

Introduced By: Mayor Cleworth  
Date: February 25, 2013

**RESOLUTION NO. 4563**

**A RESOLUTION SUPPORTING LEGISLATIVE ACTION TO AMEND THE  
WORKERS' COMPENSATION MEDICAL FEE SCHEDULE**

**WHEREAS**, Alaskan workers' compensation medical fees have risen sharply; as a result, Alaskan employers pay the highest rates in the country for workers' compensation coverage; and

**WHEREAS**, the Alaska Workers' Compensation Medical Review Committee found in 2009 that "Alaska's [medical] . . . fee schedule . . . should be discarded and a fee schedule utilizing a value based system should be adopted; and

**WHEREAS**, in December 2012, the Alaska Workers' Compensation Board passed a resolution supporting an amendment to AS 23.30.097(a) to provide that fees and charges for medical treatment be subject to regulation by the Board,

**NOW, THEREFORE, BE IT RESOLVED** that the City supports amendment of workers' compensation statutes to adopt a medical fee schedule regulated by the Alaska Workers' Compensation Board.

**PASSED and APPROVED this 25th day of February 2013.**

  
\_\_\_\_\_  
Jerry Cleworth, Mayor

AYES: PASSED and APPROVED on the Consent Agenda  
NAYS:  
ABSENT: Eberhart  
APPROVED: February 25, 2013

ATTEST:

*for*   
\_\_\_\_\_  
Janey Hovenden, City Clerk CMC

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Paul Ewers, City Attorney

## **WORKERS' COMPENSATION MEDICAL COST CRISIS**

In 2002 Alaska's workers' compensation premium rates ranked fifteenth in the nation. By 2004, we were number two. Every year since 2004 Alaska has ranked first or second for the highest workers' compensation premiums in the nation. In 2012, our rates were 160% above nationwide median costs. Alaska's rates are currently 1/3 higher than those of Washington, double those of Oregon and triple those of North Dakota. High premiums mean Alaskan businesses cannot compete with those of our sister states causing Alaskan employers to lose contracts and Alaskan labor to lose jobs.

While the frequency of injuries has steadily declined over the past 20 years, the average medical cost per injury has risen at a rate of 8.5% per year. In 2005 the legislature sought to contain rising medical costs in workers' compensation through adoption of a medical fee schedule outlined in AS 23.30.197. The average medical cost per injury at that time was \$29,000.00 – in 2011 it climbed to \$48,000.00 compared to a nationwide average of just \$28,000.00. The daily cost of a hospital stay for work related injuries more than doubled between 2010 and 2011 due to the adoption of a new medical fee schedule by the Division of Workers' Compensation. In 2010, the hospital daily rate was \$8,906.12. In 2011 it was \$19,650.00. Private health insurance pays between \$995.00 and \$1,768.00 plus itemized costs for hospital stays. For critical care, the rates for work related stays increased from \$16,327.68 in 2010 to \$32,654.00 in 2011 compared to just \$1,732.00 to \$6,791.00 plus itemized costs under private health insurance. MRI's increased from \$1,720.51 to \$3,041.60 between 2010 and 2011 and the surgical cost for a lumbar fusion rose from \$7,633.34 to \$12,717.32 in just one year. Not surprisingly, medical costs for work related injuries now comprise \$0.76 of every dollar paid in workers' compensation benefits.

Clearly the current medical fee schedule has done nothing to control medical costs for work related injuries. Study after study shows that medical fee schedules do nothing to control medical costs because once the fee schedule is published, charges rise to and above the fee schedule level of payment ensuring an ever upward spiraling of medical costs from one schedule to the next. The only effective cost control method is the Relative Value Scale Method which applies a multiplier to a value scale developed and maintained by the American Medical Association for each medical procedure. Adoption of the Relative Value Scale Method along with a national medical treatment guideline is the only proven effective measure to contain out-of-control costs as it controls cost through pricing and limits overutilization and expensive, unproven experimental treatment through the adoption of cost and treatment guidelines.

The legislature needs to undertake serious changes in the next session along the lines of those recommended by the Medical Services Review Committee in their November 2009 report [*see link below*] if Alaskan businesses and labor are to remain competitive. Unless substantial measures are undertaken, medical costs will only continue to climb while the ability of Alaskan businesses to compete for contracts and jobs will only continue to diminish.

[http://www.labor.state.ak.us/wc/forms/2009-11-MSRC\\_Final\\_Report.PDF](http://www.labor.state.ak.us/wc/forms/2009-11-MSRC_Final_Report.PDF)

**RESOLUTION NUMBER 12-01**  
**RESOLUTION IN SUPPORT OF ADDRESSING MEDICAL COSTS**  
**UNDER THE ALASKA WORKERS' COMPENSATION ACT**

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WHEREAS, the Alaska Workers' Compensation Board is a public organization that is accountable through its members and staff to the residents, the Legislature, and the Governor of Alaska;

WHEREAS, the Alaska Workers' Compensation Board acts as the lead state agency for adjudicating disputes under the Alaska Workers' Compensation Act, to ensure quick, efficient, and fair payments of benefits to injured workers at a reasonable cost to employers;

WHEREAS, according to statistical data, Alaska's workers' compensation medical costs are among the highest in the nation;

NOW THEREFORE BE IT RESOLVED that the Alaska Workers' Compensation Board fully supports repealing and readopting section 23.30.097(a) of the Alaska Workers' Compensation Act to provide that all fees and charges for medical treatment be subject to regulation by the Board.

