

Testimony

Cynthia Bennett, Risk Manager
Town of East Hartford

Bill Number 1074, AAC Workers' Compensation and Liability for Hospital Services

I am writing regarding a September 2012 decision made by Workers' Compensation Commissioner Schoolcraft about the payment of hospital bills under the workers compensation system. This decision has the potential to dramatically increase our town's workers compensation costs. In a year where the grand list is stagnant and state aid may be cut, higher medical costs would be another crushing blow to our already struggling municipality as well as for local businesses.

The decision held that the "actual cost" statute that had been in effect since 1991, and although still a statute, was no longer in effect, that it was outdated and did not apply anymore. Consequently, both fully insured workers compensation insurance rates and self insured costs will go up for municipalities and businesses.

As the Risk Manager of the Town of East Hartford, I have the responsibilities for both our workers' compensation and group health programs. It is because of these dual roles that I can so clearly see the inequities in the costs of work related medical procedures verse non work related medical procedures. Not only does it cost three times as much for work related medical procedures then non work related injuries, but now, under the Schoolcraft decision, all hospital related medical bills can no longer be paid on the "actual costs". All services have to be paid as per billed unless you can negotiate with the provider for some type of discount. Because the volume of workers compensation medical services is no where near the number of non work related medical services, any effort to negotiate any significant discounts will be difficult at best.

I have an example that I hope will shed some light on this. One of our employees was injured at work resulting in the need for rotator cuff surgery. The medical bill to the town was \$44, 480. 70. Using a bill review company that bill was paid at \$13,509, which was a significant reduction as to what was billed. But, for those same procedures codes, our group health care provider would have paid \$3,998. The difference is staggering. Now with the Schoolcraft decision, we would have to pay the \$44,480.70 and hope that the hospital is willing to negotiate with us for some discount.

For the last two calendar years for all East Hartford employee work related hospital bills, the Town saved an average of \$296,915 per year. Now, with not being able to pay on an "actual cost" basis, East Hartford's self insured program costs are expected to rise an average of \$296,915 per year.

Something has to be done about these hospital bill inequities, the workers compensation system cannot be expected to replace the income hospitals cannot collect from others. That is exactly what is happening now due to the deep discounted fees paid by Medicare and health insurers.

We must ensure that all work related injury medical costs are fair and equitable. The costs have gotten just way out of control. We need at a minimum, to return to the "actual cost" format that has been in place since 1991. Even better, would be a legislative fix for

the cost of all medical services not just hospital related services, for work related injuries to be charged at a fair and equitable rate.

Please contact me with any questions and thank you for looking into this matter.