

STATEMENT
INSURANCE ASSOCIATION OF CONNECTICUT

Labor and Public Employees Committee

March 14, 2013

SB 1074, An Act Concerning Workers' Compensation And
Liability For Hospital Services

The Insurance Association of Connecticut (IAC) would like to offer the following comments on SB 1074, An Act Concerning Workers' Compensation And Liability For Hospital Services.

SB 1074 is intended to address an extremely important issue created by a recent Workers' Compensation Commission decision (Gray v. Electric Boat). In that case, the commissioner decided that a public health statute (C.G.S. 19a-646) concerning hospital billing superseded longstanding provisions in the Workers' Compensation Act concerning employer liability for hospital services. IAC believes that decision is in error.

The Workers' Compensation Act provides that "the liability of the employer for hospital services shall be the amount it actually costs the hospital to render the service, as determined by the commissioner. . .". Over the years payors and hospitals negotiated formal agreements relative to workers' compensation rates. Where there was no negotiated rate, the Workers' Compensation Commission would serve as the final arbiter if the parties could not agree on rates to be paid for services rendered.

The decision in Gray v. Electric Boat removes any incentive for hospitals to negotiate fairly with payors, as hospitals are now permitted to simply charge their published or billed amounts. This scenario will encourage counterproductive cost-shifting by hospitals to workers' compensation cases. Currently, a hospital's published charges for

a service may be several times higher than the rates the same hospital charges for the same services pursuant to a negotiated agreement.

For the first time in Connecticut, last year medical payments rose to a level equal to 50 percent of total workers' compensation benefit costs, as medical costs continue to rise at a rapid rate. Hospital payments account for 33 percent of total medical payments for workers' compensation claims, meaning approximately one-sixth of all workers' compensation benefit costs are attributable to hospital services.

The potential for the decision in *Gray v. Electric Boat* to result in a marked increase in workers' compensation costs in the state is clear. Those unnecessarily increased costs will be forced on both public and private sector employers across the state, having a direct negative effect on the state's economy. If published charges are permitted to be the basis of hospital reimbursement, workers' compensation insurance premiums will have to increase to reflect the level of those charges.

IAC would welcome the opportunity to work with the Labor and Public Employees Committee and other interested parties on revisions to SB 1074 in order to establish a reasonable baseline measure under the Workers' Compensation Act for determining the cost of hospital services, and to facilitate reimbursement rates for those services that are fair to both employers and hospitals in this state.