶

2. **Fee schedules can create significant volatility.** They do not reflect actual market changes in pricing and do not adapt to new treatment protocols and services. It can take two years for Current Procedural Terminology (CPT) codes to be assigned to new medical services. During that interim, providers use miscellaneous “99” codes that are typically reimbursed at very low rates on a fee schedule. In addition, fee schedule increases are typically lower than the rate of inflation, which means they don’t keep pace with the cost of providing care. Between 2008 and 2016, the annual Medical Price Index for Worker’s Compensation (MPI-WC) for states with fee schedules averaged 1 percent per year, which was 57 percent below the rate of general medical inflation.¹⁷ Realigning fee schedules with the market creates volatility: Almost one-fourth of the fee-schedule states studied by WCRI had double-digit price changes following fee-schedule changes.¹⁸ In North Carolina, professional services jumped 18 percent between 2014 and 2016 after it implemented a new fee schedule for professional services.¹⁹ The average price for office visits, physical medicine and emergency visits increased between 30 and 46 percent.²⁰ Similarly, fees for professional services increased 19 percent in Kentucky after that state changed its fee schedule.²¹
3. **Focusing on fee schedules detracts from a discussion on meaningful reforms.** When fee schedules are implemented, there’s a temptation to focus on unit prices, because they are easy to measure, compare and adjust. That, however, pre-empts discussions on changes that could lower costs by streamlining claims administration. This includes the sometimes archaic, costly and cumbersome administrative and operational processes prevalent among worker’s compensation carriers, but virtually non-existent with group health insurers. Workers and employers would be better served by reforms that streamline processes, preserve the quality of medical care provided and return workers to full functionality as soon as medically possible.

Focusing on Outcomes

The primary focus of an effective worker’s compensation program should be the speed with which workers can be returned to work. Each week of work that is lost due to injury costs between \$1,600 and \$2,200 in lost wages, lost productivity and additional wages for temporary replacements.²² In addition, the longer an employee is homebound, the more difficult it is to return him or her to full functionality.

Fortunately, Wisconsin excels in several key return-to-work metrics:

- **Injured employees in Wisconsin return to work three weeks sooner than the national average** in claims with more than seven days of lost time.²³ This translates to a direct savings of between \$4,800 and \$6,600 for the average injured employee, not including any additional medical costs incurred during the three-week period.
- **Wisconsin has the lowest temporary total disability (TTD) indemnity benefit duration** among 46 states analyzed by the National Council on Compensation Insurance. Its average duration was 44 percent less than the median duration for the states analyzed.²⁴
- **Wisconsin has the second lowest percentage of injured workers who never return to work** (10 percent).²⁵ This is significant, because every replacement worker will cost employers an estimated \$185,000 over the duration of employment.²⁶

Equally important, Wisconsin health care providers achieve these goals with the highest employee satisfaction rates among the states analyzed, with 82 percent of employees being either “somewhat” or “very satisfied” with their overall medical care.²⁷

Data Issues

Data can generate different conclusions, depending on how it is presented. Wisconsin, for example, compares very favorably when the analysis includes all worker’s compensation claims. And its overall cost-per-claims performance continues to outperform the national average for claims that include more than seven days of lost work time, although its medical costs are higher.

Because variations in the data sets and subsets can lead to different results, it is important to understand what is being analyzed. For example:

- Fee-schedule proponents argue that Wisconsin has high medical costs for treating injured workers who lose more than seven days of work; however, these claims represent less than one in five of all worker’s compensation claims.²⁸ Focusing on a small subset of claims can distort overall performance. Injuries that cause more than seven days of lost work time are also more complex, which results in greater variation in the medical care provided. For example, the cost of treating two workers with serious back injuries can vary considerably depending on the nature of the injuries, as well as the age and health of the patient. This variation is especially pronounced with inpatient visits. As WCRI notes: “given the smaller number of claims receiving inpatient care, inpatient measures can show large annual fluctuations.”²⁹
- Wisconsin’s per-claim medical costs improve significantly when the analysis includes more mature claims. For example, Wisconsin’s medical costs per claim are 46 percent above the national average if the claims have a maturity of 12 months or less, but drop to 19 percent above average if the claim window is extended to 36 months.³⁰ A separate analysis, conducted on fully mature claims, found that Wisconsin’s medical costs were just 2 percent higher than the national average.³¹ This may suggest that Wisconsin providers “invest” more in patients up front to get them back to work faster, which results in higher-than-average first-year costs. The gap

narrows as the claim window is extended, because providers in other states may be treating patients over a longer period of time, generating more costs than Wisconsin providers in the second and subsequent years.

- While Wisconsin has a three-day waiting period for worker's compensation claims, WCRI bases its analysis on a seven-day waiting period to conform to the majority of states in its 18-state analysis. Of the six states whose data was revised, Wisconsin saw the greatest impact, with medical payments per claim increasing 17 percent because of the adjustment.³²
- WCRI adjusts its data to reflect variations in state economies (i.e., the percentage of manufacturing, construction and service companies). This is appropriate for setting premiums, but is not relevant for comparing the cost of treatment. A broken leg is a broken leg, regardless of whether it occurs in a manufacturing facility or an office. When comparing medical costs, the severity should be based on the patient's age, comorbidities and relevant complications.

Conclusion

Wisconsin employers and employees currently enjoy a worker's compensation system that outperforms the national average in terms of costs, efficiency and employee satisfaction. Medical costs are slowing. Between 2010 and 2015, medical payments per claim in Wisconsin grew at half the rate of the previous five-year period.³³ In three of the last four years, medical prices for Wisconsin physicians, physical therapists and other non-hospital providers grew at a rate that was at or below the rate of medical inflation, and between 2015 and 2016, prices increased 1.4 percent, which was more than half the rate of medical inflation.³⁴

A comprehensive workplace strategy should focus on ensuring that workplaces are safe and making sure injured workers are returned to full functionality as soon and as medically as possible. In 2016, Wisconsin legislators addressed worker's compensation issues without impacting the medical services provided. The changes included technical fixes, improving access to retraining benefits, reducing the statute of limitations on trauma and requiring apportionment for permanent partial disability payments. Wisconsin's worker's compensation premiums declined 3.2 percent in 2017 and 8.5 percent in 2018, saving Wisconsin businesses nearly \$170 million.³⁵

Based on this experience, additional reforms should focus on:

1. Reducing cumbersome, archaic and labor-intensive administrative processes that are not directly related to getting injured workers back to work as soon as possible. This can be done through:
 - The use of electronic payments, which are already standard practice for group health insurers and even government payers like Medicare and Medicaid. Worker's compensation claims are currently paper-based, which results in lower processing times and drives up the administrative costs of providing care. Administrative costs, marketing and profits account for 38 percent of the premium written by worker's compensation carriers.³⁶ That is more than double the rate for group health insurers, which provide a wider range of medical

services to a much more demographically diverse patient population. Because of the paper-based claims-processing system, health care providers wait considerably longer for payments from worker's compensation carriers than they do from group health insurers. According to the Worker's Compensation Rating Bureau, less than a third of claims are paid in a timely fashion.³⁷

- The use of electronic medical records, which will reduce the cost and waste of printing, copying and transporting paper records
2. Reducing the state's worker injury rate. The work-related injury and illness rate for private employers – 3.7 incidents per 100 full-time equivalent (FTE) workers – is 28 percent higher than the national average.³⁸ Initiatives involving employers and professional associations (i.e., Wisconsin Hospital Association, Wisconsin Medical Society and the Wisconsin Manufacturers & Commerce) that focus on reducing that rate will protect employees, improve productivity and reduce costs, making Wisconsin an even more attractive place to do business.
 3. Implementing measures that would improve worker's compensation insurers' ability to validate the compensability of claims.
 4. Promoting market-driven negotiations between health care providers, insurers and self-insured companies. These direct negotiations could lead to outcomes-based payment structures that reward providers who provide quality care efficiently. They could also provide financial incentives for worker's compensation carriers to modernize their claims and billing processes, including discounts for promptly paid claims.

