

**TESTIMONY OF BONNIE STEWART
VICE PRESIDENT OF GOVERNMENT AFFAIRS, CBIA
BEFORE THE
LABOR COMMITTEE
MANCHESTER, CT
MARCH 14, 2013**

**Testifying on SB 1074 An Act Concerning Workers' Compensation And Liability
For Hospital Services**

Good Afternoon. My name is Bonnie Stewart and I am Vice President of Government Affairs at the Connecticut Business and Industry Association (CBIA). CBIA represents more than 10,000 employers throughout Connecticut ranging from one-person businesses to large corporations. However, the majority of our members have fewer than fifty employees.

CBIA **supports the intent behind SB 1074**, as it relates to claims occurring on or after July 1, 2013. This measure intends to provide employers, or their insurers, the tools necessary to negotiate hospital reimbursement rates that are fair to both employers and hospitals for the treatment of work-related injuries or illnesses.

Workers' compensation is a core issue for Connecticut employers. For the past twenty years most workers' compensation matters have been dealt with on a bipartisan basis that has resulted in Connecticut having a system that is viewed as a model for other states. Recently Connecticut has seen workers' compensation costs begin an undesired upward climb as medical costs rise to become a greater portion of total workers' compensation payouts.

At the recent briefing by the National Council of Compensation Insurance (NCCI) we were told that effective for policies renewing on or after January 1, 2013, Connecticut employers' costs would increase on average over seven percent. A significant portion of that increase is related to rising medical costs. In Connecticut, a state that has always had a much higher portion of our payouts go to wage replacement and other indemnity benefits than medical, 50% of our payouts are now for medical treatment. Of that fifty percent, 32% of the costs are payments to hospitals.

Like most workers' compensation medical payments, the majority of hospital reimbursement rates have been the result of negotiations for nearly two decades. For the most part, this has worked well for both employers and hospitals alike.

Workers' compensation hospital payments are *significantly* higher than Medicaid, Medicare and general health insurance. Hospitals generally benefit by treating workers' compensation health matters because it allows them to recover monies lost by treating Medicaid and Medicare patients. They have also been able to receive much higher reimbursement rates for workers' compensation patients than health insurance patients. This is because workers' compensation medical services are only about two percent of the health care market. Therefore workers' compensation payors do not have the leverage or negotiating power that health insurers have. This was the primary reason that the legislature chose to keep "actual costs" in the statutes. It was deemed a necessary tool for negotiating hospital fees, for without it, employers had no leverage.

Gray v Electric Boat only makes the situation worse by requiring employers, or their insurers, to pay whatever the hospital bills for services if there is no negotiated agreement. Hospitals will be pleased not to negotiate under this decision as because it guarantees them more money from the already lucrative workers' compensation business than they would get if they didn't negotiate. It's an unfortunate, yet simple equation: Don't negotiate = Get more money.

If Gray v Electric Boat stays in place for claims going forward, Connecticut employers will see a significant increase in their workers' compensation medical payouts and thus the cost of workers' compensation in Connecticut also will rise. Given that workers' compensation is a core issue for employers, and its cost is something closely tracked, allowing the decision to stand would be quite problematic for Connecticut. Not only do we need the authority to negotiate, we need to have a tool to ensure the hospitals will reasonably negotiate with us.

While the term "actual cost" was intentionally left in the statute to help provide a tool for the payor community as a starting point for negotiations, we understand that its lack of definition leaves commissioners without the guidance they may need when resolving billing disputes.

I share all of this data with you so you will understand that despite the claims by some within the hospital community that this is not an employer issue, it most definitely is. This is a big issue for Connecticut employers. We are deeply concerned by Gray v Electric Boat, and feel immediate action is needed.

While we are participating in the litigation, we do know that it is extremely important that the legislature act now to establish a reasonable baseline measure under the Workers' Compensation Act for determining reasonable the cost of hospital services, and to facilitate reimbursement rates for those services that are fair to both employers and hospitals going forward as soon as possible.

CBIA appreciates your consideration of this important matter. We would like to work with the Labor Committee and other interested parties to address this matter of great concern.

