

NEIL ABERCROMBIE
GOVERNOR



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January 25, 2014

**TESTIMONY TO THE
SENATE COMMITTEE HEALTH**

For Hearing on Monday, January 27, 2014
1:30 p.m., Conference Room 229

BY

BARBARA A. KRIEG
DIRECTOR

Senate Bill No. 2064
Relating to Workers' Compensation

TO CHAIRPERSON JOSH GREEN AND MEMBERS OF THE COMMITTEE:

Thank you for the opportunity to provide testimony on S.B. No. 2064.

The purpose of S.B. 2064 is to entitle injured employees to up to twenty visits for psychological and psychiatric services under workers' compensation and require the visits to take place over a sixty-day period.

The Department of Human Resources Development (DHRD) has a fiduciary duty to administer the State's self-insured workers' compensation program and its expenditure of public funds. **DHRD respectfully opposes this bill.**

First, Section 386-21, HRS, provides that injured employees are entitled to medical care, services, and supplies so long as reasonably needed and as the nature of the injury requires. The Director of Labor's Workers' Compensation Medical Fee Schedule, Title 12, Chapter 15, HAR, specifies rules for all parties on the requesting, reporting, authorizing, and billing of medical care, services, and supplies. Such treatment may include psychological and psychiatric visits if an attending physician believes it is reasonably needed for an injury at issue. However, this bill would override

the “reasonably needed and as the nature of the injury requires” standard by entitling any employee who has a work injury to psychological and psychiatric treatment, even if no such treatment is indicated. For example, an employee with a relatively minor injury (i.e., a cut) often requires only a single office visit to a physician, with minimal, if any, lost time from work. In the normal course of such claims, the attending physician would issue a “first and final” WC-2 report of injury and DHRD would open a claim, pay the physician, and close the claim. However, under this proposal, the claim would have to stay open indefinitely should the employee decide he or she wants to obtain the psychological or psychiatric treatment to which he is entitled.

Second, this bill would require DHRD to increase its reserves (our estimated future liabilities on open claims which we report annually for the State’s CAFRs) to account for the costs of the psychological or psychiatric visits, whether or not a claimant eventually obtains such treatment. Under the Director of Labor’s medical fee schedule, a single 60-minute office visit for psychotherapy costs the employer \$147.58. Twenty such visits would cost \$2,951.60. If this cost is then multiplied by the 643 total new claims that DHRD received in FY13, the increase in our medical reserves would be \$1,897,878.80 just for those claims. This does not include any wage replacement costs should the employee’s visit for psychological or psychiatric treatment result in any disability time off.

Based on the foregoing, we respectfully request that this measure be held.

TESTIMONY OF JANICE FUKUDA

SENATE COMMITTEE ON COMMERCE HEALTH
Senator Josh Green, Chair
Senator Rosalyn H. Baker, Vice Chair

Monday, January 27, 2014
1:30 p.m.

SB 2064

Chair Green, Vice Chair Baker, and members of the Committee, my name is Janice Fukuda, Assistant Vice President, Workers' Compensation Claims at First Insurance, testifying on behalf of Hawaii Insurers Council. Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately one third of all property and casualty insurance premiums in the state.

Hawaii Insurers Council **opposes** SB 2064, which amends Section 386-24, Medical rehabilitation.

This bill assumes all workers who suffer a work injury need psychological and psychiatric services regardless if they are diagnosed with a psychological or psychiatric condition. HRS 386-21 already requires the employer to furnish all medical care, services, and supplies as the nature of the injury requires. Furthermore, the Workers Compensation Medical Fee Schedule 12-15-32 Physicians (a) allows that treatment "not be more than the nature of the injury and the process of a recovery requires." This section provides for an initial 15 visits during the first 60 calendar days.

There is no medical or other basis to unilaterally provide 20 psychological treatments for all work injuries. This measure will add costs to the claim as it does not limit treatment to what is reasonable and necessary for recovery.

For these reasons, we respectfully request that SB 2064 be held.

Thank you for the opportunity to testify.