Wisconsin pioneered and remains a national leader in worker's compensation with return-to-work, total costs and employee satisfaction rates outperforming the national average. Employers, labor organizations, insurers and legislators should build on the state's successful program with initiatives focused on the quality of care provided, the length of time it takes to return employees to work, and employee satisfaction with the services they receive.

REFERENCES

- ¹ 2016 *National Quality and Disparities Report*, Agency for Healthcare Research and Quality and Research (August 2017).
- ² *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 23)
- ³ *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 6)
- ⁴ Bureau of Labor Statistics, 2018 report)
- ⁵ Wisconsin Department of Workforce Development press release: *Wisconsin Sees Reduction in Worker's Compensation Rate for Second Consecutive Year*, June 27, 2017.
- ⁶ *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 43)
- ⁷ 17 visits per claim in Wisconsin compared with 23 visits for in the typical study state. In addition, the average number of services per visit was 2.8 in Wisconsin compared with 3.2 in the average study state. Source: WCRI's *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 34)
- ⁸ 5.3 percent of worker's compensation claims have inpatient stays in Wisconsin, compared to the 6.6 percent median among the 25 states analyzed by WCRI. Source: WCRI's *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 38)
- ⁹ Sources: For all claims: *Comparing Outcomes for Injured Workers in Wisconsin, 2016 Interview* (WCRI, June 2017); for claims with more than 7 days of lost work time: *CompScope™ Benchmarks for Wisconsin, 17th Edition* (WCRI, April 2017, Page 30)
- ¹⁰ *Comparing Outcomes for Injured Workers in Wisconsin, 2016 Interviews* (WCRI, June 2017, Page 10)
- ¹¹ *CompScope™ Benchmarks for Wisconsin, 17th Edition* (WCRI, October 2016, Page 25)
- ¹² *CompScope™ Benchmarks for Wisconsin, 17th Edition* (WCRI, April 2017, Page 34)
- ¹³ *CompScope™ Medical Benchmarks for Wisconsin, 17th Edition* (WCRI, October 2016, Pages 74 and 76)
- ¹⁴ *CompScope™ Benchmarks for Wisconsin, 17th Edition* (WCRI, April 2017, Page 30)
- ¹⁵ *WCRI Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 8)
- ¹⁶ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 22)
- ¹⁷ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 12)
- ¹⁸ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 10)
- ¹⁹ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 8)
- ²⁰ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 18)
- ²¹ *Medical Price Index for Workers Compensation, 9th Edition* (WCRI, July 2017, Page 19)
- ²² HCTrends analysis based on average weekly wages from the Bureau of Labor Statistics, as well as estimated employer costs from a March 2015 report published by the Mathematica Center for Studying Disability Policy Report: *Assessing the Costs and Benefits of Return-to-Work Programs*. The range in the estimate is attributed to variations in weekly wages and whether or not the employer uses existing employees to fill in for the injured worker's absence or hires temporary replacement workers.
- ²³ *CompScope™ Benchmarks for Wisconsin, 17th Edition* (WCRI, April 2017, Page 30)
- ²⁴ *Worker's Compensation Temporary Total Disability Indemnity Benefit Duration 2013 Update* (National Council on Compensation, 2013 Update, Page 17)
- ²⁵ *Comparing Outcomes for Injured Workers in Wisconsin, 2016 Interviews* (WCRI, June 2017, Page 10)
- ²⁶ *Assessing the Costs and Benefits of Return-to-Work Programs* (Mathematica Center for Studying Disability Policy, March 2015, Page 35)
- ²⁷ *Comparing Outcomes for Injured Workers in Wisconsin, 2016 Interviews* (WCRI, June 2017, Page 10)
- ²⁸ *CompScope™ Medical Benchmarks for Wisconsin, 17th Edition* (WCRI, October 2016, Page 58)
- ²⁹ *CompScope™ Medical Benchmarks for Wisconsin, 17th Edition* (WCRI, October 2016, Page 6)
- ³⁰ *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 30)
- ³¹ NCCI Annual Statistical Bulletin (2017 Edition, Exhibit 11)
- ³² *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page TA39)
- ³³ *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 4)
- ³⁴ *CompScope™ Medical Benchmarks for Wisconsin, 18th Edition* (WCRI, October 2017, Page 24)
- ³⁵ Wisconsin Department of Workforce Development press release: *Wisconsin Sees Reduction in Worker's Compensation Rate for Second Consecutive Year*, June 27, 2017.

³⁶ Wisconsin Insurance Report, Business of 2016 (Wisconsin Office of the Commissioner of Insurance, Page 106)

³⁷ 30 percent of claims for all provider groups were paid within 30 days, according to an analysis done by the Worker's Compensation Ratings Bureau (Responses to Questions Presented by the Worker's Compensation Advisory Council, October 25, 2013, Page 10)

³⁸ Bureau of Labor Statistics, 2018 report)



**Wisconsin Senate Labor and Regulatory Reform Committee
Public Hearing on Senate Bill 665**

**Testimony of Chris Passe, MSPT, DPT, CSCS, Supervisor, Rehab Services Wheaton Franciscan
Healthcare – All Saints, Part of Ascension**

Chairman Nass, Vice Chairman Wanggaard and members of the Committee – thank you for the opportunity to provide testimony today on Senate Bill 665. My name is Chris Passe and I am the Supervisor of Rehabilitation Services at Wheaton Franciscan Healthcare- All Saints, in Racine, part of Ascension. Ascension Wisconsin has 23 hospitals from Racine to Eagle River Wisconsin and employs more than 19,000 associates. During our last fiscal year, Ascension Wisconsin provided nearly \$40 Million in charity or free care to patients without insurance.

I work with employers to both prevent injuries that would otherwise result in a workers compensation claim and help injured workers return to their original jobs. I completed my undergraduate and masters degrees at UW-La Crosse receiving a Bachelor's Degree in Exercise and Sport Science and a Master's Degree in Physical Therapy. I earned my Doctor of Physical Therapy Degree from Temple University. I have been a practicing physical therapist since 2006. For the past seven years, I've focused on working with employers and concentrating on Worker's Compensation care. I have completed continuing education and certification classes on job site analysis and pre-employment testing and have visited many of the local employers and collaborated with them.

I'm here today to talk with you about how healthcare providers are already partnering with employers to avoid worker injury and return injured workers back to their original jobs faster than many other states. A fee schedule, as proposed in Senate Bill 665, would not improve the current workers compensation program – which already provides high quality results.

As providers, we work with companies to ensure their employee is taken care of from beginning to end – from pre-employment testing, providing on-site clinics and helping injured workers recover through the Work Hardening Program. Our ultimate goal is for the employee to return to full-duty with same employer and same job as quickly as possible.

Starting with pre-employment screenings, we complete many American with Disability Act (ADA) and Equal Employment Opportunity Commission (EEOC) compliant pre-employment tests each year. During FY 17, we completed 309. These tests ensure the potential employee can complete the maximum physical requirements (i.e. lifting, carrying, pushing, pulling). The tests can't guarantee someone won't get injured, but they can at least ensure the essential job duties can be performed. These tests range in costs from \$50-85 each.

For one employer, we provide a pre-employment test that includes lifting, moving and going up and down stairs with more than 100 pounds. This type of test ensures the essential job duties can be performed and helps best match a potential employee's capabilities with a job they can physically handle.

Ascension also works with employers throughout the State to set up on-site clinics. Depending on the site, and the needs of the employer and employees, we may provide injury screenings, ergonomic assessment and onsite therapy along with other services.

