



**Date: March 23, 2021**

**To: The Honorable Chuck Riley, Chair**

**Members of the Senate Labor and Business Committee**

**Re: Oregon SB 801 – Self Insurer Claim Processing**

**Position: Oppose**

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The American Property and Casualty Insurance Association (APCIA) is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions – protecting families, communities, and businesses in the U.S. and across the globe. We regretfully must oppose Oregon Senate Bill 801.

Senate Bill 801 would require that all workers' compensation claims filed against a self-insured employer be handled by the State Accident Insurance Fund Corporation ("SAIF") for processing and acceptance or denial. SAIF would process and handle all workers' compensation claims of self-insured employers even without being the insurer of the employer or the contracted-for third party administrator ("TPA") of the self-insured employer.

Senate Bill 801 will increase inefficiencies in the Oregon workers' compensation system and raise costs for Oregon employers. TPAs play a vital role in processing claims and making sure valid claims are paid in an appropriate and timely manner. TPAs also serve a critical role in making sure claims that are not valid—for example, if the alleged injury was not work-related and did not arise in the course and scope of employment—are appropriately denied. TPAs also serve an essential role in reviewing proposed medical treatment plans and pharmaceutical prescriptions to ensure that the injured worker receives the most appropriate and high-quality medical care and drug treatment options.

While SAIF undoubtedly has both expertise and experience in the processing of workers' compensation claims, it does not make sense for them to play that role for Oregon employers that lack both an insurance policy or TPA contract with SAIF. Competition and free enterprise require that successful TPAs process claims in an appropriate and efficient manner. If a TPA fails to accept a compensable claim or fails to pay in an appropriate or timely manner, the employer becomes subject to possible sanctions, including penalties and interest. Where a TPA fails to process claims correctly, the employer will change its TPA to avoid further sanctions and penalties. Simply mandating statutorily that SAIF process all self-insured employer workers' compensation claims removes the ability of the employer to revise its TPA selection if claims are being processed incorrectly. Indeed, Senate Bill 801 eliminates any incentive for

the claims to be processed in an appropriate manner as the employer loses its ability to change the TPA selection.

Similarly, Senate Bill 801 removes any incentive for the claims processor to ensure that only compensable claims are accepted or that medical services and drug prescriptions are appropriate. If enacted, SAIF becomes the statutorily mandated claims processor for all self-insured employers' claims, and an employer cannot remove SAIF even if claims are being mishandled and non-work-related claims are being paid or inappropriate medical treatment plans are being adopted. The employer needs to have the right to change its claims processor where claims are being inappropriately handled. Otherwise, workers' compensation system benefit costs will increase, unnecessary and potentially harmful medical services and drug prescriptions will increase, and appropriate return to work will be delayed. It is critical that an employer has a voice in determining its claim processor and that the TPA has an incentive to accept and pay compensable claims while rejecting non-work-related claims and potentially harmful medical treatment plans and drug prescriptions.

In addition, this issue should first go to the Management-Labor Advisory Committee for discussion. Since the establishment of the Management-Labor Advisory Committee by the legislature in 1990, all modifications to the workers' compensation law have first gone through the approval process of the Advisory Committee. The Advisory Committee since its founding has been the forum for labor and business interests to explore and resolve workers' compensation issues. The Advisory Committee is committed to a stable, balanced and fair workers' compensation system with adequate benefits for injured workers at an affordable cost to employers. Any proposed modifications to the workers' compensation law should first go through the Management-Labor Advisory Committee process for approval.

Sincerely,

A handwritten signature in black ink that reads "Denneile Ritter". The signature is written in a cursive style with a horizontal line at the end.

**Denneile Ritter**

Assistant Vice President, State Government Relations  
American Property Casualty Insurance Association (APCIA)  
[denneile.ritter@apci.org](mailto:denneile.ritter@apci.org)