

February 21, 2005

Workers Compensation Insurance

Testimony of Bill Peacock
Economic Freedom Policy Analyst

Mr. Chairman, members.

My name is Bill Peacock. I am the Economic Freedom Policy Analyst for the Texas Public Policy Foundation. TPPF is a non-profit, non-partisan research institute guided by the core principles of limited government, free markets, private property rights, individual liberty and personal responsibility.

TPPF has published several studies recently on insurance issues, including our most recent study, *Workers' Compensation: Making it Work for Texans*. I have provided copies of this study and my testimony for all of you. The study is also available on our web site, TexasPolicy.com.

In our study, we review the system and make several recommendations on how to improve the care of injured workers. Chris Patterson, our Director of Research and the author of the study, is here to answer any questions you may have about the study.

Texas is unique among the fifty states when it comes to workers' compensation—we are the only state that does not require most employers to participate in the state system. This provides Texans with the unique opportunity of comparing the state system with programs established by the private sector. The results of this comparison are quite informative.

Outside the Texas Workers' Compensation System, the total cost of occupational benefits programs is 25 to 50 percent less than in the system. Medical care outside the system is more likely to result in better outcomes for injured workers than inside the system.

Our comparison of the two systems led to the development of a general principle that guides all of our recommendations: We should eliminate the separate and different system of care for injured workers—individuals with occupational injuries should be treated by the same physicians who treat individuals with non-occupational injuries, using identical medical protocols and rendering services at the same price.

Based on this principle, our recommendations are as follows:

- Allow employers or insurers inside the system to establish networks of physicians to serve as primary caregivers for injured workers that replicate PPOs already utilized by many Texans
- Require evidence-based, scientifically valid treatment guidelines
- Require better standards and accountability for Independent Review Organizations

Continued on Page 2.

- Require better standards and procedures for dispute resolutions
- Avoid rate regulation and instead focus government regulation on consumer protections, such as ensuring solvency of insurers and providing a clearinghouse of information (cost of insurance premiums, insurers' experience, medical care, providers, and patient outcomes); and finally
- For employers outside the state system that comply with OSHA and maintain occupational benefits programs, we should extend the immunity currently offered to employers within the state system

Workplace safety has improved dramatically over the past century. In Texas, injury rates have been declining for decades. Most employers comply with federal health and safety regulations. Medical protocols have been established by the American Medical Association, and state boards certify health care providers. OSHA sets, monitors, and enforces standards for workplace safety.

Eliminating the unnecessary distinctions between the state system and occupational benefits programs is the natural solution to the problems we face today. Treating injured employees and responsible employers the same whether they are inside or outside the state system is necessary if we want to provide the best outcomes for occupational injuries. It is also necessary if we want to continue to provide a business climate that will make Texas a state that attracts new businesses, and keeps the ones we have.

Finally, I would like to let you know that TPPF has established a new Center for Economic Freedom, focusing on consumer issues such as workers' compensation, homeowners and auto insurance, telecommunications, transportation and tort reform. We hope to serve as a resource to you on these issues. Please let me know if there is anything we can do to assist you in these areas.