For one manufacturer, an occupational therapist is on-site weekly. The therapist provides injury management, job demands analysis, ergonomic assessments and recommendations, and advice on warm-up and stretching routines. Over the last five years, he has been able to manage 88.5% of employee issues related to the musculoskeletal system onsite. This exceeds the benchmark of 85% cited in a 2007 study from the Journal of Occupational Rehabilitation. Having an onsite presence is best for the employee, employer and is successful at controlling healthcare costs.

When a worker is injured, part of their healing process may include a work hardening program – a program designed to prevent future injuries. This is the area where I work every day. Last year, 97% of participants in our program went back to work. Over 80% were able to return to the same employer. These are health care outcomes that support Wisconsin employers and Wisconsin workers.

Our Work Hardening Program uses a multi-disciplinary approach including: Occupational Medicine physician, psychologist, occupational therapist, physical therapist, vocational rehab counselor and case manager. Each week, every participant has a 10-15 minute meeting with the entire team to discuss progress to date and update plan of care. The employers and insurance case managers are encouraged to attend the meeting. A Team Conference Report is then written and sent out weekly. This kind of care coordination is not traditional and we do not receive additional reimbursement for providing this benefit to the employer and insurance company. Essentially we are providing a free office visit every week as the employee gets to meet with the physician and entire team.

Participants complete 2-3 hours of therapy every day. They receive overall body conditioning and are trained on body mechanics and self-management techniques (i.e. stretching, ice/heat). These tools can be used after returning to work to hopefully prevent future injuries. This care goes above and beyond healing – this care benefits the employee and employer long term. The Work Hardening Program allows the employees to typically return to full-duty work in better shape compared to pre-injury and will hopefully lead to a decreased chance of injury overall.

Partnering with employers and injured workers to return them to their original job is very different from supporting the recovery of a patient who was not injured at work. With an injured worker healthcare providers are required to complete and submit documentation and paperwork about the injury, treatment and provide updates on when the worker can return to light duty and regular duty. Each employer has different requirements for this paper work, and requests updates at different times. Additionally, each worker's compensation insurance carrier has different forms and requires separate updates. All the time spent completing forms and providing care coordination services is not reimbursable.

Patient satisfaction is very important throughout Ascension for all the care we provide – regardless of a patient's insurance status. For workers compensation claims, patient satisfaction should be equally as important to the employer and insurer as it is to the healthcare provider.

- a) Outpatient therapy – we have 6 locations in Racine and overall last year we were above the 90th percentile for patient satisfaction.

- b) Work Hardening Program – last year had 90.9% patient satisfaction. 100% of participants reported they would recommend our program to a friend.

The fee schedule proposed in Senate Bill 665 tries to equate workers compensation with commercial insurance. They are not the same. The administrative time invested by healthcare professionals to keep employers and insurance companies updated is not separately reimbursed. The time we spend on care coordination – not separately reimbursed. The future of healthcare is prevention and early conservative intervention. We are already providing these services with our onsite work and collaboration with employers. Prevention and conservative care are what helps to control and potentially decrease healthcare costs for everyone. A fee schedule that equates workers compensation with commercial insurance ignores the inherent differences and the additional time and administrative effort required to return the injured worker back to their original job. I urge you to reject this fee schedule proposal and not ignore the work done by healthcare professionals every day to provide exceptional care to patients – and return them to their original jobs.

Thank you again for the opportunity to provide this testimony today.



Marshfield Clinic[®]

HEALTH SYSTEM

Senate Committee on Labor and Regulatory Reform

February 14th, 2018

Senate Bill 665

Testimony of Dave Nyman

Director of Payor Strategy and Network Contracting

Chairman Nass, members of the Committee, thank you for the opportunity to testify before the committee on this topic. My name is Dave Nyman and I am the Director of Payor Strategy and Network Contracting for Marshfield Clinic Health System.

The Marshfield Clinic Health System has a history of providing care that goes back greater than 100 years. With over 700 physicians practicing in 80 plus specialties at over 50 locations throughout central, western, and northern Wisconsin, we take great pride in delivering high quality, accessible health care.

Marshfield Clinic Health System, like most provider systems, takes a deliberate approach to its contracting with payors. We evaluate and negotiate our reimbursement terms based on such things as the Payors number of lives in our area and the ability they have to grow that number, the administrative requirements of working with that payor, what ability they have to incentivize their members to seek preventative care, their willingness to invest or partner with us through program support or incentive based models, among other things. All of these factors are considered as we negotiate reimbursement terms with a payor. Marshfield Clinic Health System today contracts with several of the leading workers compensation carriers. All of these carriers have reimbursement terms, based on the criteria I have outlined, that have been negotiated with them and align with our contracting strategy.

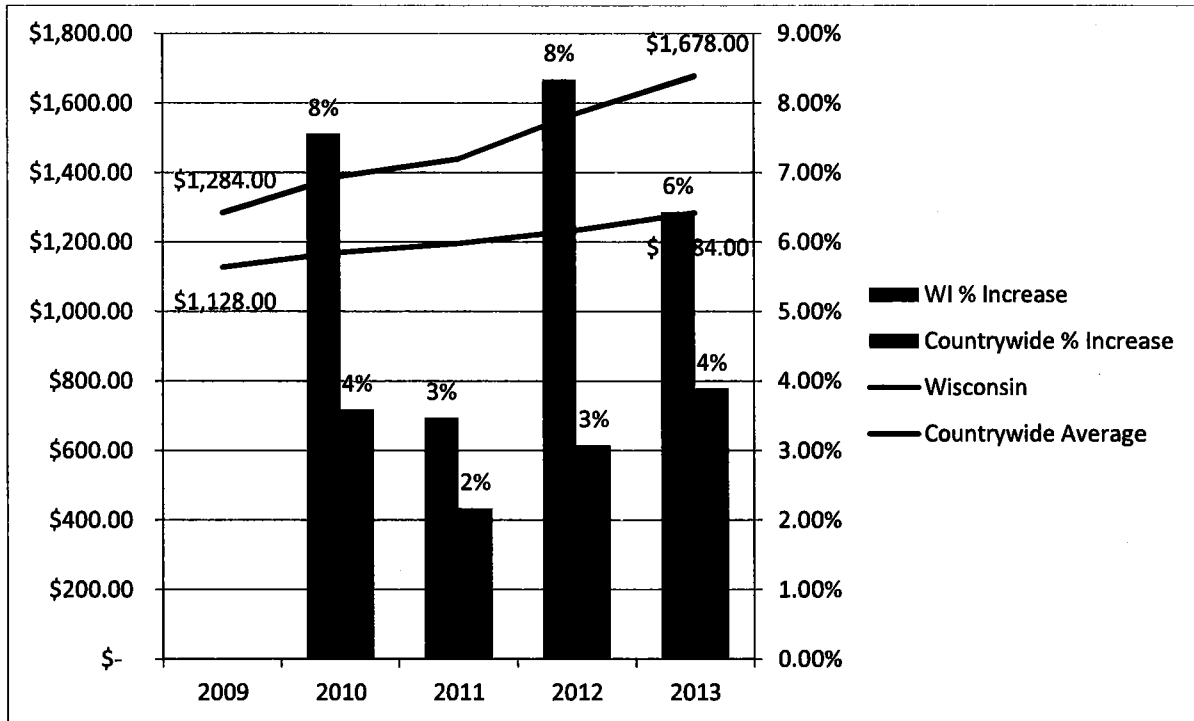
The Workers Compensation Advisory Council has put forth a proposal asking the government to step in and create a fee schedule, as opposed to having them pay the rates that they have negotiated directly with us. Under this proposal the workers compensation carriers would receive the same reimbursement terms as the commercial payors who have met our contracting criteria, without themselves having to meet those terms. If approved, there would no longer be an incentive for workers compensation carriers to improve their timely payment of claims or reduce the administrative burden and expense that comes with processing workers compensation claims.

