

THE DAILY REPORTER

Wisconsin's Construction, Law and Public Record Authority Since 1897

Labor Management Viewpoints: Who determines workers' comp rates?

October 6, 2004

Back in the early 1990s, there was a crisis in the workers' compensation insurance market. Rates were rising quickly, and fewer and fewer carriers were interested in writing workers' compensation insurance in our state.

While always concerned about the cost of insurance, the rate increases were a rallying cry for the construction industry. Although the industry is only 5 percent of the state's work force, it pays nearly 25 percent of the workers' compensation premium. Why? Because relative to other industries, construction is more dangerous.

The first step was to learn something about the system. And there is a lot to learn. It's overly simplistic, but there are essentially two things that affect the cost of workers' compensation insurance – benefits and the rate-making process. Let's start with benefits.

Although there to represent the interests of all employers and employees, the construction industry is fortunate to have representation on all of the policy-making bureaus and councils affecting workers' compensation insurance.

Labor, management represented

The group that oversees the benefits payable to employees and the process by which those benefits are delivered is the Workers' Compensation Advisory Council. Chaired by the Division Administrator for the Workers' Compensation Division of the Department of Workforce Development, the council consists of 10 members, five each from labor and management, along with advisory members from the insurance industry and major provider groups such as the Medical Society and Hospitals Association. The construction industry is represented by Paul Welnak, business manager of IBEW Local 434, and me.

The council meets about every other month during even-numbered years but meets almost monthly in odd-numbered years. It is during the odd-numbered years that the council begins deliberations on the Agreed Bill, legislation that incorporates all of the changes that are to be made to the laws and administrative rules governing the workers' compensation system. Based on the agreement of labor and management, the Legislature has, with few exceptions, passed the Agreed Bill without amendment. It is rare that a bill affecting workers' compensation is introduced separately. Instead, the issues are presented to the council for deliberation and, if appropriate, included in the Agreed Bill.

Comparatively, Wisconsin's workers' compensation rates are fairly low. But the trend is higher, and so the council continues to monitor the rates. Other states, especially those facing significant increases, have a much more difficult time with their systems, largely because the laws and administrative rules are subject to the prevailing winds of the political parties in charge of the Legislature and administration. This tends to cause too many reactive changes to state policy and too many ill-conceived, one-sided and temporary changes to the system. When the winds shift, so do the policies.

Having been involved with the Workers' Compensation Advisory Council as a management representative for nearly 10 years, it's obvious that our system – though not perfect – has far more strength and resiliency when compared to programs in other states. Just consider, for instance, the hundreds of bills related to workers' compensation that are introduced in the Illinois Legislature each year -- or the wild policy swings that follow political parties into power in places like Florida, Texas and California.

Process works

At the core of our system's strength, I believe, is a willingness on the part of labor and management to do what is best for everyone. Anyone familiar with the manner in which jointly managed trust funds operate, where we check our labor and management hats at the door, would be right at home working on the Advisory Council. If you had to assign credit for the outcome, part of it goes to the process. But a big part of it goes to the people who are committed to that process – to working together.

As the last Agreed Bill was put to rest, the council began looking at opportunity area for this next two-year cycle. One of the things we're looking at is medical costs, and ways to control them. That's a familiar theme for most anyone in business.

It's too early to say where the road will lead. What is important to know is that we are willing to look at anything and everything to make the system better -- but not without some constraints. Yes, fee schedules might be an answer. Or maybe treatment protocols. And maybe there's some new concept that we can borrow from a neighboring state. There are always going to be options, but only some will get serious consideration. If an option can't produce high-quality care and outcomes, that option will likely be eliminated early on.

The Workers' Compensation Advisory Council is about working together to meet the competing needs of employers and employees. More often than not, neither group gets everything it wants. Maybe that's why the system will never be perfect, because perfect is in the eye of the beholder. But it's good, and there's a commitment to making it better – for everyone.

Jeff Beiriger is executive vice president of the Plumbing and Mechanical Contractors Association.