

Alaska's broken workers' compensation system

By Curtis W. Thayer

Change is hard... even when everyone agrees that change is necessary. It's easier to do nothing than it is to affect change. But every once in a while you bump into something that's just so utterly broken that change is the only option. That's where we're at with Alaska's Workers' Compensation system.

In 2004 Alaska was the second most expensive workers' compensation state in the country. It took us almost a decade, but in 2012 we finally dethroned states like California and Illinois as the worst in the United States.

When it comes to getting hurt people back to work, we're no longer dead last in the nation. But we're close enough to remember the feeling.

The Alaska Chamber has been working alongside Senator Cathy Giessel and the Workers' Compensation Committee of Alaska to tackle our broken workers' compensation system. The introduction of Senate Bill 112 is the first step in addressing the problem and we look forward to working with all parties to fix the system.

The argument for reform

The obstacle that derails many reform attempts is that frequently there are opposing constituencies on either side of an issue. That's not the case with workers' compensation. Alaska's current system is broken and it's not serving anyone.

In 49 of 50 U.S. states litigating attorneys are compensated based on a set percentage of settled claims. In Alaska, attorneys invoice for their time and preferred hourly rate, in some cases exceeding the settlement amount.

Ten years ago when the Chamber started advocating for reform, you'd mention workers' compensation in a room full of people and everyone's eyes would just glaze over.

There are a lot of moving parts to the system, and it's taken a long time to get everyone up to speed on why it's failing Alaska workers. But we're there now. Over that last three or four years, Alaska has flirted with incremental improvements. Progress has been frustratingly slow, particularly if you're an injured worker floundering in a bungled system or an employer hemorrhaging money at activities that don't help your employees.

We've made small improvements, particularly with the medical community stepping up to accept certain payment controls on common procedures. And now we're finally ready to tackle the foundational flaws in Alaska's failed workers' compensation system.

So what has to change?

Make wise choices

Alaska needs to adopt options for employees to direct their own care. Currently, if an Alaska worker is uncomfortable or dissatisfied with their doctor, they can switch once. Then they're stuck. It's worse for employers. If there's a talented specialist or experienced out-of-state option, our Alaska companies or their employees don't have that option.

Use what works

There are medical treatment guidelines that help ensure treatments for injured workers are both reasonable and necessary. Alaska doesn't use those guidelines and we should. Similarly, we need to adopt official disability guidelines and utilization reviews to make sure our provider community is getting our workers the care they need.

Pull the rest

Re-employment benefits pay for training so injured workers can move into a new field. Re-employment training sounded pretty good as a concept; however, in practice, re-employment benefits doesn't do anything and needs to be repealed.

Between a Department of Labor commissioned study and one from California, we find that nearly no one completes their re-employment program and they return to their old profession. Instead of giving people a lump sum for training they'll never get, we should implement a voucher system that will go towards a person's re-employment program.

The inner workings of workers' compensation are legitimately challenging, but the goal of the system isn't. Many states have success models that we can use to improve our system. Alaska can make wise workers' compensation choices, use what works, and get rid of programs that don't.

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