Marshfield Clinic Health System values our relationship with employers. We know that in order for the communities that we serve to be successful and growing, they need to have strong, healthy, work forces. To help achieve that Marshfield Clinic Health

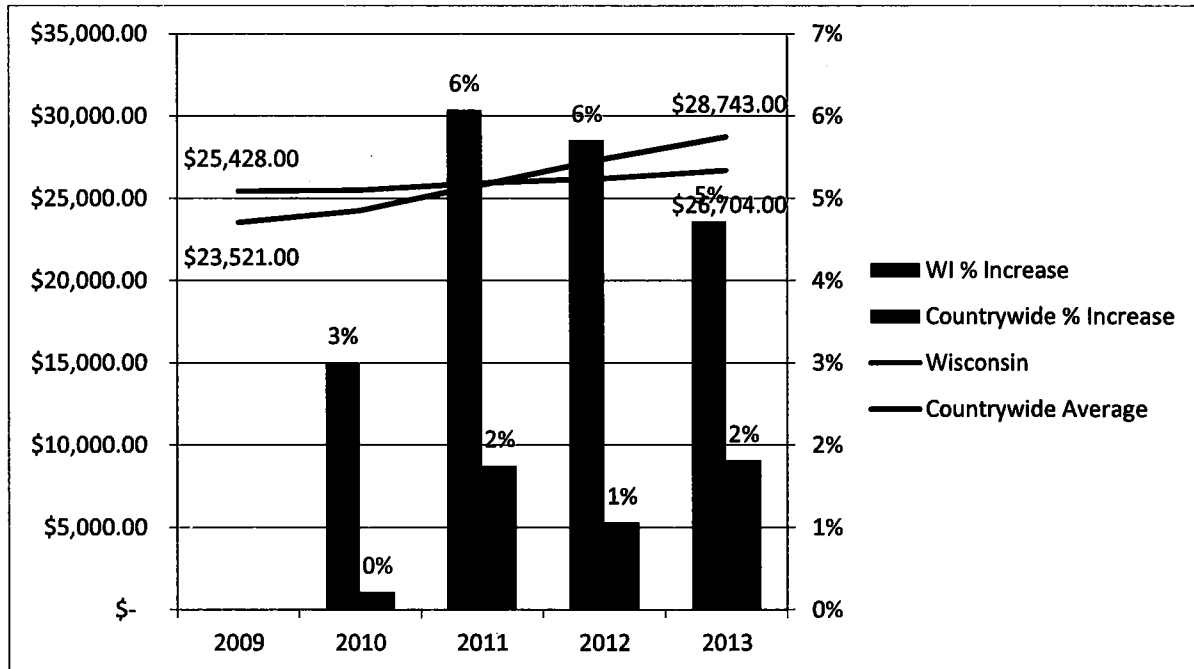
System has invested in software and staff that helps monitor the expected length of an episode of care for an injured employee to ensure that we are getting them back to work timely and appropriately. We have instituted a system wide training program with an emphasis on the responsible prescribing of opioids. Fewer individuals that have work injuries are started or continued on opioid medication. This reduction helps to reduce long-term and ancillary costs that workers compensation carriers are paying today. This proposal, if approved, would likely reduce our reimbursement on a product that has very high administrative burden and expense. This would likely impact our ability to continue to make investments in developing and implementing cost saving programs that help benefit the employers in our region.

Wisconsin is blessed with extremely high quality health care throughout the state. This is the same high quality care provided timely to those individuals who are injured and covered under their workers compensation plan. The current system is working, this is evident by the high-quality outcomes and declining premiums.

Average per-claim medical costs for MEDICAL ONLY claims:



Average per-claim medical costs for LOST TIME claims:



To: Chairman Nass and members of the Senate Labor Committee

From: John Levene, PT, DPT
Concentra

Date: February 14, 2018

Re: SB-665

Thank you Chairman Nass and members of the Senate Labor Committee for the opportunity to testify before you today.

My name is John Levene and I have been a practicing PT and Wisconsin resident for 35 years, practicing physical therapy in an occupational medicine setting for 33 years for Concentra, a national occupational medicine provider.

I have managed occupational medicine practices in 40 states and am licensed and have practice in 11 of those 40 states. Through my experience, I have found that some states have regulations and/or fee schedule issues which make practicing in those states prohibitive from a business prospective. Some examples of such states include New York and Louisiana.

According to the Wisconsin Compensation Research Institute's (WCRI) outcome data, compared to other states WI has a very favorable workers' compensation system that supports the injured worker at an overall reasonable total case cost. WI also has great outcomes, as noted by more rapid return to work, less litigation, less indemnity cost and overall less medical utilization.

Medical costs per procedure may be higher in WI vs other states, but utilization is less - resulting in medical costs that are similar to other states. From my experience, WI has superior outcomes due to limited regulation that ends up getting in the way of the clinician/injured worker relationship.

Current regulations in Wisconsin permit the rapid and unimpeded treatment of injured workers compared to other states, which often require first report of injury, prior authorization and approvals that slow down the delivery of clinical care. A fee schedule imposes another regulation that doesn't improve quality of care: favorable reimbursement for clinical care encourages clinicians to participate in the workers' compensation system which improves access to care and better outcomes for the injured worker.

Restricting reimbursement via a fee schedule may restrict access to medical care as some clinicians may choose not to treat workers' compensation patients. This would certainly have a negative effect on the injured worker's outcome. States with fee schedules do not enjoy the return to work outcomes that Wisconsin has. Return to work saves the system money and makes the injured worker whole, which is the underlying intent of the workers' compensation law in the first place.

Case Study	Florida	Wisconsin	Concentra
Number of WC cases	17,000	7500	500,000
Medical Visits	3.2	2.9	2.9
Therapy Visits	5.4	4.9	5.0
Case Duration Days	21	12	17

**Case durations increase significantly in highly regulated fee schedule state. Case duration is directly related to total case cost and increase chance of litigation.*

**Utilization of medical therapy services increase*

So why are we here? Employers and payers are concerned that medical cost per procedure is too high compared to other states. While Wisconsin's fee per procedure may be higher, utilization (or the number of procedures) is less, resulting in medical costs that are comparable to other states and overall system costs (medical, indemnity, administrative costs) are lower. The fee schedule proposal makes the assumption that lowering medical prices will not have a negative impact on overall case cost and injured worker outcomes. This is a very risky if not false assumption.

Employers already have a method to negotiate and control medical costs through the utilization of networks which negotiate prices, so they do have an option for cost control. The bottom line is that Wisconsin has a very successful workers' compensation system that achieves great outcomes for injured workers at an overall cost that is much less than other states. In fact, other states are envious of Wisconsin's system. increasing regulation in the workers' compensation system may result in unintended consequences that will have a negative effect on the injured workers' outcome which may drive overall costs higher.



February 14, 2018

Chairman Nass, Vice-Chair Wanggaard and Members of the Senate Committee on Labor and Regulatory Reform:

ATI Physical Therapy, an outpatient physical therapy provider with 31 clinics (and growing), over 200 full-time employees and an annual economic impact in the state of over \$2 million, wishes to express its opposition to SB 665, specifically the creation and implementation of a fee schedule within the Workers Compensation system in Wisconsin. ATI shares all the same concerns that will no doubt be expressed to this committee by the Wisconsin Physical Therapy Association, Wisconsin Hospital Association, Wisconsin Medical Society, and Wisconsin Chiropractic Association. However, with more than 780 clinics in 24 other states and over 20 years in caring for injured workers, ATI can say with some authority that implementing a fee schedule will not automatically result in lower workers compensation premiums for employers. In our experience caring for injured workers in states with fee schedules and in states where a fee schedule was implemented, the workers compensations premiums were not commonly lowered or lower than what is currently seen in Wisconsin. In these states, other circumstances arise that negatively impact care and the return-to-work rate, harmfully impacting the injured worker and the employer. ATI supports a pro-business climate for all employers in Wisconsin. However, we have seen that when implementing a fee schedule the outcome is not "pro-business", and is often detrimental to the business climate.

