

Agenda Report

June 30, 2003

TO: City Council
THROUGH: Legislative Policy Committee
FROM: City Manager
SUBJECT: Support for Workers' Compensation Reform Legislation

RECOMMENDATION:

It is recommended that the City Council support the following Workers' Compensation bills and authorize the Mayor to send letters to the appropriate authorities conveying the City of Pasadena's position:

- AB 227 (Vargas): Interim Outpatient Surgery Facility Fee Schedule
- AB 1483 (Richman): Workers' Compensation Physicians

BACKGROUND:

The rising costs of workers' compensation claims are of great interest to public agencies across California, and that interest has led to a large number of proposed legislative actions related to workers' compensation during the current session in Sacramento. Much of the proposed reform legislation is intended to provide widespread and ongoing restructuring of statewide workers' compensation programs.

Costs for the City of Pasadena's workers' compensation claims have increased 150% from 1999-2002. The number of claims has remained relatively stable but the award amounts continue to increase. The proposed legislation for which this report is requesting action would provide some relief for the City's escalating costs. The attached exhibit references all bills related to workers' compensation that were part of the current legislative session and the current status of each bill.

The following paragraphs offer a summary of the bills for which this report is requesting action by the City Council:

AB 227 (Vargas): Interim Outpatient Surgery Facility Fee Schedule

- Requires the Administrative Director of the Division of Workers' Compensation in the Department of Industrial Relations to adopt an interim outpatient surgery facility fee schedule using data that meets specified criteria
- Requires the interim outpatient surgery facility fee schedule to use data that meets the following criteria: a) the data is based on objective data obtained from outpatient facility data maintained by the Medicare program; b) the data is ranked from lowest to highest charges that array the data into percentiles; c) the data is organized geographically (such as ZIP codes); d) the data is maintained by an independent disinterested organization widely accepted by insurance carriers and medical service providers; and e) the data is updated quarterly.

Inpatient hospital fees are currently controlled by a fee schedule while outpatient surgery centers are not similarly governed. Adoption of this bill will ensure cost containment for the City of Pasadena since outpatient surgery centers will be required to implement fee schedules similar to those utilized by inpatient hospitals. In recent years, treatment of industrial injuries has shifted from inpatient to outpatient surgery centers, many of which involve a financial interest by referring physicians. Treatment costs for workers' compensation have shown a corresponding increase, and this legislation would promote cost control by regulating outpatient surgery center fees.

AB 1483 (Richman): Workers' compensation: physicians

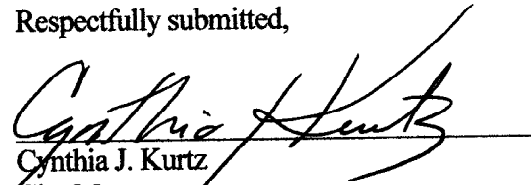
- Requires every physician who treats and evaluates injured workers by January 1, 2006, to be certified by the Industrial Medical Council as a Qualified Workers' Compensation Physician (QWCP)
 - Exempts physicians who are qualified medical evaluators as appointed by the Industrial Medical Council
 - Authorizes this requirement to be waived under certain circumstances
 - Requires the establishment of a QWCP certification program containing specific criteria by January 1, 2005
 - Requires the Administrative Director to contract with a public or private university or policy institute in the state to develop physician utilization management, quality care, billing, and outcome measurement data, and to publish a report by July 1, 2006, and annually thereafter
 - Requires the Administrative Director to establish by January 1, 2005, a mandatory annual training program for persons who determine permanent disability ratings for injured workers, to include instruction on the medical-legal aspects of the workers' compensation system and instruction on consistent and fair application of the permanent disability guidelines
 - Requires the Administrative Director to establish by January 1, 2005, a mandatory annual insurance claim administrator training program for any person who is the primary handler of workers' compensation claims for an injured worker
 - Requires the Administrative Director to approve the persons or entities that are authorized to provide the training program and their program curriculum
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Adoption of this bill will promote education and certification of doctors to ensure that they are aware of their responsibilities in providing treatment for industrial injuries. They would be required to understand the proper documentation of diagnoses and treatment to facilitate timely processing of claims. Many physicians currently involved in workers' compensation cases do not provide adequate documentation, resulting in delayed, overpaid or denied claims by public agencies. Additional costs are incurred when City staff must conduct depositions to clarify information or provide extensive assistance to medical offices to obtain required information. This bill would ensure that injured workers utilize only doctors who have been certified to provide medical care related to industrial injuries.

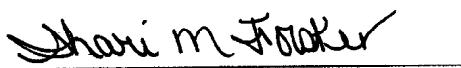
FISCAL IMPACT:

Proposed reforms to the workers' compensation system could result in reduced costs to the City of Pasadena although they cannot be quantified as this time.


Respectfully submitted,


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