

STATEMENT
INSURANCE ASSOCIATION OF CONNECTICUT

Labor and Public Employees Committee

February 18, 2014

SB 61, An Act Concerning Workers' Compensation And
Liability For Hospital Services

The Insurance Association of Connecticut (IAC) supports SB 61, An Act Concerning Workers' Compensation And Liability For Hospital Services. SB 61 is intended to address an extremely important issue created by a recent Workers' Compensation Commission decision (Gray v. Electric Boat), which is currently under appeal.

The decision in Gray v. Electric Boat removes any incentive for hospitals to negotiate fairly with payors for services rendered under the Workers' Compensation Act, 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. Numerous recent press reports have highlighted the lack of any connection between a hospital's published charges and the cost of providing the services.

Most states have established a fee schedule for hospital services provided to Workers' Compensation claimants. IAC believes that a fee schedule based on a multiplier of Medicare reimbursement for services has proven to be the most effective and fair basis for establishing such a schedule.

IAC would also suggest that SB 61 be amended so that the fee schedule is applicable to services provided at ambulatory surgical centers, in addition to inpatient and outpatient hospital services. Experience in other states has shown that, in order to be truly effective,

fee schedules need to apply to all such venues for the provision of hospital and surgical services.

IAC is reviewing the current wording in SB 61 concerning the determination of payment for services rendered between July 1, 2014, and the date the fee schedule is implemented. We would like to work with the Labor and Public Employees Committee to ensure that the language is sufficiently clear in order to facilitate consistent and proper calculations during the interim period.

For the first time in Connecticut, in 2012 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.

A fee schedule will provide the necessary mechanism to set reimbursement rates for hospital and ambulatory surgical center services under the Workers' Compensation Act that are proper and fair to payors and providers. IAC urges adoption of SB 61.