The Wisconsin workers compensation system tops the nation in access to care, return-to-work and satisfaction, with a return-to-work that is three weeks shorter than the national average. Implementation of a fee schedule will limit access to care for injured workers, create additional administrative burdens, and will impose additional, unnecessary hurdles as to how aggressively we can treat them. This will undoubtedly result in a slower return-to-work rate; and will not guarantee that workers compensation premiums will decrease for employers.

The outstanding workers compensation system in Wisconsin is a national model that other states look to emulate. ATI is constantly expounding the merits and examples of the workers compensation system in Wisconsin. Legislators and policy-makers outside Wisconsin, seek out ATI to provide recommendations to improve their states' systems and mirror the experience and policy in place here in Wisconsin. Implementation of a fee schedule will only lower the quality of results seen from the Wisconsin's workers compensation system, lowering it to average, or even below average, and it is the injured worker and employers that will suffer the most.

We respectfully request the members of the Senate Committee on Labor and Regulatory Reform to not advance SB 665 any further in the legislative process.

Sincerely,

Edward Maher PT, DSc, AMPT, OCS, CMPT
Vice President of Operations
ATI Physical Therapy

Testimony of CLIFF SANDERSON 2/14/2018

MCC IS A LARGE CUSTOM METAL FABRICATOR IN FIVE STATES (WI, MI, VA, SC, MS) w/ approx 200 employees

our biggest w/c class code is 3400 "Metal working"

FOR THE POLICY PERIOD ENDING 2015 THE STATE RATE FOR W/C CLASS CODE WAS \$5.99 IN WISCONSIN IN MICHIGAN THIS STATE RATE WAS \$3.22

FOR 250 EMPLOYEES EARNING \$20 AN HOUR \approx \$10MM IN PAYROLL COST \$600K IN W/C PREMIUM IN WISCONSIN.

THIS SAME 250 EMPLOYEES IN MI. WOULD COST \$350K

BOTH STATES HAVE GREAT ACCESS TO HEALTH CARE, GREAT FACILITIES, THE SAME INDEMNITY RATE, BOTH STATES ARE BIG MANUFACTURERS, BOTH ARE SOLID FAMILY VALUE MIDWESTERN STATES.

THE ONLY SIGNIFICANT DIFFERENCE BETWEEN THESE TWO STATES IS THE FEE SCHEDULE IN MICHIGAN.

FOR THIS \$10MM PAYROLL WISCONSIN IS \$250,000 MORE EXPENSIVE THAN MICHIGAN! THIS MAKES WI MUCH LESS COMPETITIVE

A FEE SCHEDULE WILL HELP "LEVEL THE PLAYING FIELD" AND GET WISCONSIN W/C MEDICAL COSTS MORE IN LINE WITH COMPETING STATES.

\$250,000 IS A BIG DEAL

C. J. [Signature]

2-14-2018

GUNDERSEN HEALTH SYSTEM®

**Wisconsin Senate Committee on Labor and Regulatory Reform
Senate Bill 665— relating to various changes to the worker's compensation law
February 14, 2018**

Testimony Presented by:
William R. Scorby, M.D.
Department Chair, Occupational Medicine
Gundersen Health System

Chairman Nass, Vice-Chair Wanggaard, and members of the Senate Committee on Labor and Regulatory Reform, thank you for the opportunity to provide testimony today on Senate Bill 665, relating to changes to Wisconsin worker's compensation law.

I am Dr. Bill Scorby, Department Chair of Occupational Health Services at Gundersen Health System in La Crosse and I appreciate the opportunity to testify today. As drafted, we have serious concerns and are opposed to the legislation.

Gundersen Health System is an integrated healthcare delivery organization located in nineteen counties throughout western Wisconsin, southeastern Minnesota and northeastern Iowa. With over 7,000 employees and 500 medical providers, our system includes a medical center in La Crosse, five critical access hospitals and over 50 clinics throughout our the tri-state region.

Through our business and occupational health programs, we partner with regional employers to offer comprehensive injury prevention and treatment services. Our programs are intended to maintain a healthy workforce, help avoid injuries and illnesses, control employer costs, and keep employees on the job and working. Some examples include: Worksite flu shot clinics, health and wellness programs, educational presentations, development and administration of job screens, and various physical examinations. Along with our business services and occupational health team, I have personally toured numerous employers' work sites to better understand their occupational environments, their health and safety challenges, and to improve the return-to-duty process for their employees and my patients should an injury occur.

Directly linked to employee safety and injury reduction, we've developed post-offer job screens for many employers throughout our region. This screen is helpful for two reasons: 1) To determine if an individual can safely meet the physical demands of the job that they have been offered; and 2) to determine if an individual who has been off of work with an injury or illness can return to work and physically meet the demands of the job.

Our preventative efforts also include occupational health services back care, such as demonstrations of proper lifting, ergonomics, and injury prevention. Employers consistently provide us feedback that these programs are having a positive impact in decreasing their number of work-related injuries. As a result, many of our employers experience better control of healthcare costs, including lowered increases in health insurance costs and reductions in workers' compensation premiums.

If an employee is injured, it is our duty to provide high quality care. Our goal is to help the employee return to work safely as soon as possible. But there are challenges with the current worker's compensation system. Most notably is the lengthy and complicated processes providers and hospitals face in reimbursement for services. Setting a government-directed fee schedule, as in the proposed bill, is not the right way and does not solve any of the administrative problems. We would welcome improvements to payment and processing standards, which often take several months to resolve, as a way to better streamline the current system. But despite issues in the current system, insurance premiums for worker's compensation in Wisconsin decreased 8.46% in 2017.

At Gundersen, we are committed to enriching every life through improved community health, outstanding experience of care, and decreased cost burden. On behalf of Gundersen Health System, we are opposed to this legislation and request the Senate Committee on Labor and Regulatory Reform Committee to not move this bill forward.

Thank you and I am happy to answer any questions.

February 14, 2018

**Testimony to the Senate Committee on Labor and Regulatory Reform
Opposition to Senate Bill 665
Scott Hardin, MD, Senior Vice President Medical Affairs**

Chairman Nass, members of the committee – thank you for the opportunity to testify today. I am Scott Hardin, Senior Vice President of Medical Affairs for Aurora Health Care, and also a practicing physician with a board certification in physical medicine & rehabilitation. I am here today on behalf of Aurora to voice opposition to Senate Bill 665 due to the medical services fee schedule included in the legislation.

Aurora is an integrated health care delivery system that serves more than 1.2 million patients a year at our 150+ clinics, 70 pharmacies, and 15 hospitals throughout eastern Wisconsin. Aurora also provides the most comprehensive occupational health network in Wisconsin. We use a patient-centered approach so that employees who become injured or ill from work-related events are treated with best practices, their care is managed effectively and they are returned to work as quickly and safely as possible. We believe that a team approach with the employee, employer and the provider leads to the best outcome.

Simply put, we view a fee schedule as a solution in search of a problem. Our state's healthcare system is a model that should be replicated, not targeted for unnecessary change. In Wisconsin, we are fortunate to have a highly integrated and efficient healthcare system that was recently ranked #1 in the entire country in quality by the federal Agency for Healthcare Research and Quality. Specific to worker's compensation, Wisconsin's medical costs are at or below the national average and workers lose less time and get back to work faster than any other state in the nation.

