

MINUTES OF THE HOUSE COMMITTEE ON LABOR AND INDUSTRY.

The meeting was called to order by Chairman David Heinemann at 9:02 a.m. on January 26, 1993, in Room 526-S of the Capitol.

All members were present except: Representative Carmody (excused)

Committee staff present: Jerry Ann Donaldson, Legislative Research Department
Jim Wilson, Revisor of Statutes
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Murlene Priest, Legislative Division of Post Audit

Others attending: See attached list

Murlene Priest, Auditor with the Legislative Division of Post Audit, reviewed the Performance Audit Report, "Examining Increases in Expenditures from the State Workers Compensation Fund." The audit completed in November, 1992, was authorized to answer two questions about the Workers Compensation Fund: 1) Why have expenditures from the Workers Compensation Fund increased in recent years? and 2) Is the Workers Compensation Fund being administered efficiently? Their conclusions and recommendations are covered in the report which can be obtained from the Legislative Division of Post Audit.

Ms. Priest then covered the Scope Statement of a second audit due to be completed by February 15, 1993. The previous audit completed in November, 1992, showed that Kansas lacks sufficient information to make informed management and policy decisions that could help control workers compensation costs. Legislative questions have been raised about how workers compensation benefits and premiums in Kansas compare with other states, and what can be done to help control the rising cost of workers compensation insurance. This audit will focus on the following questions: 1) How do Kansas' workers compensation benefits and premiums compare with other states? 2) Have changes in Federal or State law over the years contributed to the rising cost of premiums? 3) What cost-containment measures have other states enacted to help control the rising costs of workers compensation insurance? and 4) What types of management information systems have other states implemented to help identify and control workers compensation costs? (Attachment 1)

Jim Wilson, Revisor of Statutes, briefed the committee on HB 2116 which will be heard in committee Thursday, January 28. HB 2116 deals specifically with the policy question of establishing a workers compensation board. This is Proposal 2 of the Insurance Commissioner's Task Force on Workers Compensation. Although the bill is quite long, the latter part deals primarily with technical amendments. Policy issues will be handled separately.

The meeting adjourned at 9:59 a.m. The next meeting is scheduled for January 27, 1993.

GUEST LIST

COMMITTEE: HOUSE LABOR AND INDUSTRY

DATE: 1-26-93

NAME	ADDRESS	COMPANY/ORGANIZATION
DICK THOMAS	TOPEKA	DHA/WORK CAMP
Thelma Priest	Topeka	LPA
Lee Hapner	Topeka	LPA
Marla Rutter	Topeka	Dept. of Admin.
Bill Newman	"	"
Catherine Holdeman	Wichita	City of Wichita
Shelby Smith	"	EL-II
Larry Shaffer	Topeka	Kns Hosp. Assoc.
RAY PATHELT	Topeka	KS. Ins. Dept.
Maria Calkman	Topeka	Lt. Gov.
TREVEN S. FLEMANO	Lawrence	Lt Gov.
Julie Wright	Eagle / Topeka	
Donald Johnson	McPherson	Internship
DOUG SPANGLER	K.C.	City of KCKs.
David Frankel	Lawrence	KLTA
Wes J. Friesen	Newton	Visitor
ALAN COBB	WICHITA	KS Assoc. For Small Business
Jill Meyer	Lawrence	Intern / University of KS
FRANCIS KASTNER	Topeka	Ks Food Dealers Assn
Cam / Daugherty	Columbus	EMPIRE DISTRICT ULC
Art Brown	Topeka	KS LBR Dealer #PM
Amy Albrecht	Lawrence	Intern for Rep. Minn
Brod Snout	Lawrence	AIA

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REVISED
SCOPE STATEMENT

Reviewing Selected Issues Related to Workers' Compensation

Employees who are injured on the job or suffer a work-related injury are eligible for benefits under the Workers' Compensation program. Under the program, employees may receive payment for lost wages during recovery periods, reimbursement for related medical expenses and vocational rehabilitation, and lump sum payments for disabilities or death. To provide these benefits, employers may purchase Workers' Compensation insurance policies from private insurance companies, or if eligible, employers may become self-insured. The policies are standardized in terms of the coverage and benefits they provide. Premiums for Workers' Compensation insurance policies have increased rapidly in the last 10 years, and some small business owners claim the increase is putting them out of business.

Legislative questions have been raised about how Workers Compensation benefits and premiums in Kansas compare with other states, and what can be done to help control the rising cost of Workers' Compensation insurance. A recent Legislative Post Audit report Examining Increases in Expenditures from the Workers' Compensation Fund showed that Kansas lacks sufficient information to make informed management and policy decisions that could help to control workers compensation costs. The Insurance Department has recently obtained the results of a consultant's study of 1,033 closed Kansas Workers' Compensation claims involving permanent injuries or fatalities. That study showed an average cost per claim of about \$16,600 for self-insured companies compared with more than \$26,300 for commercial insurance carriers. This study provides a variety of information on types of accidents, types of injuries, associated costs, lag time between an injury and closure of the case. Although this study provides useful information about recent cases, it does not provide information that would help to pinpoint where the largest increases in job-related injuries and costs are occurring. Such information is not currently collected by any State agency.

A performance audit in this area would focus on the following questions:

1. **How do Kansas' Workers' Compensation benefits and premiums compare with other states?** We would review information published by the U.S. Chamber of Commerce and other sources, and contact other states as necessary to determine how Kansas' income and disability benefits and lump-sum benefit payments for scheduled injuries compare with other states in the region. We also would compare Kansas' medical reimbursement limits to limits set by Medicare and Medicaid. Finally, we would locate available information on the level of workers compensation premiums in other states and compare those rates with premiums in Kansas.
2. **Have changes in federal or State law over the years contributed to the rising cost of premiums?** Through reviews of federal and State law related to Workers' Compensation, and interviews with Insurance Department officials and Workers' Compensation underwriters, we would determine whether changes over the years have broadened the base of claims that are eligible for the program, whether they have increased the burden on employers and insurers to prove that a claim was not work-related, or have otherwise contributed to the rising cost of premiums. We also would examine the workers' compensation claims process to assess whether improvements could be made that might help control costs.
3. **What cost-containment measures have other States enacted to help control the rising costs of workers compensation insurance?** Based on comparisons of Workers Compensation benefits and premiums, we would focus on states that have a lower level of premiums for a similar level of coverage. We would contact officials in a sample of those states and determine what controls they have enacted that have allowed them to achieve lower premiums.
4. **What types of management information systems have other states implemented to help identify and control workers' compensation costs?** We would contact a sample of other states and determine what types of management information systems they have installed that are helpful in deciding how to control workers' compensation costs. We would determine who in each State is responsible for collecting that information and how the information is used. We also would determine if there has been recent legislation or other proposals, such as agency budget requests, that may contain possible solutions to the lack of management information about workers' compensation in Kansas.

Estimated completion time: 8-10 weeks

*House Labor and Industry
Attachment 1
1-26-93*