

Testimony
Trevor Davis
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Labor Committee

Re: SB 1074 AAC Workers' Compensation and Liability For Hospital Services

My name is Trevor Davis and I am testifying in support of SB 1074 today. I am a representative of FAIRPAY Solutions, Inc. We are a bill review service company based in Addison, and have been active in the Connecticut workers' compensation market since 2007.

The workers compensation act in Connecticut today limits the amount an employer has to pay for hospital care. That upper limit is the amount it actually costs the hospital to render the service. That upper limit is not the amount solely determined by a hospital and entered on its bill for services.

This actual cost determination is neither the amount billed by a hospital for a service in accord with its chargemaster, nor is it the amount hospitals routinely accept as payment in full from government and commercial payors.

In Connecticut, the relationship between actual costs and billed charges for hospitals is such that for every \$1 in costs, the typical hospital will charge between 2.5 and 3 times the cost. Stated slightly differently, this means that a typical hospital seeking to be paid on the baseline of its billed charge is seeking 250% to 300% of the reimbursement limit imposed by law.

FAIRPAY supports the concepts of SB 1074 to affirm the legislative intent for Connecticut employers and insurers to pay hospitals from a baseline of costs, not billed charges. Starting from this cost baseline, we know that a reasonable payment amount can be given to hospitals, without resort to ever increasing charges and ever increasing medical expenses to be paid by Connecticut self-insured employers, towns, and insured businesses.

Reasonable reimbursement to hospitals is an absolute necessity for the health of the Connecticut workers compensation system, and the most appropriate way to determine that reasonable reimbursement is from a cost-basis, not a billed-charges-down basis. To the extent a hospital is paid on a "cost-plus" mechanism after July 1 of this year, that "plus" must at a minimum recognize and account for some share of the societal expenses borne by hospitals in providing charity and government-sponsored care.

FAIRPAY will work with any and all stakeholders to craft an appropriate payment mechanism for hospital care of patients covered by the workers' compensation act. We support the efforts reflected in SB 1074 to affirm that the Connecticut system is based on cost -- and that any modifications must proceed from that basis - rather than impose any requirement on Connecticut self-insured employers, towns, and insured businesses to pay 2.5 to 3 times what is due.

Charges v. Expenses