Adding to this good news, for the better part of a decade, insurance premiums for worker's compensation have actually gone *down*, including a decrease of over 8% statewide in 2017. A medical fee schedule, like the one proposed in this legislation, removes negotiations from the equation and leads to access problems for patients.

Now, this isn't a broken system, but it isn't a perfect one, either. For example, Wisconsin consistently exceeds the national average of injured workers. Further, the complicated nature of worker's compensation cases and the associated administrative burdens serve as a barrier to entry for providers. Finally, worker's compensation carriers generally do not follow industry processing and payment standards, resulting in delayed payments and extended periods on the accounts receivable ledger.

We at Aurora would be happy to work with stakeholders and the Worker's Compensation Advisory Council if there is interest in finding solutions to these issues. But this proposal, with its government mandated fee schedule, is not the answer. It could lead to access problems for injured workers and damage a system that objectively sets the national standard for treating injured workers and getting them back to work quickly, while containing costs. Therefore, I am here today to ask that you not jeopardize the current system with unwarranted government intervention and continue to allow the current model to continue working.

With that, we'd be happy to answer any questions. Thank you for your time.



APRN FORUM

To: Senator Stephen Nass, Chair
Members, Senate Committee on Labor & Regulatory Reform

From: Kimberly Day, MSN, RN, FNP, APNP
WNA APRN Forum Board Member and
Gina Dennik -Champion, MSN, RN, MSHA
WNA Executive Director

Date: Wednesday, February 14, 2018

**Re: Opposition to Senate Bill 665 - Worker's Compensation
Specifically Creation of a New Government Fee Schedule**

Chairperson Nass and members of the Senate Committee on Labor & Regulatory Reform we are here today on behalf the Wisconsin nursing profession urging you to oppose Senate Bill 665. Thank you sponsoring this public hearing.

My name is Gina Dennik-Champion and I am the Executive Director of the Wisconsin Nurses Association and this is Kimberly Day, who an Advanced Practice Registered Nurse (APRN) is practicing as a Nurse Practitioner in a primary care clinic Fort Atkinson, Wisconsin.

Our opposition is based on the healthcare profession's experience with government price setting (i.e. fee-schedules) and our fear of the negative impact it could have on patient-worker outcomes – jeopardizing Wisconsin's record of quality care. Kim will provide information regarding her experience in the assessment and treatment of her patients that are recovering from work-related injury.

My name is Kimberly Day, I am a Nationally Board Certified Family Nurse Practitioner. I have been practicing for 18 years. From 2000 to 2012 my practice was in occupational health. I am now in a family practice clinic in rural Fort Atkinson. My background allows me to care for my work-injured patients. In my practice location I have the ability to consult and refer to physicians who specialize in the treatment of workers compensation but this is not the norm. My APRN colleagues who practice in rural Wisconsin find that their patients do not have such access occupational health services. These APRNs receive additional education and training in occupational medicine so that they can safely treat, collaborate with Physical and Occupational Therapists so as a team, we can get our patients back into the workplace.

Thank you Kim, as you can see the nursing profession is often a part of the injured worker's journey from admittance, case management, evaluation, clinical workup and the process of rehabilitation. Often nurses are the principal liaison between the hospital\clinic, insurance company and the employer.

The goal of the nursing profession, as is the entire healthcare profession, is to provide the best patient care, recovery and rehabilitation so that the individual can return safely to his\her occupation, family and hopefully a normal and productive life.

Wisconsin is known for having one of the best state Worker's Compensation systems in the United States. And, while there are organizations that will argue that healthcare provider charges by procedure in the system maybe higher than many other states – Wisconsin's overall costs, better employee return to work timelines and low rates of litigation make our Wisconsin Worker's Compensation one of the best.

The healthcare profession already faces much uncertainty in the area of reimbursement and revenue due to existing government fee-schedules, such as Medicare and Medicaid. When governments are given such easy levers to affect reimbursement, experience shows that rates can be altered by arbitrary decision criteria, which affects the entire healthcare financing model – affecting all of us. History also shows that elected officials at the state and federal levels of government will sometimes set reimbursement lower than the actual cost of providing care. That real world experience is why there is a lack of trust and a lack of support for the creation of a new government run fee-schedule.

We want to share that we support the proposed Administrative Rule changes that are included in this legislative bill. We would like to suggest that future review and amendments to State Statute 102 include the ability of APRNs to assess, treat and manage the care of their injured patient without physician co-signature. The existing requirement can and does result in delays in patient care and treatment.

Thank you for your consideration of our testimony on this issue. And, again, on behalf of the nursing profession we urge the Committee to oppose Senate Bill 665.



■ 421 S. Nine Mound Rd.
■ Verona, WI 53593
■ Tel: 608 833 6620
■ Fax: 608 833 6679

Dear WI Legislators,

My name is Kelly Stacionis and I am the Safety Coordinator at Zander Solutions. I am the only dedicated safety employee at this small, family owned company of about 85 employees. Zander is a waterproofing and concrete coating company working on numerous residential and commercial construction sites daily here in the Madison area.

I am sorry I cannot attend this hearing personally today. Incidentally, I am attending further safety training. The company owners have asked me to put together a few statistics from our company regarding safety and worker's compensation expenses.

I have computed safety related expenses for Zander in the last 12 months to total approximately \$160,000. This includes safety equipment such as safety glasses, hard hats, fall and respiratory protection. It also includes training classes, employee compensation during those classes and my own compensation.

This is not a small amount of money. However, it is worth every penny to protect the health, safety and well being of our employees. In fact, using personal protective equipment and following the rules and guidelines set forth by OSHA has had a great impact on workplace injuries nationwide. In 1972, before these rules came into being there were 10.9 safety incidents per 100 workers. In 2016 the number of incidents was down to 2.9 per 100 workers.

Zander too has reduced workplace injuries by striving to meet and exceed OSHA guidelines, which is reflected in our falling MOD rate. And yet.....

Zander Solutions pays approximately \$268,000 dollars per year in premiums for workers compensation insurance alone. This figure is nearly 1.7 times what Zander spends to prevent accidents.

I also analyzed one of the large commercial jobs we are currently working on. This job required some of our employees to go through some specialized training. Despite this, the cost of worker's compensation insurance was 5 times more than the cost of the safety equipment and training dedicated to this job.

While worker's compensation insurance is necessary in the event of an accident to protect our employees and their families, I believe we must begin to question why it has become so expensive, especially in light of the fact that there are fewer workplace injuries and accidents now than several decades ago. Further, I encourage you as legislators to find a way to help control these costs while still protecting individual workers and families.

Sincerely,

Kelly Stacionis





Office of Government and
Community Relations

TO: | The Honorable Members of the Senate Committee on Labor and Regulatory Reform

FROM: | Marion R. Livingstone, MBA, CPC
*Executive Director, Clinical Practice Services
Medical College of Wisconsin*

| Nathan Berken
*Director of Government Relations
Medical College of Wisconsin*

DATE: | February 14, 2018

RE: | Testimony in Opposition to Senate Bill 665, related to various changes to the worker's compensation law

Thank you Chairman Nass, and members of the Senate Committee on Labor and Regulatory Reform, for the opportunity to provide written testimony in opposition to Senate Bill 665, legislation related to various changes to the worker's compensation law.

The Medical College of Wisconsin (MCW) prides itself on providing the highest quality, cutting-edge, collaborative care for our patients. MCW physicians and practitioners comprise the largest physician group practice in Wisconsin, with approximately 1,650 Medical College of Wisconsin Physicians, and over 525 nurse practitioners, physician assistants and other healthcare practitioners. MCW cares for approximately 530,000 patients, representing more than 2.4 million patient visits annually. 464 MCW faculty physicians are listed in the 2015-16 Best Doctors in America.

