

Hawaii State Legislature  
Senate Committee on Judiciary and Labor  
Hawaii State Capitol  
415 South Beretania Street  
Honolulu, HI 96813

March 9, 2014

*Filed via electronic testimony submission system*

**RE: HB 1974, HD 2, Workers' Compensation Medical Fee Schedule - NAMIC's Written Testimony for Committee Hearing**

Dear Senator Clayton Hee, Chair; Senator Maile Shimabukuro, Vice Chair; and members of the Senate Committee on Judiciary and Labor:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the March 11, 2014, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 69 members who write property/casualty and workers' compensation insurance in the State of Hawaii, which represents 30% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC's members appreciate the importance of having a medical fee schedule that is fair and commensurate with reasonable medical costs. However, the very purpose of a medical fee schedule is to act a cost-containment mechanism to prevent the ever-rising cost of medical care from adversely impacting the cost of workers' compensation insurance coverage and auto

insurance coverage. NAMIC is concerned that the proposed legislation will act as an insurance rate cost-driver, because it will create political pressure on the Director to maintain or increase CPT codes at levels that may not be necessary or appropriate. HB 1974, HD 2, could be detrimental to the entire workers' compensation insurance system in the State of Hawaii and could adversely impact the affordability of auto insurance coverages, including Personal Injury Protection, Uninsured/Underinsured Motorist Coverage, and Bodily Injury Liability Coverage, which are directly affected by medical fee schedules.

NAMIC respectfully tenders the following concerns with HB 1974, HD2:

**1) The proposed amendment Section 386-21(c), Hawaii Revised Statutes will create needless administrative work for the Director and increase the political pressure on the department to continually increase the medical fee schedule ceiling**

HB 1974, HD2, would require the Director to update the medical fee schedule annually, whether a revision is needed or not. Current law provides the Director with discretion to update the medical fee schedule "every three years or annually, as required."

Since current law already allows for an annual update of the fee schedule if one is needed, what is the public policy rationale for mandating an annual medical fee schedule update? If there isn't clear and reliable data that supports the need for an update of the medical fee schedule, why should the Director be *required* to use limited department resources to update the medical fee schedule annually? In effect, the proposed legislation will subject the department to special-interest group political pressures each and every year to adjust the medical fee schedule to address their particular financial interests.

**2) NAMIC is also concerned that the proposed effective date is impractical and unworkable**

Since insurers are required to file rate adjustments for regulatory approval, a July 1st effective date is administratively impractical and unworkable. NAMIC would recommend a January 1st effective date.

In closing, NAMIC is opposed to HB 1974, HD 2, because the proposed legislation is unnecessary and likely to adversely impact the affordability of workers' compensation insurance for employers/workers and auto insurance for consumers.

If the Senate Committee on Judiciary and Labor feels compelled to pass HB 1974, HD 2, NAMIC believes that it would make sense to exclude auto insurance from the purview of the proposed legislation, so that the effect of the annual medical fee schedule review may be thoroughly evaluated by the State of Hawaii as an insurance rate cost-driver before it is allowed to impact the cost of state mandated auto insurance coverage.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you would like to discuss NAMIC's written testimony.

Respectfully,

A handwritten signature in black ink, appearing to read "Christian John Rataj". The signature is fluid and cursive, with the first name "Christian" and last name "Rataj" being the most prominent parts.

Christian John Rataj, Esq.  
NAMIC Senior Director – State Affairs, Western Region