**CERTIFICATION**

The Alaska Workers' Compensation Board held a meeting duly and regularly called, noticed, and convened this 13<sup>th</sup> day of December, 2012, and the foregoing Resolution was adopted at said meeting.

Signed this 13<sup>th</sup> day of December, 2012



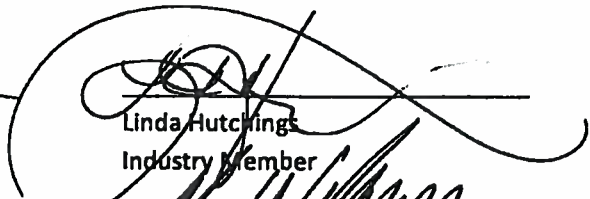
Michael Monagle, Chair  
Alaska Workers' Compensation Board



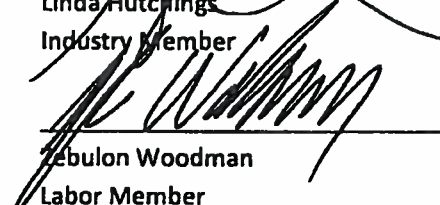
Jeffrey Bizzarro  
Labor Member



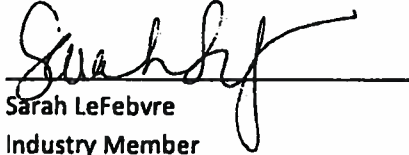
Robert Weel  
Industry Member



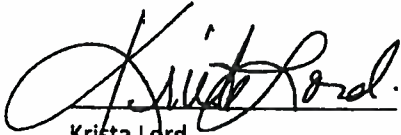
Linda Hutchings  
Industry Member



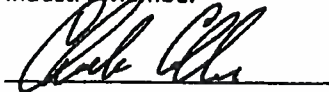
Zebulon Woodman  
Labor Member



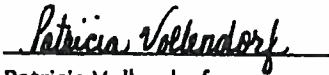
Sarah LeFebvre  
Industry Member



Krista Lord  
Industry Member



Chuck Collins  
Industry Member



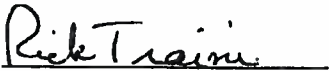
Patricia Vollendorf  
Labor Member



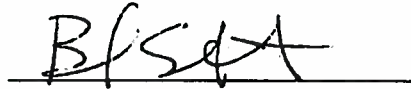
David Kester  
Industry Member



Stacey Allen  
Labor Member



Rick Traini  
Labor Member



Brad Austin  
Industry Member



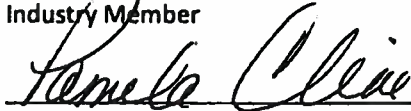
Don Gray  
Industry Member



Mark Talbert  
Labor Member



Amy Steele  
Industry Member

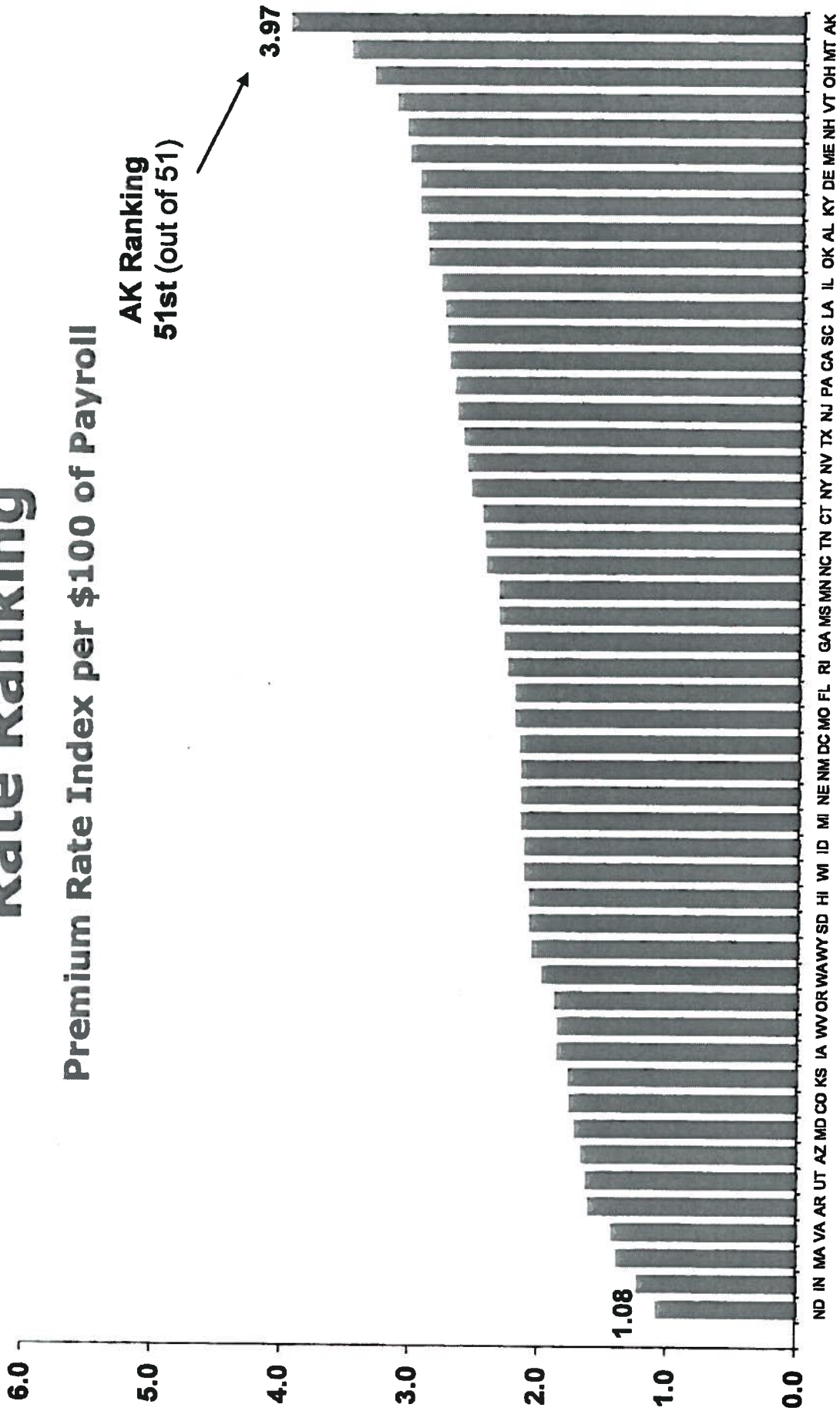


Pam Cline  
Labor Member

**ALASKA WORKERS' COMPENSATION BOARD RESOLUTION NUMBER 12-01  
RESOLUTION IN SUPPORT OF ADDRESSING MEDICAL COSTS  
UNDER THE ALASKA WORKERS' COMPENSATION ACT**

# Workers Compensation Premium Rate Ranking

Premium Rate Index per \$100 of Payroll



AK Ranking  
51st (out of 51)

Source: 2008 Oregon Workers' Compensation Premium Rate Ranking Summary  
Indices based on rates in effect on January 1, 2008

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**DENALI BOROUGH, ALASKA  
RESOLUTION 12-33**

**A RESOLUTION SUPPORTING LEGISLATIVE ACTION TO ADOPT A WORKERS'  
COMPENSATION MEDICAL FEE SCHEDULE**