In addition to MCW's perspective as a healthcare provider, MCW also views this issue through the lens of a large employer. MCW is the 7th largest private employer in metro Milwaukee. More than 4,700 faculty and staff work on the Milwaukee campus, and 955 faculty and staff work at 40 other healthcare facilities and locations in Eastern and Central Wisconsin. As a result, MCW brings an important perspective to the debate over whether a healthcare provider fee schedule would ultimately be beneficial to Wisconsin's employers, employees, and healthcare industry as a whole.

In short, MCW strongly opposes the creation of a fee schedule under Senate Bill 665, and respectfully requests the Committee either oppose the bill, or amend the legislation to remove this provision. By now, you have likely heard from numerous stakeholders as to the rationale for-and-against the creation

of a fee schedule. MCW opposes a fee schedule for the numerous reasons already mentioned, as well as the following points:

- According to the Worker's Compensation Research Institute's CompScope Benchmarks for Wisconsin, 17th Edition (WCRI, 2017), Wisconsin's total cost per claim was 12 percent lower in Wisconsin than typical, even in spite of the fact that Wisconsin's claim frequency was 18 percent higher when compared with the median of 45 states plus the District of Columbia.
- Wisconsin's outcomes in returning workers back on the job are nation-leading at three weeks faster than the national average (WCRI, 2017).
- In the private market, healthcare providers negotiate with group health insurers to willingly provide financial discounts in exchange for other benefits, such as timely payments and specific types of insurer electronic processes, etc. Enacting a worker's compensation legislative mandate to provide employers the financial benefits of a negotiated rate, without requiring compromise in return, puts providers into a harmful and unfair financial position.

These data points are truly a testament to the effectiveness of our state's overall health care delivery system. Today, however, we wish to focus our comments around the administrative costs and burdens that MCW experiences while providing care within the worker's compensation program.

- MCW's medical providers and their office staff generally experience a tripling of workload related to worker's compensation visits, versus commercial visits, due to the increased case management, paperwork, and the complexity of conversations related to the management of patients' care.
- Similarly, staff within MCW's Department of Clinical Practice Services, which is responsible for financial reimbursement processing, expends two-to-three times the amount of time and labor on worker's compensation claims, versus other claims.
- Following worker's compensation surgical services, subsequent visits are bundled into the surgical fee during the global period (the time beginning with the surgery and including additional related visits) and are not separately reimbursed. MCW's worker's compensation patients have a 28% higher average number of visits following surgery, versus commercially insured patients. This results in a higher MCW cost to provide these services versus commercially insured patients.
- MCW's average commercial payer reimburses within 26 days, versus a 68-day average for worker's compensation claims. By nearly tripling the payment term, these payment delays create significant liquidity and cash flow challenges for our clinical practice. Longer payment terms effectively result in a reduction of our rate of return.
- Worker's Compensation litigation also creates unique financial challenges. Between 3 and 6 percent of MCW's worker's compensation patients are involved in litigation. Reimbursement for medical services in these instances takes an average of 2.5 years, with some cases taking over 3 years. Since MCW does not receive reimbursement while these litigated cases are pending, these payment delays again create significant liquidity and cash flow challenges.
 - Many times, MCW physicians are also required to provide expert medical testimony for these litigated cases, further reducing clinical productivity – taking our physicians away from the care of our patients.
- Finally, MCW experiences a doubling of aging accounts receivable in worker's compensation cases. On average, 7% of MCW's accounts receivable are aged over 90 days with commercial payers, versus 14% of worker's compensation cases, again creating greater cash flow challenges versus the commercial market.

MCW supports addressing the administrative and payment inefficiencies referenced above, prior to implementing any state mandate related to a healthcare provider fee schedule. In spite of all these challenges, Wisconsin's healthcare community continues to help put workers back on the job, at a lower overall cost per claim, than the national average.

MCW seeks to ensure that health care providers across Wisconsin are able to continue to serve patients injured on the job. Like other government programs such as Medicaid and Medicare, some health systems and providers may decide to close their doors to this population if the state enacts the fee schedule within Senate Bill 665. MCW respectfully urges you to either oppose this legislation, or remove the fee schedule to allow for a more thorough review of not only the payment costs, but administrative burden and the overall injury rate impacting Wisconsin workers.

Thank you for your time and consideration. Please feel free to contact Nathan Berken, Director of Government Relations, at 414.955.8588, or nberken@mcw.edu, if you have any questions.



February 14, 2018

Senate Labor & Regulatory Reform Members:

On behalf of Skiing Wisconsin and the 30 ski areas across the state, I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

Although insurance premiums have dipped slightly over the past two years, those reductions were driven by the fact that our injury rates have been reduced. Our medical costs remain unacceptably high, and continue to push our rates far above our competitors in other states.

For example, the Worker's Compensation Research Institute's (WCRI) most recent data found Wisconsin medical costs to be 46% higher than the median for all injuries. Looking only at the more serious injuries that resulted in a week or more of lost time, Wisconsin's medical costs were 61% above the median.

Ski areas across the state have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off in our industry. Furthermore, injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

We cannot afford to pay two to three-times as much as our competitors in other states for the exact same procedures. Reforms to contain worker's compensation medical costs are long overdue. Forty-four other states have addressed this problem by enacting a medical fee schedule. We strongly urge you to do the same by supporting Senate Bill 655 and bringing it to a vote in each of your houses.

Sincerely,

James Engel
Executive Director
Skiing Wisconsin
4067 Sleeping Dragon Road
West Bend WI 53095



February 5, 2018

Majority Leader Scott Fitzgerald
Wisconsin State Senate
PO Box 7882
Madison, WI 53707-7882

Speaker Robin Vos
Wisconsin State Assembly
PO Box 8953
Madison, WI 53708

Dear Majority Leader Fitzgerald and Speaker Vos:

I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein-in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

Although insurance premiums have dipped slightly over the past two years, those reductions were driven by the fact that our injury rates have been reduced. Our medical costs remain unacceptably high, and continue to push our rates far above our competitors in other states.

For example, the Worker's Compensation Research Institute's (WCRI) most recent data found Wisconsin medical costs to be 46% higher than the median for all injuries. Looking only at the more serious injuries that resulted in a week or more of lost time, Wisconsin's medical costs were 61% above the median.

We have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

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Sincerely,

Aaron B. Powell, Partner & Chief Strategy Officer
Chairman, WMC Small Business Committee

c: Members, Senate Committee on Labor & Regulatory Reform

February 7, 2018

Majority Leader Scott Fitzgerald
Wisconsin State Senate
PO Box 7882
Madison, WI 53707-7882

Speaker Robin Vos
Wisconsin State Assembly
PO Box 8953
Madison, WI 53708

Dear Majority Leader Fitzgerald and Speaker Vos:

I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein-in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

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We have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately, there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

We cannot afford to pay two to three-times as much as our competitors in other states for the exact same procedures. Reforms to contain worker's compensation medical costs are long overdue. Forty-four other states have addressed this problem by enacting a medical fee schedule. We strongly urge you to do the same by supporting Senate Bill 655 and bringing it to a vote in each of your houses.

Sincerely,

Sincerely,


Robert D. Kamphuis
Chairman, President & CEO


Clifford O. Sanderson
Vice President Human Resources

c: Members, Senate Committee on Labor & Regulatory Reform





WAUPACA FOUNDRY, INC.
1955 Brunner Drive
P.O. Box 249
Waupaca, WI 54981
PHONE (715) 258-6611
WEB WaupacaFoundry.com

February 5, 2018

Majority Leader Scott Fitzgerald
Wisconsin State Senate
PO Box 7882
Madison, WI 53707-7882

Speaker Robin Vos
Wisconsin State Assembly
PO Box 8953
Madison, WI 53708

Dear Majority Leader Fitzgerald and Speaker Vos:

I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein-in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

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We have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

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Sincerely,

WAUPACA FOUNDRY, INC.

