

Dear Chairman Staples:

I am submitting for the record today this letter and the attached study on behalf of the Texas Chiropractic Association as the incoming president of the association. I have been a chiropractor in private practice in Texas for more than 15 years and I am limiting my comments to items found in charges 4 and 5 of the committee's agenda.

Doctor Selection: As the committee examines the issue of doctor selection, we urge the committee not to make the same mistake that the State of Florida made. In 1997, Florida mandated that medically necessary remedial treatment be made solely through managed care arrangements. This severely restricted injured workers' access to chiropractic care. A study conducted by MGT of America estimated that this change in the law increased costs by nearly \$400 million per year for the Florida workers' compensation system because numerous studies have found that chiropractic is the most cost-effective treatment for many of the injuries sustained by workers, particularly low back pain. Last year, the Florida legislature recognized the cost savings of chiropractic care and amended its 1997 law to restore injured workers' access to chiropractors.

Pre-Authorization of Services: Pre-authorization must mean guarantee of payment to health care providers for treatment they have given to injured workers. The health care providers must have the right to request pre-authorization. As it stands now, there is voluntary certification which means the insurance carrier has to agree to have the service go through certification. They choose not to. They choose to have the service performed and deny payment later.

Conduct a Cost-Benefit Analysis: Texas has relied on the Workers' Compensation Research Institute (WCRI) as its sole source of information and data to gauge the health of the workers' compensation system. However, large insurance companies dominate WCRI's board—hardly an impartial voice for Texas business or Texas workers.

The WCRI data is based on analysis of a small percentage of unusually large claims that were subject to peer review in a handful of selected states. This small, select sampling is far from an objective overview of the true health of Texas workers' compensation program.

On the other hand, the UWC—Strategic Services on Unemployment and Workers' Compensation—is the only broad-based, countrywide association exclusively devoted to representing the interests of the business community on national unemployment insurance/insurance services and workers' compensation public policy issues.

UWC — established in 1933 — rates all 50 states based on the cost of workers' compensation benefits. The benefit cost rate that the UWC calculates is a ratio of money paid out in workers' compensation costs (total healthcare costs plus indemnity costs) divided by the total amount of workers covered (by payroll).

UWC's data found that Texas had one of the "worst" ratings in the nation in 1991. However, following reforms enacted by the Legislature in 1989, benefit costs dropped dramatically over the next ten years, and by 2001 Texas had the 10th best benefit cost rating. This means the amount Texas paid to health care providers and workers, in 2001, was less than in 40 other states and well below the national average.

Another independent, non-profit organization, NCCI Holdings Inc., is the oldest and largest provider of workers' compensation insurance and employee injury data. It was founded in 1922. NCCI's data shows that since 2000, medical losses and indemnity losses (for lost wages) have been declining in Texas, while insurance premiums have been rising.

In fact, NCCI found that medical losses in Texas' current workers' compensation system declined by 14.5 percent from 2000 to 2002. During the same two-year period, workers' compensation insurance premiums in Texas skyrocketed 39 percent.

In 2002, NCCI analyzed 37 states, including Texas. NCCI measured the "expense ratio". The expense ratio is derived by dividing the total workers compensation premiums collected in a state by insurance companies divided by the total benefits paid out (health care provider payments and indemnity payments). Out of these 37 states, Texas ranked 9th. This means that in 2002, Texas health care providers and workers were paid less than that paid in the 29 remaining states.

UWC and NCCI have each independently calculated and reported that Texas pays less in workers compensation to its health care providers and workers than 75 – 80 percent of the rest of the U.S.

We strongly urge you to use unbiased information in your committee's cost-benefit analysis.

Other Recommendations:

- As in the federal Medicare program shift the burden of proof from injured workers and health care providers to insurance companies. Currently, carriers stall or deny payments because of the burden of proof. This results in additional unreimbursed costs to injured workers and health care providers.
- Reduce overall claims costs by mandating electronic billing.

The national trend is toward increased use of chiropractic in order to hold down the cost of health care. In considering your recommendations to the Senate on legislation to

improve the workers' compensation system in Texas, we hope you will support injured workers' rights to choose their doctors and continue to allow them access to the most cost-effective treatments. This serves the interests not only of injured workers but also employers and insurance companies.

We look forward to working with you and the members of the committee as you consider the committee's charges. We would be glad to answer any questions you might have and provide any additional information that you need. The chiropractors of Texas are a solution to the Texas workers' compensation system, not a problem.

Sincerely,

Franz Klein, D.C.
President-Elect
Texas Chiropractic Association

Attachments

cc: (all committee members)