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September 5, 2007

Mr. Craig Samitt, MD
President & Chief Executive
Dean Health Systems, Inc.
1808 W. Beltline Hwy
Madison, WI 53713-2334

Re: WCAC Health Care Cost Containment Deliberations

Dear Dr. Samitt:

Thank you for sharing your concerns with the current Worker's Compensation Advisory Council (WCAC) deliberations. As you know, the management representatives have been seeking the establishment of some type of mechanism to control rapidly rising medical charges in the worker's compensation system.

Unique Features of the Worker's Compensation System

While we would not normally view government imposed price regulation as an appropriate policy response, the unique nature of the worker's compensation system leaves us with virtually no other viable option. Indeed more than forty other states have established some type of fee schedule regulating worker's compensation medical charges.

Free choice of health care providers by injured workers is part of the fundamental "bargain" that characterizes the basic structure of the system. Workers receive indemnity benefits and medical care of their choosing for work related injuries on a "no fault" basis in exchange for giving up their rights to sue employers in tort. As a result, employers and insurers are effectively barred from establishing managed care networks of providers and negotiating prices for services in the health care marketplace. This results in a system in Wisconsin where employers and insurers essentially pay charges.

Escalating Health Care Costs

Many WMC member companies are self insured for both group health and worker's compensation coverage and are therefore keenly aware of the difference in what they pay for the same health care services from the same providers in many instances under the two distinct systems. They are concerned not only about rapidly increasing worker's compensation health care costs, but also about the fact that they can pay two or three times as much under the worker's comp system for the same service provided on the group side. Many feel that the substantial difference in what they pay between the two systems is not justified and they are frustrated by their inability to use any of the market based health care cost management tools to address the disparity.

Policy Options

As the WCAC has examined various policy options for some type of fee schedule or other cost control limit, a major complicating factor is that for any given health care service there is often wide variation in what is charged across providers. So if

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current charges are used as the basis for setting a limit, the fundamental question becomes where in the range of charges for a given service to set the limit. If it is set at the high end of charges, the concern is whether all providers currently charging less than the published limit for a given CPT/DRG will increase their charges to the limit. That would result in a rapid run-up of health care costs in the system. Most of the disagreement between those representing health care providers, labor and management has been over this technical issue and how to resolve it.

Wisconsin's Comparative Costs

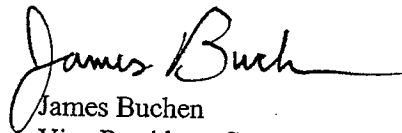
Much has been made of the fact that on a cost per claim basis, Wisconsin ranks below the average of the states studied by Worker's Compensation Research Institute (WCRI) in their multi-state bench marking study. This is obviously a very positive finding.

The WCRI comparisons also show that Wisconsin has the highest cost per medical service of any of the states in the study. This is offset by low utilization rates, so on a cost per claim basis we currently rank below the average.

Unfortunately, Wisconsin's cost per service is also rising faster than the other states in the study, so it won't be long before that trend will overwhelm the low utilization. The proactive approach of the WCAC is to address trends like this before it becomes a crisis in the system.

Again, thank you for sharing your concerns with the Council. Please rest assured we will continue to work with health care industry representatives to find a satisfactory compromise.

Sincerely,



James Buchen
Vice President, Government Relations

cc: Worker's Compensation Advisory Council