



DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

News Release

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**HAWAII'S WORKERS' COMPENSATION SYSTEM
RECEIVES FAILING GRADE**

Labor Director says the latest rankings confirm the urgent need to reform Hawaii's failing workers' comp system.

HONOLULU- The Department of Labor and Industrial Relations announced today that the State's workers' compensation system received an "F" from the Work Loss Data Institute's (WLDI) "State Report Cards For Workers Compensation 2004." The rankings are based on workers' compensation data in 2002.

"This latest study confirms what the business community and the Lingle-Aiona Administration have known for quite some time – that our workers' compensation system is broken," said Nelson B. Befitel, Director of Labor and Industrial Relations. "During the past legislative session, the Administration supported the private sectors' efforts to reform the workers' compensation system, but the majority party ignored the business community's concerns.

Unless we reform the system, the rising costs of workers' compensation will impede our State's economic growth. Small businesses will continue to see their premiums skyrocket, preventing them from creating jobs and expanding their businesses. New insurance carriers will continue to be reluctant to enter this market,

creating an even 'harder' workers' compensation market for Hawaii businesses," added Befitel.

The WLDI State Report Cards grades all 50 states, Guam, the Virgin Islands, and Puerto Rico's workers' compensation systems based on six indicators that evaluate their ability to return injured workers back to the workforce. The six indicators, derived from the federal Survey of Occupational Injuries and Illnesses from the Bureau of Labor Statistics, are Incidence Rates, Cases Missing Work, Median Disability Durations, Delayed Recovery Rate, Key Conditions for Low Back Strain, and Key Conditions for Carpel Tunnel Syndrome.

Nationally, the average cost per case for an employee that is able to stay at work or return to work within a few days after point of injury is \$1,000 per case. This stands in contrast to those cases that extend beyond 30 days, where the costs escalate to more than \$50,000 dollars. In 2002, of the workers who missed work due to a workers' compensation injury, 22.6 percent of the employees missed work for 31 or more days.

"Hawaii did not do so well; their results have gone from bad to worse, receiving an "F" in 2002. The measures were bad across the board," states the WLDI Report Card. "Hawaii does not employ major common managed care strategies, and they do have their own treatment guidelines, but they do not use evidence based national guidelines."

Christine Camp Friedman, the Chamber of Commerce of Hawai'i new board chair, echoed the studies findings. "This definitely proves that Hawaii is one of the worst states when it comes to workers' compensation costs," said Camp Friedman. "It is not that we have more claims for work injuries, but we have cases that last longer. Our businesses need meaningful reform, especially as our economy expands increasing the likelihood of more injuries, which will result in even higher workers' compensation costs."

In the 2004 Legislative Session, the Lingle-Aiona Administration introduced a nine-point omnibus workers' compensation reform bill. In that bill, employers would have had a common managed care option by allowing them to contract with a network of physicians to treat their injured employees during the first 120 days of injury. However, the employee will still have the option to be treated by his or her family physician under the administration's amended proposal.

An important aspect to controlling costs is to establish a “gatekeeper” process to ensure that the frequency and duration of medical services are not abused. The administration’s reform bill required the employee’s primary treating physician to be a medical doctor, a change from the current system where a chiropractor, naturopath or other non-medical doctor provider could direct or prescribe treatment.

The majority party of the Legislature killed the administration’s reform bill, citing that Hawaii’s employers are actually seeing a decrease in workers’ compensation costs.

However, WLDI, using information obtained from the insurance-rating and information agency, A.M. Best, states: “As expected, Hawaii’s poor outcomes are being reflected in their workers’ compensation insurance costs, which increased about 24% annually in 2003, compared to 2002.”

"Hopefully, with this new information from WLDI and with the information the Administration provided to the Legislature earlier this year, we can actually get real workers' compensation reform passed next legislative session," added Befitel.

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