WHEREAS, in 2005 , the Legislature enacted AS 23.30.097 concerning fees for medical treatment and services, of which subsection (a) was intended to provide temporary cost control measures while a committee investigated and developed a more permanent solution; and

WHEREAS, unable to develop a permanent solution to Alaska's rising medical costs, and facing the prospect of no fee schedule at all, HB 13 was adopted in 2011 (codified in AS 23.30.097(a)(1)), tying workers' compensation medical payments to "usual, customary, and reasonable fees" (UCR); and

WHEREAS, workers' compensation rate increases have resulted, causing Alaskan employers to pay the highest rates in the country for workers' compensation coverage; and

WHEREAS, payments for medical expenses now make up 75% of the amount paid for workers' compensation claims in Alaska, and medical costs have increased approximately 46% for the same service due in part to in implementation of HB 13 according to studies by Alaska public entities; and

WHEREAS, research by the National Council on Compensation Insurance shows that states with workers' compensation fee schedules tied to UCR have significantly higher medical costs, and higher workers' compensation rates; and

WHEREAS, in November 2009 the Alaska Workers' Compensation Medical Review Committee found that "Alaska's UCR based fee schedule . . . should be discarded and a fee schedule utilizing a value based system should be adopted" with one or more conversion factors applied to allow fees to be higher than Medicare rates.

THEREFORE, the Denali Borough asks that the Legislature take action to adopt a workers' compensation medical fee schedule based upon a Resource Based Relative Value Scale method, as recommended by the Alaska Workers Compensation Medical Review Committee in 2009.

PASSED and APPROVED by the DENALI BOROUGH ASSEMBLY this 12<sup>th</sup> day of December, 2012.

  
\_\_\_\_\_  
Clay Walker, Mayor Pro Tempore

ATTEST:   
\_\_\_\_\_  
Gail Pieknik, Borough Clerk

PASSED UNANIMOUSLY  
ABSENT: WEIBEL and CARLSON

