



The Voice of Small Business®

Testimony on HB 1800  
House Labor and Industry Committee  
March 17, 2016

Good morning Chairwoman Gingrich, Chairman Galloway, and members of the Committee. My name is Neal Leshner and I am the Legislative Director for the National Federation of Independent Business (NFIB) in Pennsylvania. NFIB is the premier small business advocacy organization with over 14,000 members in Pennsylvania and over 325,000 members nationwide. I appreciate the invitation to be here today.

The purpose of today's hearing is to gather information and discuss evidence-based treatment guidelines and the potential to implement them in Pennsylvania's workers' compensation system.

HB 1800 would amend the Workers' Compensation Act to require that all "reasonable and necessary treatments, services, products, or accommodations" be consistent with nationally-recognized, evidence-based treatment guidelines. While other testifiers today will be able to provide you with better technical expertise into the particulars of such guidelines, we would note that numerous other states have adopted evidence-based treatment guidelines with great success. We support HB 1800 and the implementation of guidelines in Pennsylvania.

If implemented correctly, treatment guidelines should help control costs, reduce surgeries and other unnecessary procedures, reduce prescription drug costs and the volume of addictive drugs, and improve return to work times. For example, when Texas adopted guidelines, it was followed by a significant improvement in all measures including a 30% reduction in drug costs, an 81% reduction in opioid costs, a 20% reduction in disability duration and a 30% reduction in overall medical costs. Ohio experienced a 60% reduction in medical costs and North Dakota experienced a 40% reduction in workers' compensation premiums after adopting ODG guidelines<sup>1</sup>.

NFIB members continue to report worker's compensation costs as a significant challenge for their business. In particular, business owners with operations in other states cannot understand why their premiums are much higher in Pennsylvania. One NFIB member, who operates a foundry in Butler County along with an identical foundry in Ohio reports that his Pennsylvania worker's compensation premiums are nearly twice what he pays in Ohio. When he's deciding

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<sup>1</sup> Adoption of the ODG Treatment Guidelines for Medical Necessity Determination in Workers' Comp FAQs, Work Loss Data Institute. [www.worklossdata.com](http://www.worklossdata.com)

whether to hire and expand his operation between the two states, his workers' compensation costs are a significant factor in that decision.

You may hear from others that the loss cost filings reported by the Pennsylvania Compensation Rating Bureau have declined over the past few years, and that this is proof that no further reform is necessary. It is true that the loss cost filings have declined in recent years, however it is a mistake to assume this automatically correlates to a reduction in premiums. These reductions do not necessarily equate to reductions in rates either for individual employers or across the board, though it is a factor.

It is also worth noting that recent reductions in loss cost filings have been predominantly driven by indemnity loss experience. For example, while the 2015 filing showed a reduction of 0.90% in the loss cost overall, the changes in indemnity loss experience and change in the indemnity trend rate were -1.17% and -0.12% respectively, while the changes in medial loss experience and the change in medical trend rate were +0.33% and +0.07% respectively<sup>2</sup>.

Overall, workers' compensation premiums remain relatively high in Pennsylvania as compared to other states. A recent report from the National Foundation for Unemployment Compensation & Workers' Compensation<sup>3</sup> places Pennsylvania 12<sup>th</sup> highest in cost per covered employee at \$541, which is 22% higher than the average of all states at \$436. It's important to note that this illustration is determined by dividing the amount of benefits by the number of covered employees and that actual rates paid by employers will vary greatly depending on classification and experience. A similar analysis by Oregon's Department of Consumer and Business Services ranks Pennsylvania 17<sup>th</sup> highest<sup>4</sup>.

Thank you again for the opportunity to testify today. I would be happy to answer any questions.

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<sup>2</sup> PCRB Filing C-366, April 1, 2016 Loss Cost Filing, Pennsylvania Compensation Rating Bureau. December 8, 2015.

<sup>3</sup> Fiscal Data for State Workers' Compensation Systems 2004-2013, National Foundation for Unemployment Compensation & Workers' Compensation. August 2015.

<sup>4</sup> Workers' Compensation 2014 Premium Rate Ranking by State, Oregon Department of Consumer and Business Services. October 2014.