

Workers' Compensation Advisory Council  
April 8, 2015 minutes

**Members attended**

Gary Thaden  
Jason Bartlett  
Laura Bordelon  
Walter Fredrickson  
Glen Johnson  
Shar Knutson  
Bobbi Pearson  
Ed Reynoso  
Robert Ryan  
Jonathan Fletcher  
Janice Draxler  
Russell Hess

**Non-voting members attended**

Rep. Tony Albright  
Rep. Tim Mahoney

**DLI staff members attended**

Commissioner Ken Peterson  
Sandy Barnes  
Kate Berger  
David Berry  
Jon Brothen  
Kathy Hanson  
Ralph Hapness  
Sonya Herr  
Mike Hill  
Karen Kask-Meinke  
Chris Leifeld  
Mark McCrea  
David Musielewicz  
Donna Olson  
Clayton Overmire  
John Rajkowski  
Patty Rutz  
Karen Ryba  
Jessica Stimac  
Lisa Wichterman

**Non-voting members absent**

Sen. John Pederson  
Sen. Dan Sparks

**Visitors attended**

Kevin Adams – MCIT  
Dawn Carlson – Almeida PA  
Eric Dick – MMA  
Mary Dougherty – HealthEast  
Karen Ebert – MCIT  
Jeremy Estenson – Alliance  
Susan Gigiere – MAPS  
James Heer – WCRA  
Erin Huppert – Allina  
Bob Johnson – Insurance Federation Minnesota  
Suzanna Kennedy – Stinson Leonard Street  
Brad Lehto – AFL-CIO  
James McClean – Health Partners  
Brandon Miller – MWCI  
Kim Olson – Corvel Corporation  
Tom Poul – MASCA  
Joe Schindler – MHA  
Sheree Spear – Revisor's Office  
Dan Wolfe – MN APTA  
Stephanie Zimmerli – Mayo Clinic

**I. Call to order and roll call**

Commissioner Ken Peterson called the meeting to order at 10:35 a.m.

Roll call was taken and a quorum was present.

## II. Approval of the agenda

Robert Ryan moved to approve today's agenda and Robert Lux seconded the motion. All voted in favor and the agenda was approved.

## III. Approval of Minutes

Ed Reynoso moved to approve the minutes from the March 11, 2015 meeting. Glen Johnson seconded the motion. All voted in favor and the minutes were approved.

## IV. Agenda items

### a. Legislative proposal – inpatient hospital DRG reimbursement system

The commissioner addressed the DRG proposal by explaining that both the providers and the payers have worked extremely hard to get to this point in the proposal. The proposal modifies how providers will charge the workers' compensation insurers for work-related injuries.

The proposed system will provide reimbursement for those services based on the Medicare PC-Pricer program, which is based on the patient's diagnosis, instead of the current system that bases the payment on services provided. Some exceptions will apply, including payment for catastrophic, high-cost injuries in excess of \$175,000. In those cases, payment will be made at 75 percent of the hospital's usual and customary charges. In addition, hospitals certified as critical access hospitals will be paid at 100 percent of their usual and customary charges.

The proposed legislation also addresses prompt-payment requirements of the insurer or employer to the hospitals when a MS-DRG charge is submitted. Within 30 days of receiving the MS-DRG bill, the insurers will have 30 days to make payment or deny payment under specific reasons. The proposal also addresses the right of the insurer to conduct a post-payment audit if certain conditions are met.

On the topic of outpatient services provided by a hospital or ambulatory surgical center, with this proposal the commissioner will continue to work to adopt or amend rules as needed. This is with the understanding that the payers and providers of those services continue to negotiate and determine the best outcomes for both parties. This will allow the parties to go to the Legislature next year with their agreement. If the parties cannot agree, the Department of Labor and Industry (DLI) will proceed with its own determination by rulemaking.

The commissioner explained some of the language of the proposed bill may change based on what the revisor's office needs to fit into the requirements of statutory law. The substance of the bill will remain the way it is currently written.

Laura Bordelon moved to approve the proposed DRG legislation and Shar Knutson seconded. A vote was taken and the motion carried.