Michael Nikolai
President, COO & CEO

cc: Members, Senate Committee on Labor & Regulatory Reform



February 12, 2018

Majority Leader Scott Fitzgerald
Wisconsin State Senate
PO Box 7882
Madison, WI 53707-7882

Speaker Robin Vos
Wisconsin State Assembly
PO Box 8953
Madison, WI 53708

Dear Majority Leader Fitzgerald and Speaker Vos:

I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein-in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

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We have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

We cannot afford to pay two to three-times as much as our competitors in other states for the exact same procedures. Reforms to contain worker's compensation medical costs are long overdue. Forty-four other states have addressed this problem by enacting a medical fee schedule. We strongly urge you to do the same by supporting Senate Bill 655 and bringing it to a vote in each of your houses.

Sincerely,

John C. Pfeifer
President, Mercury Marine

c: Members, Senate Committee on Labor & Regulatory Reform



February 6, 2018

Majority Leader Scott Fitzgerald
Wisconsin State Senate
PO Box 7882
Madison, WI 53707-7882

Speaker Robin Vos
Wisconsin State Assembly
PO Box 8953
Madison, WI 53708

Dear Majority Leader Fitzgerald and Speaker Vos:

I am writing to convey my strong support for Senate Bill 665, a bill that would enact badly needed reforms to rein-in the high cost of medical care in the worker's compensation system. Wisconsin continues to be a significant outlier in terms of our medical costs per claim, and this has become a competitiveness problem for Wisconsin businesses.

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For example, the Worker's Compensation Research Institute's (WCRI) most recent data found Wisconsin medical costs to be 46% higher than the median for all injuries. Looking only at the more serious injuries that resulted in a week or more of lost time, Wisconsin's medical costs were 61% above the median.

We have worked very hard to reduce workplace injuries, and have made substantial investments in safety improvements. These efforts have paid off. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000. Unfortunately there has not been a return on that investment because medical costs have increased even faster. Worker's compensation medical costs per claim are up over 450% since the mid-1990s.

We cannot afford to pay two to three-times as much as our competitors in other states for the exact same procedures. Reforms to contain worker's compensation medical costs are long overdue. Forty-four other states have addressed this problem by enacting a medical fee schedule. We strongly urge you to do the same by supporting Senate Bill 655 and bringing it to a vote in each of your houses.

Sincerely,

A handwritten signature in black ink, appearing to read "Glen Tellock".

Glen Tellock
President & CEO
Lakeside Foods, Inc.

WORKER'S COMPENSATION EMPLOYERS **COALITION**

December 21, 2017

Majority Leader Scott Fitzgerald
Wisconsin State Senate
State Capitol, Room 211 South

Speaker Robin Vos
Wisconsin State Assembly
State Capitol, Room 211 West

Dear Majority Leader Fitzgerald and Speaker Vos,

We write you today as business leaders from throughout Wisconsin concerned with the high cost of medical care in the worker's compensation system. When we compare our medical costs to the cost for identical procedures in other states or those covered under a group health plan, Wisconsin worker's compensation costs are significantly higher.

These higher costs have become a significant competitiveness issue for our businesses. We cannot afford to pay two and sometimes three-times as much as our competitors for the exact same procedures.

Forty-four other states have addressed this problem by enacting a medical fee schedule. **We strongly urge you to do the same by supporting the reform package unanimously endorsed by the Worker's Compensation Advisory Council.**

While the medical community lobbyists will no doubt try to dissuade you from tackling this vital issue because they don't believe costs are too high, we are writing to tell you that there is a major problem. In fact, a recent CEO survey found that reducing medical costs was the number one thing employers said the Legislature could do to help businesses.

The Worker's Compensation Research Institute (WCRI) studies worker's compensation costs across the country, and continually finds Wisconsin as being one of the most expensive states in the nation. In their most recent study, they found Wisconsin costs to be 46% above the median. Looking only at injuries that require a week or more off of work, Wisconsin costs are 61% above the median.

The WCRI data is backed up by other independent studies. For instance, the National Academy of Social Insurance found in October that Wisconsin's worker's comp insurance costs are the highest in the Midwest, 46% above the median.

As employers, we understand that we have a duty to provide a safe working environment to keep our workers safe and reduce costs, and we've done that. Injuries in Wisconsin have dropped dramatically over the last 20 years, from 220,000 annual injuries to approximately 85,000 annual injuries in 2015. Unfortunately there has not been a return on that investment because medical costs have increased even faster. **Worker's compensation medical costs per claim are up over 450% since the mid-1990s.**

While setting rates may seem against our grain as business leaders, the fact is nothing in the worker's compensation system follows free market principles. Worker's compensation is a government mandated social program. Every employer is required to provide coverage, and insurance rates are set by the government. Injured worker benefits, including the value of their limbs, are set by a statute.

The only aspect of worker's compensation not regulated by government is the amount employers and insurers are forced to pay for medical claims.

The need for reform is long overdue. As employers, we cannot afford to squander another session where the legislature fails to address this growing problem. We need your leadership. **Please support the Worker's Compensation Advisory Council agreed-bill and bring Wisconsin medical costs under control.**

Sincerely,

Wisconsin CEOs and Business Leaders

Robert D. Kamphuis
Mayville Engineering Company, Inc.

Scott Mayer
QPS Employment Group

Bill Kennedy
Rock Road Companies, Inc.

Jay L. Smith
Teel Plastics, Inc.

Dan Ariens
Ariens Company

Mike Debelak
Michels Corporation

J. R. Menard
Menard, Inc.

Todd Wanek
Ashley Furniture Industries, Inc.

James M. Leef
ITU AbsorbTech, Inc.

Ron Wanek
Ashley Furniture Industries, Inc.

Robert Wahlin
Stoughton Trailers LLC

Peter Zignego
Zignego Companies, Inc.

Dennis Behnke
Lunda Construction Company

Robert L. Keller
JJ Keller and Associates, Inc.

Todd J. Teske
Briggs and Stratton Corporation

Clifford J. King
Skyward, Inc.

Michael Nikolai
Waupaca Foundry, Inc.

Glen Tellock
Lakeside Foods, Inc.

John Pfeifer
Mercury Marine

Jim Ostrom
Milk Source LLP

James Hoffman
Hoffman Construction Company

Steve D. Loehr
Kwik Trip

Eric W. Sauey
Seats Incorporated

James J. McIntyre
Greenheck Fan Corporation

John Dykema
Circle Packaging Machinery, Inc.

Sidney H. Bliss
Bliss Communications, Inc.

Rick W. Parks
Society Insurance

Joseph T. Pregont
Prent Corporation

Karl A. Schmidt
Belmark, Inc.

Rajan Sheth P.E., S.E.
Mead and Hunt, Inc.

Daryl Adel
Kerry

Scott Sanders
Brakebush Brothers, Inc.

Matthew Shinnors
Antigo Construction, Inc.

Tim Peterson
James Peterson Sons, Inc.

Dan Weinkauff
Integrity Grading and Excavating, Inc.

Dave Rectenwald
TexPar Energy

Robert Gerbitz
Hendricks Commercial Properties

Paul Palmby
Seneca Foods Corporation

Aaron Powell
Flexion, Inc.

Thomas A. Burke
Modine Manufacturing Company

Ryan Pheifer
Pheifer Brothers Construction Company, Inc.

S. Mark Tyler
OEM Fabricators, Inc.

David H. Bretting
CG Bretting Manufacturing Co., Inc.

Mark Shea
Stellana US Inc

Tom Precia
Integrated Risk Solutions, Inc.

Christopher Shinnors
Badger State Highway Equipment, Inc.

Bradley Ottum
Relyco, Inc.

Jeffrey Parisi
Parisi Construction Company, Inc.

Mike Sikma
Mussen Brothers, Inc.