



December 2, 2010

Sen. John J. Cullerton, President of the Senate  
327 Capitol Building  
Springfield, IL 62706

Sen. Christine Radongo, Senate Minority Leader  
309A Capitol Building  
Springfield, IL 62706

RE: Senate Special Committee on Workers' Compensation

Dear Sen. Cullerton and Sen. Radongo:

As a leading provider of workers' compensation care management services in Illinois and across the United States, Coventry Workers' Comp Services appreciates the opportunity to contribute to the discussion regarding areas of potential cost savings in the workers' compensation system. The legislature made a number of significant reforms in 2005 that provided relief for businesses while improving the quality and efficiency of services delivered to injured workers. In spite of those good efforts, numerous inefficiencies remain, and the most recent update of the nationally recognized Oregon Department of Business Services premium rate study found Illinois to be the third most expensive workers' compensation jurisdiction in the United States. As a result, further reforms are needed if Illinois businesses are to remain competitive in the current economic environment.

One of the key components of the 2005 reforms was the creation of a workers' compensation fee schedule. While the fee schedule that resulted from that legislation, according to the Workers' Compensation Research Institute, is among the highest in the country, it did result in a decrease from the double digit annual growth in costs that had occurred in the years immediately prior to its adoption. While it is appropriate to exercise caution regarding major fee schedule changes due to concerns that lowered fees can result in health care providers abandoning the system, and thus creating access to care problems for injured workers, there are significant areas where administrative difficulties and ongoing high costs to employers do not provide for improved outcomes for injured workers. These are areas that should be addressed.

The 2005 fee schedule legislation created a plan for determining reimbursement rates that resulted in the creation of 29 "geozips," or fee schedule regions. It should be noted that no other state in the United States has a fee schedule that is divided into more than three (3) regions. In addition to being difficult to administer, this high number of regions leads in many cases, particularly in urban areas, to strange outcomes. In some areas, for example, reimbursement for providers with offices within blocks of one another can differ substantially for the same service. Due to both the administrative difficulties and the inequitable and disparate outcomes, this portion of the fee schedule statute should be reformed in order to provide for a vastly reduced number of fee schedule regions.

One of the fastest growing areas of medical expense, both in Illinois and across the United States, has been in the area of pharmaceuticals, where both drug costs per pill and drug utilization have been rising rapidly. While the 2005 reform legislation resulted in the creation of medical fee schedules covering the majority of medical services, there has been no fee schedule addressing prescription medications. Legislation should mandate the adoption of such a fee schedule. In authorizing the adoption of a pharmaceutical fee schedule, the legislature should be careful to mandate that the Workers' Compensation Commission address issues related to compound medications and physician dispensed "repackaged drugs." Language should require that repackaged medications dispensed in physician offices be reimbursed at the same cost per pill as if the same underlying medication were dispensed from a pharmacy.

Costs related to surgical implants have also become very problematic in the workers' compensation system. Current fee schedule language requires that implantables be reimbursed at 65 percent of charges, and this requirement has resulted

in numerous cases of excessive charges, with the result that workers' compensation payers have had little or no recourse to paying exorbitant amounts of reimbursement for these items. Payers have found it difficult, if not impossible, to obtain documentation from health facilities regarding actual costs of these items to the providers. Recognizing that the current reimbursement scheme is ripe for abuse, the Workers' Compensation Commission attempted to resolve the problem by establishing rules that would reimburse implantables at 130% of the facility's cost as documented on a manufacturer's invoice reflective of any rebates or other discounts offered to the facility. Unfortunately, this reasonable proposal was stopped by an intensive lobbying effort. The legislature should adopt the proposal that was set forth by rule by the Commission.

Finally, the 2005 legislation created requirements for utilization review, with the positive result that there has been an increase in the use of those services in the workers' compensation system. As a result of these increased reviews, many injured workers' have not been subjected to medical treatment that is not scientifically based. The legislature could go further down this path. Numerous states in recent years have adopted the mandatory use of evidence based medical treatment guidelines. Some states have made use of workers' compensation treatment guidelines developed by national organizations, including either the American College of Occupational and Environmental Medicine guidelines or the Official Disability Guidelines. Other states have chosen to develop their own proprietary guidelines, while yet others have chosen to do some combination of these approaches. Regardless of which route the state chooses to go, it would be advisable for legislation to require the creation of a panel under the direction of the Workers' Compensation Commission and given the task of developing workers' compensation medical treatment guidelines.

We believe that these recommendations would improve both the quality and the cost effectiveness of medical care delivered to Illinois injured workers and the competitiveness of Illinois businesses. We would be happy to provide more detailed information regarding these and other proposals under consideration by this committee. Thank you for your consideration of these comments.

Sincerely,

Harry J. Monroe, Jr.  
Director of Government Relations  
Coventry Health Care

CC: Tom Londrigan