### b. Legislative proposal – workers' compensation computerized system – modernization project

Cindy Kevern, chief information officer, MN.IT Services @ Labor and Industry, provided the council an update about the computer modernization project. She reiterated the need for DLI to improve the current system with more efficiencies, security and improved reporting capabilities. Another important goal has been added to the project: DLI needs to accommodate the changing demographics in the state. DLI wants to modernize the department's technology to accommodate younger people as they come into the workforce. This project also includes the planning of the project by the consultant PCG; part of what it is doing is conducting a business analysis and review of DLI's technical systems. There are two key components PCG is reviewing: DLI's electronic system, making certain it understands all the technology DLI is currently using; and DLI's business processes. DLI's technology is currently in need of modernization but DLI's business processes will also need to be updated. DLI is trying to modernize both and become more efficient about the way it processes transactions in the system and assists injured workers. Also, as part of this project, extensive interviewing was conducted, which included injured workers, insurers, attorneys and other stakeholders, to understand the perspectives of the different groups.

DLI is looking at a revised cost estimate as the department goes through the planning process. DLI is learning what its requirements are for the new system and how the department might use new technology to accommodate this modernization project. The revised total cost estimate will be between \$10 million to \$22 million during the next

four years. The cost estimate includes more than the technology involved. It will also include reviewing business process recommendations, training of staff members and using DLI and MN.IT Services @ Labor and Industry resources.

The next step in the project is to look extensively into the technology options, which include buying off-the-shelf software or custom-building a new system. Also, these two options can be combined into a type of hybrid system. A phased-in approach will also be considered if it makes sense and does not disrupt the functions of the new system.

Gary Thaden suggested here may be a less-expense alternative if an off-the-shelf – but customizable – system is purchased. For example, if the developer of the software is willing to give DLI a discount for the product while DLI works with them to enhance their product. The developer will then be able to improve its product to sell to others.

The commissioner indicated the cost estimate will need to be revised to accommodate the increase. The increase in this cost will not cause the workers' compensation premiums to increase. Those costs continue to decrease, but it will not go down quite as much with this proposal. In the long term, the project will end up saving money for the stakeholders.

A motion was made by Thaden to approve the revised cost estimate from \$3 million for 2016 and \$3 million for 2017, to \$4 million in 2016 and \$6 million in 2017. The motion was seconded by Knutson. All voted in favor and the proposal was approved.

**c. Legislative update**

John Rajkowski, DLI legislative liaison, gave an update about legislative actions concerning workers' compensation matters. The House and Senate will be revising the budget bills this week, so the revised estimate of the computer modernization project is very timely. He will submit the new numbers to the fiscal analysts to include in the proposed budgets. Another relevant bill for DLI is the revisiting of the Safe Patient Handling Act. The original legislation was brought to DLI by the nurses union because it had been seeing a spike in back injuries for nurses who are lifting patients without proper training or without having proper lift equipment. The bill was passed eight years ago and signed by Gov. Tim Pawlenty. During the interim years, there has been a decrease from about 90 of 1,000 injuries to about 70 of 1,000 injuries related to safe patient-handling. However, because the law does not cover assisted living facilities, Minnesota OSHA is not allowed to go into peoples' homes. The revision will include all workers, regardless of where they work. The employer would then be required to buy the lift equipment, if necessary, and do the training. DLI also has the assigned risk safety account. That money is available as grants to individual businesses and units of government to cover most of the lift-equipment costs. This bill is on the Senate floor and it will go to the Rules Committee in the House. Rep. Tim Mahoney is the author in the House and Sen. Kent Eken is the author in the Senate.

The commissioner extended his appreciation to the WCAC members and those representing the hospitals and insurers in working toward the DRG agreement.

The next scheduled meeting for the Workers' Compensation Advisory Council is June 10, 2015.

There was no further business to discuss. Johnson moved to adjourn the meeting, Thaden seconded the motion and the motion carried.

Respectfully submitted,  
*Patty Rutz*  
Executive Secretary