

Chairman Scott Beck's Comments  
SC Workers' Compensation Commission Special Business Meeting  
September 12, 2011

I listened with great concern at the public hearing on Monday August 15, 2011 regarding the proposed change to Regulation 67-1302(A). Most of what I heard was based purely on a misunderstanding of the impact of this proposed change.

I heard a common theme that this change would have immediate adverse fiscal impacts to the business community and that it could potentially create an opportunity for Commissions in the future to implement reimbursement methodologies that would drive the cost of medical care through the ceiling.

I'd like to take the opportunity to address these issues in an attempt to more accurately reflect the purpose of this modification and its net effect.

First, modifying this regulation has no effect on the way we currently calculate physician reimbursement....None! Further, changing this regulation has zero fiscal impact. Changing the regulation only has the effect of creating flexibility within the Commission to look at alternative cost saving methodologies. Its passage creates no change to our current system of reimbursing physician services. To do that would require a separate, distinct vote of this Commission or future Commissions.

We are currently utilizing a system involving RBRVS and a conversion factor. During previous Business Meetings, there has been much discussion regarding alternative methodologies that may be simpler and more cost effective. However, those methodologies could not be pursued due to the restrictive language in 67-1302(A).

This Commission has a proven track record of trying to control cost in everything we do. Some examples of those efforts include:

1. Passage of the new Hospital Fee Schedule. Transitioning from a discount to charge system to a Medicare plus 40 system has resulted in an approximate savings to the business community of \$100 million a year. I also note that when the Ambulatory Surgery Centers sued the Commission over this change, the Commission held its ground and vigorously defended this change at our expense without any external assistance. We recently prevailed in that lawsuit and we expect to realize additional savings in years to come.

2. The Commission has dramatically reduced the amount of time it takes for parties to have their cases heard. Instead of waiting 8-10 months for a hearing, parties are now heard in as little as 30-90 days.
3. During the last physician fee schedule change, this Commission actually reduced the conversion factor from \$52 to \$50 in an attempt to keep costs neutral.
4. As a result of Commission efforts and other economic factors, insurance premiums have dropped approximately \$100 Million over the past year.
5. Despite numerous budget and personnel reductions, the Commission is operating more efficiently than it has ever operated.
6. The Commission has made extensive efforts to involve stakeholders in our decision making processes, as evidenced by the formation of advisory committees such as those developed to evaluate the physicians fee schedule, the pharmacy fee schedule, and to evaluate the feasibility of implant carve-outs.

These are not actions of an entity adverse to the business community. I expect this Commission's fiscal views to remain constant and any belief to the contrary is misplaced.

As we've discussed the role of Advisory Committees, I noted one of those was the Physician Fee Schedule Advisory Committee. Many will recall that we accepted their recommendation last year to maintain our current system using RBRVS and a conversion factor. I want to be extremely clear that I supported that recommendation. My sole purpose in supporting a change to Regulation 67-1302(A) is to continue providing this Commission the tools to more effectively and efficiently carry out our statutory duties. As an analogy, assume that at the time we proposed the Medicare +40 fee schedule for hospitals that similar prohibitive language had appeared in our regulations that prohibited our adopting a new methodology. We would have been confined to the discount to charge system and businesses would be paying nearly \$100 million more per year.

There is also concern that future Commissions may abuse this flexibility. While that is certainly a possibility, that concern is also present with the current system. Under our current system, future Commissions could just as easily raise the conversion factor to an unreasonable level and achieve a similar costly result.

Finally, there is concern that the sole purpose of this change is to promote a scenario for multiple conversion factors utilizing the RBRVS system. This is most certainly not the intent of the change, but would be a possibility should a future Commission publicly vote on such a change. Personally, I am not in favor of the use of multiple conversion factors resulting in a net cost increase to the system, nor do I believe any of my colleagues have an appetite for that.

In sum, the intent of this change is in no way sinister. To the contrary, its purpose is laudable and should be viewed positively by all parties involved in the Workers' Compensation system.

I would ask that my comments be made a part of the minutes and posted on our website for public view.