



TESTIMONY BY
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ILLINOIS SENATE SPECIAL COMMITTEE ON
WORKERS' COMPENSATION REFORM

WEDNESDAY, DECEMBER 8, 2010

Good morning, I am Howard Peters, Executive Vice President of the Illinois Hospital Association, whose membership of over 200 hospitals represents virtually every hospital in Illinois. On behalf of those hospitals, I thank the committee for the chance to share our views on this important topic.

I'd like to start this morning by repeating the ancient maxim that physicians have been taught for centuries ... **"First, do no harm."**

I ask that all of us bear in mind that the potential for harm is extremely high on this issue – harm to injured workers, harm to the health care delivery system, and harm to the well-being of all Illinoisans.

As unfortunate as it is for anyone to suffer a workplace injury, injured workers in Illinois who do need medical attention are fortunate in this one respect – they currently have access to some of the best hospitals and physicians in the nation. Our hospitals and physicians provide incredible, cutting-edge care to injured workers – returning them to their jobs and their families.

But we should not take this for granted. The health care system in Illinois is literally a house of cards – and jostling any of those cards can bring the entire structure down – not just for injured workers who rely on the workers compensation system, but for all Illinoisans.

Now, hospitals are not unsympathetic to the concerns of the business and employer community. Why? Because **hospitals are among the largest employers in the state of Illinois:**

- Hospitals employ nearly 260,000 Illinois workers and pay them nearly \$15 billion a year.
- Hospitals are one of the top three employers in about half of Illinois counties.
- Health care employment in Illinois is expected to increase by 22% by 2018 – it's the second fastest growing segment of employment in the state.

- Hospitals contribute over \$75 billion to the state's economy – a larger share of the state's GDP than retail sales, construction, hotels and restaurants, and education.

So, Illinois hospitals *get it* when we hear about workers compensation costs. Hospitals are being asked to “bend the cost curve” and – just like other large employers – that includes controlling our workers compensation costs.

But hospitals are also the *largest providers of health care to injured workers.* Illinois hospitals treat roughly 20,000 injured workers annually – typically the most severely injured workers who require the most extensive treatment. *And our greatest concern is for those patients and our ability to care for them.*

For that reason, we urge you to consider three points today:

1. **Do not rush to a solution.**

As many witnesses from both sides of the issue have testified, the workers compensation system is extremely complex and multi-faceted. As we heard from Commissioner Weisz, the system has evolved for 100 years. The last round of reform required 2-3 years of complex negotiations. And the landscape today is far more precarious and uncertain than it was five years ago. The economy shows few signs of life. And health care reform has doctors and hospitals scrambling to figure out the new model of health care delivery.

2. **Honor the agreed bill process and include hospitals.**

Given the vast complexity and uncertainty, the agreed bill process presents the most rational way to ensure that any changes are well-thought-out and to avoid unintended consequences. And given the tremendous stakes for hospitals – as both large employers and large providers – it is appropriate to include them in the process of reform.

3. **Do not abandon a charge-based reimbursement structure.**

While there are reasonable ways to reform the workers compensation system, changing the medical fee schedule is unnecessary and dangerous. The workers compensation fee schedule is not the problem – in fact, according to the Illinois Workers Compensation Commission, the fee schedule has lowered the cost of workers compensation in Illinois. The following are quotes from the **IWCC's Annual Report issued in June of 2010:**

- “Illinois’ first medical fee schedule for workers’ compensation took effect for services on or after February 1, 2006. ... **Overall, since 2006, the fees have grown at a 5% slower rate than medical inflation. Fees actually decreased 1.48% in 2010.**” Page 19.
- “A 1990 workers’ compensation insurance premium of \$100 would cost only \$116 in 2010; during the same time, the statewide average weekly wage doubled.” Page 3.

- “The report found that **the fee schedule is saving money** by reducing the growth of Illinois’ medical costs, without harming workers’ access to medical care.” Page 20.

Additionally, the fee schedule only sets a payment ceiling – not a floor ...

- Large employers – like some of those that have testified – do not typically pay according to the fee schedule. Rather, they negotiate discounted rates with hospitals, clinics, and doctors or apply existing PPO contract rates.
- **One industry source estimates that 30-40% of workers compensation medical bills are paid pursuant to PPO contracts rather than the fee schedule** – usually at substantial discounts.
- So, employers without sufficient bargaining power are asking the General Assembly to give them by legislation what they have not been able to achieve through negotiations with providers. Market competition, not government price controls, is the best method for controlling costs and improving quality. History shows that government price controls lead to diminished access to quality services.

Not only is changing the fee schedule unnecessary, it would threaten the financial health of Illinois hospitals and their ability to care for all Illinois citizens.

- Tying workers compensation rates to Medicare or Medicaid is particularly alarming.
 - Medicare and Medicaid have historically paid less than cost.
 - Medicare and Medicaid have become increasingly unstable.
 - Medicare and Medicaid are both likely targets for future cuts.
- Starting in 2010, Illinois hospitals will experience over \$8 *billion* in reduced Medicare payments over the next ten years.
- The plan put to a vote by the National Commission on Fiscal Responsibility included *billions* in additional proposed cuts to federal health care payments for hospitals and physicians. Even though that plan did not receive the requisite support, it demonstrates the continued downward pressure on Medicare reimbursement. That is why ...
- **Tying payment rates to Medicare is like tying an anchor around our waist and tossing it overboard.**
- For the average Illinois hospital, more than half of revenue comes from the state or federal government – both of which pay less than the actual cost of caring for patients. And during the recent recession a growing number of patients are either uninsured and can’t pay anything, or, if they have insurance, they can’t afford to pay their co-pays and deductibles.
- Because of these financial pressures, based on the most recent data available, over 40% of Illinois hospitals are losing money on their operations. Cutting the workers compensation fee schedule will only increase the burden as hospitals struggle to both serve and survive.

- At a time when hospitals and doctors are experiencing unprecedented and unpredictable financial turmoil, any decrease in the reasonable compensation offered by the fee schedule could discourage medical providers from participating in workers compensation – creating a lack of access to timely and quality health care needed by injured workers.

Every physician is taught, “First, do no harm.” As you diagnose the workers compensation system and prescribe changes, the Illinois Hospital Association urges you to follow this ancient advice – go slow and get it right – so that the incredible care that is available to Illinois citizens today will continue to be available in the years to come.