

**Senate Select Committee on Workers' Compensation**  
**Testimony March 25, 2004**  
**Liberty Mutual Group**

My name is Lee Ann Alexander, and I am Assistant Vice President and Legislative Counsel for Liberty Mutual Group. I would like to thank you for allowing Liberty Mutual the opportunity to present testimony today. We look forward to being of assistance in any way possible as discussions on the Texas workers' compensation system continue.

Liberty Mutual Group is the largest private writer of workers' compensation coverage in the United States. We began writing workers' compensation coverage in Massachusetts over 90 years ago and have since remain committed to preventing injury in the workplace, and, where an injury should occur, to ensuring that injured workers receive the most appropriate and timely medical care possible to enable a safe, sustainable, and timely return to work.

As a result of our presence across the United States and our dedication to providing quality workers' compensation coverage, we are positioned to offer insights into other states' systems, as well as to focus on issues unique to Texas.

I know that you have seen and heard the Workers' Compensation Research Institute statistics comparing Texas to other studied states many times. However, because they are so compelling and alarming, I'd like to again hit some of the highlights for you. These numbers address your Charge Numbers Four and Five, in that they compare Texas' and eleven other states' systems performance and provide some broad insights into the costs and benefits of other states' systems in terms of overall cost containment performance.

The Workers' Compensation Research Institute "CompScope Benchmarks 4<sup>th</sup> Edition" and "Anatomy of Medical Costs and Utilization Benchmarks" compared 12 states (IN, WI, GA, NC, CT, PA, MA, TN, FL, IL, CA, TX), with benefits representing more than 60% of U. S. workers' compensation benefits. The studies found that Texas has a higher cost per claim, driven both by the highest medical payments per claim and by a higher percentage of claims with more than seven days lost time. The high medical costs are driven by a higher number of visits per claim and more services being provided per visit. The studies provided the following conclusions about rising healthcare costs in Texas as compared to the other 11 states.

- Texas medical payments per claim are the highest of the 12 states and nearly 50% higher than the median state, at nearly \$13,000. [1999-2002 claims with more than 7 days lost time]
- Texas has the highest medical cost containment expenses per claim. [1999-2002 claims with more than 7 days lost time]



- Texas' temporary disability duration is among the highest, second only to CA. [1999-2002 claims with more than 7 days lost time]
- Costs per claim have grown at double-digit rates for three consecutive years, driven by continued double-digit growth in medical costs per claim; continued rapid growth of indemnity benefits per claim, due to rising duration and rising frequency of permanent partial disability; and rapidly accelerating growth in benefit delivery expenses per claim.

Also, as you are well aware, the WCRI studies show that Texas utilization of medical services is higher than the 12-state median.

- The number of provider visits per claim is 64% higher than the median state, and services per visit are 15% percent higher than the median state.
- Physician visits are 35% higher than the 12-state median, at 12.0 visits for Texas, versus a median of 8.9 visits.
- Chiropractor visits are 94% higher than the 12-state median, at 38 visits per claim in Texas, with 18-21 visits being typical.
- Physical therapist and occupational therapist visits per claim are 5% higher than the 12-state median.

These are not new numbers to you, but they do merit repeating.

What is worth noting, however, is that you have heard and will continue to hear a lot of numbers in the context of these discussions. Those numbers will often seem contradictory or inconsistent. For example, there are NCCI statistics suggesting that medical losses in Texas declined by 14.5% from 2000 to 2002. This information is misleading. The relevant statistic is not total system medical losses, which does not take into account the number of claims involved. The important and relevant number is the average medical cost per claim. This is the statistic that allows us to compare medical costs between Texas and other states and within Texas over time. Numbers showing total expenditures are virtually irrelevant both on a stand-alone and on a relative basis. Also, numbers shown often exclude expenses incurred, or cover a different time period while purporting to be an apples-to-apples comparison.

While all of these numbers sound alarmingly high, in reality they would not be, but for one important fact: worker outcomes in Texas are not better than in other studied states. Employers would not mind spending more for medical care for injured workers, if workers were getting better treatment and better outcomes – but they are not.



A WCRI study released in early 2004, “Worker Outcomes in Four Important States”, analyzed workers' perceived recovery of physical health and functioning in California, Massachusetts, Pennsylvania, and Texas.

According to the study, in spite of the fact that Texas workers report similar injury severity:

- They report poorer recovery of physical health.
- A higher percentage did not have substantial and sustainable return to work. Workers report a longer time to achieve substantial return to work. They were more likely to report a second significant absence, and the substantial return to work lasts for a shorter period of time.

In response to Committee Charge Number Four, Liberty Mutual Group would like to urge the Committee to consider the benefits of other health care systems, even those currently operating within Texas. The fact, as reported by the Research and Oversight Council, that for state employees it costs three to five times more to treat a workers' compensation injury in Texas than it does to treat a non-occupational injury under the state health insurance program is both concerning and telling. It suggests that other health care delivery models are worth studying.

In response to Committee Charge Number Five, Liberty Mutual Group would like to make recommendations that we believe would reduce Texas' overly burdensome administrative requirements and thereby slow or possibly reverse the above alarming trends and improve the system overall. Texas' administrative requirements are more burdensome than in most other states in which Liberty Mutual operates. They are costly and do not enhance system performance. For example:

- Texas is the only state other than Arkansas in which requirements placed on carriers are such that we must produce monthly loss control reports. The format required by Texas was not originally available internally, so we had to program our systems solely to meet Texas' requirements, at a cost of many thousands of dollars. In addition, we prepare annual loss control reports for TWCC, involving further use of resources. Liberty Mutual Group recommends that the system's safety and health requirements be changed to allow for greater carrier self-regulation. Self-regulation would not lead to the provision of fewer loss control services, but would instead allow carriers to use their resources to execute more effective and meaningful loss control programs, rather than implement a one-size-fits-all state-mandated program. This would allow the market to operate more efficiently.
- TWCC's audit process is incredibly time and resource intensive and is more burdensome than in many other states. Again, Liberty Mutual Group would urge a shift to a more self-regulating and market-driven model to reduce costs and increase interstate consistencies.
- TWCC also often requires the reporting of information that is not required by other states, resulting in utilization of resources solely to comply with Texas regulations or



reporting requirements. A cost-benefit analysis, involving carrier input, should be utilized before expensive reporting requirements are implemented, to determine whether there would be commensurate system benefits. If carriers were allowed to redirect the resources that are now utilized complying with burdensome TWCC rules, they could instead use those resources to reduce loss and employer costs.

- By way of supporting information, one individual in our Irving office spent 165 hours, or an entire month, in 2003 complying with TWCC's safety and health requirements – hours not required to be spent to comply with other states' requirements. Liberty Mutual Group also has an employee in Irving dedicated solely to performing regulatory administrative duties. Although she is responsible for an eight-state region, she spends approximately 75% of her time on Texas-related issues.
- TWCC should implement statutorily enacted cost-containment strategies in a manner that enhances standardization across states. For example, use of Medicare billing, coding, and payment guidelines is only fully beneficial if applied consistently with those guidelines, with only minimal deviations, as necessitated by the unique attributes of the workers' compensation system.

Thank you for your time and consideration. We look forward to future hearings on the other Committee charges and will gladly provide input to the Committee on those charges at the appropriate time. I would be happy to answer any questions.

