



April 4, 2011

The Honorable Dennis Egan
Chair, Senate Labor & Commerce Committee
The Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

Dear Chairman Egan and Members of the Committee,

The Health Care Cost Management Corporation of Alaska, Inc. (HCCMCA) is writing in support of SB 116.

HCCMCA was formed in 1994 to help participating member health plans control health care costs by negotiating better pricing on health benefit services than could be achieved on their own. Currently, HCCMCA is comprised of over 30 participating plans, with a majority headquartered in Alaska. Nearly 60,000 of our plans' covered lives reside in Alaska, and over 50,000 additional covered lives reside in the Pacific Northwest.

HCCMCA negotiates discounts with area hospitals, physician and provider groups, as well as vision, hearing, disease management and prescription drug service providers, to serve participating health plan members. We also offer products to reduce administrative expenses and provide value-added services, such as annual health fairs in Alaska and the Northwest.

The mission of HCCMCA is to ensure that workers and their families have access to value- and quality-based health care benefits and services. As SB 116 permits parties to quickly resolve their workers' compensation disputes, and to undertake more efficient delivery of value- and quality-based health care benefits and services, on a voluntary basis, we urge your support of this bill.

During the period of 2005-2009, Alaska's workers' compensation premium rates were the highest in the United States; in 2010, Alaska's rates were second highest in the country. According to the National Council on Compensation Insurance, medical benefits in Alaska constitute a growing majority of total workers' compensation benefit costs, up from 52 percent of total costs in 1988 to 75% of total costs in 2010.

In order to control these growing costs, in 2005, the Alaska Legislature enacted AS 23.30.097. Subsection (c) of the statute allows employers or groups of employers to negotiate reduced fees and service charges with preferred providers. In their November 2009 report, however, the Workers' Compensation Medical Services Review Committee observed

Keeping health care affordable for workers and their families

1469 Holy Cross Drive, Fairbanks, AK 99709

(907) 474-4226 ■ Toll-free (888) 474-4226 ■ www.hccmca.org

at page 10 that this provision had little, if any, impact on reducing medical costs, due, in part, to the inability to require preferred provider participation.

As earlier mentioned, HCCMCA has a long and successful history of negotiating preferred provider agreements. Passage of SB 116 will allow HCCMCA and other groups to sponsor Taft-Hartley trusts, or similar entities, to administer the described program for their members and participants. Moreover, these entities will be able to negotiate preferred provider pricing in the workers' compensation benefits arena. As these reduced medical costs will benefit all workers' compensation premium payers in Alaska, we urge your support for passage of SB 116.

Feel free to contact me if I can answer any questions.

Sincerely,

Fred G. Brown, Esq.
Executive Director