



---

HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT  
The Honorable Aaron Ling Johanson, Chair  
The Honorable Stacelynn K.M. Eli, Vice Chair

**H.C.R. NO. 49, REQUESTING THE AUDITOR TO CONDUCT A STUDY AND ASSESS  
THE IMPACT OF MEDICAL BILL REVIEW COSTS ON THE STATE'S WORKERS'  
COMPENSATION SYSTEM**

**H.R. NO. 50, REQUESTING THE AUDITOR TO CONDUCT A STUDY AND ASSESS  
THE IMPACT OF MEDICAL BILL REVIEW COSTS ON THE STATE'S WORKERS'  
COMPENSATION SYSTEM**

Hearing: Tuesday, March 19, 2019, 9:35 a.m.

---

The Office of the Auditor has **no position** regarding H.C.R. No. 49 and H.R. No. 50, which require the auditor to “study and assess the impact of medical bill review costs on the State’s workers’ compensation system.” **However, we have concerns about our ability to do the requested work.**

We typically perform financial and performance audits, which evaluate the financial or managerial operations of specific agencies or programs. These resolutions ask us to assess the impact of a particular cost item on the entire workers’ compensation system, which involves a wide range of variables and outcomes; this could make an assessment of impact very difficult.

We also have concerns as to whether the Department tracks and captures the data on medical review costs necessary to conduct such a review. For the study to be completed by the November 30, 2019 deadline, it is critical that all relevant information and records required to perform the study be readily available for our review. Accordingly, we strongly recommend that the Legislature confirm that data on medical review costs is available in a form which allows us to isolate those costs and assess its impact on the workers’ compensation system.

Finally, we do not have the substantive and technical knowledge relating to the standard of service and care for injured employees under the workers’ compensation law called for under the resolutions. We may need to retain the services of a subject matter consultant to assist us on the substantive issues should these resolutions move forward.

Thank you for considering our testimony regarding H.C.R. No. 49 and H.R. No. 50.



STATE OF HAWAII  
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

830 PUNCHBOWL STREET, ROOM 321

HONOLULU, HAWAII 96813

[www.labor.hawaii.gov](http://www.labor.hawaii.gov)

Phone: (808) 586-8844 / Fax: (808) 586-9099

Email: [dlir.director@hawaii.gov](mailto:dlir.director@hawaii.gov)

March 18, 2019

To: The Honorable Aaron Ling Johanson, Chair,  
The Honorable Stacelynn K.M. Eli, Vice Chair, and  
Members of the House Committee on Labor & Public Employment

Date: Tuesday, March 19, 2019

Time: 9:35 a.m.

Place: Conference Room 309, State Capitol

From: Scott T. Murakami, Director  
Department of Labor and Industrial Relations (DLIR)

**Re: H.C.R. No. 49/H.R. 50 REQUESTING THE AUDITOR TO CONDUCT A STUDY TO ASSESS THE IMPACT OF MEDICAL BILL REVIEW COST ON THE STATE'S WORKERS' COMPENSATION SYSTEM**

**I. OVERVIEW OF PROPOSED HOUSE CONCURRENT RESOLUTION**

HCR 49/HR 50 requests the State Auditor to study and assess the impact of medical bill review costs on the State's workers' compensation system. The Auditor is to complete the study by November 30, 2019 and to submit the study and its findings to the Legislature no later than twenty days prior to the convening of the Regular Session of 2020.

**II. CURRENT LAW**

Many employers and workers' compensation insurance carriers use medical bill review services to analyze and adjust workers' compensation charges by providers of health care services. Independent bill reviewers are licensed by the Insurance Division under §431-9, Hawaii Revised Statutes.

**III. COMMENTS ON THE HOUSE CONCURRENT RESOLUTION**

DLIR supports efforts to address cost containment in workers' compensation. DLIR is not aware of any cost impacts from the medical bill review process. To the contrary, it is generally found that the reviews produce a substantial cost savings because of the detailed examination of each charge.