

**THE KANSAS WORKERS'
COMPENSATION FUND
SECOND-INJURY FUND**

ADMINISTERED BY:
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COMMISSIONER OF INSURANCE

2012 FISCAL YEAR REPORT
JULY 1, 2011 - JUNE 30, 2012

2012 FISCAL YEAR ANNUAL REPORT

1. INTRODUCTION

Pursuant to K.S.A. 2008 Supp. 44-566a, which was amended by the Kansas Legislature in 2006 House Bill 2560, the Commissioner of Insurance shall annually report to the Governor and the Legislature the receipts and disbursements from the workers compensation fund (also known as the workers' compensation second-injury fund) during the preceding fiscal year. The data, which is attached at the beginning of this report, provides a disclosure of receipts and expenditures for Fiscal Year 2012. This report corresponds with the data provided by the Department of Administration of the State of Kansas. This information provides a comparison between Fiscal Year 2011 and Fiscal Year 2012. The tables are provided to enhance understanding of the financial affairs and operations of the Workers' Compensation Second-Injury Fund.

2. RECEIPTS FOR FISCAL YEAR 2012

Receipts during Fiscal Year 2012 to the Workers' Compensation Fund totaled \$5,030,364. This amount includes \$4,749,672 in receipts from the annual assessment. There were miscellaneous reimbursements totaling \$98,859 and fines and penalties totaling \$181,834.

3. EXPENDITURES FOR FISCAL YEAR 2012

Fiscal Year 2012 expenditures totaled \$4,654,316. The majority of the Fund's expenses represent disability compensation, medical, and attorney fees, which totaled 93.62% of the total expenditures (see Figure II). The remaining expenses comprise vocational rehabilitation of \$20,488; costs specific to litigation at \$92,111; and other operating expenses of \$183,938.

In Fiscal Year 2012, disability compensation represented 27.58% of all expenditures as compared to 36.21% in Fiscal Year 2010 (see Figure II).

4. CONCLUSION

The Workers' Compensation Fund will continue to require revenue for claims that occurred prior to July 1, 1994. The Fund will also require revenue for insolvent/uninsured employers, certification cases. Although the financial amount is yet to be determined, the federal government CMS reimbursements will commence within the next few years. The additional revenue will come in the form of future assessments on insurance companies and self-insurers, and miscellaneous reimbursements.

ANNUAL REPORT OF RECEIPTS AND DISBURSEMENTS

Kansas Workers' Compensation Fund for Fiscal Year 2012

| | |
|--|------------------------------|
| Balance as of July 1, 2011 | <u>\$ 9,072,224</u> |
| Assessment Receipts | 4,749,672 |
| Fines and Penalties | 181,834 |
| Miscellaneous Reimbursements | <u>98,859</u> |
| TOTAL RECEIPTS | <u>\$ 5,030,365</u> |
| Compensation Expenditures | (1,283,839) |
| Medical Expenditures | (2,779,577) |
| Vocational Rehab. Work Assessment Expenditures | (20,488) |
| Attorney Fee Expenditures | (294,363) |
| Court Reporter and Deposition Fee Expenditures | (92,111) |
| Other Operating Expenses | <u>(183,938)</u> |
| TOTAL EXPENDITURES | <u>\$ (4,654,316)</u> |
| Operating Transfer Out | - |
| Recovery From Prior Year Expenditures | - |
| Prior Year Encumbrance Liquidation | 398 |
| Ending Balance, June 30, 2012 | <u>\$ 9,448,671</u> |

FIGURE I
WORKERS' COMPENSATION FUND
RECEIPT ANALYSIS

| DESCRIPTION | FY 2012 | % OF TOTAL | FY 2011 | % OF TOTAL |
|---|---------------------|-------------------|------------------------|-------------------|
| Assessment Receipts | \$ 4,749,672 | 82.96% | \$ 8,768,448 | 61.69% |
| Fines and Penalties | 181,834 | 3.18% | 236,023 | 1.66% |
| Miscellaneous Reimbursements | 98,859 | 1.73% | 65,395 | 0.46% |
| Operating Transfer In | - | 0.00% | - | 0.00% |
| Operating Transfer Out | - | 0.00% | (4,189) | -0.03% |
| TOTAL RECEIPTS | \$ 5,030,365 | | \$ 9,065,676.79 | |
| Previous Year Carryover *includes current year assessments | \$ 694,992 | 12.14% | \$ 5,149,063 | 36.22% |
| SUBTOTAL | \$ 5,725,357 | | \$ 14,214,740 | |
| Legislative Sweep | | | | |
| TOTAL FUNDS AVAILABLE | \$ 5,725,357 | 100.00% | \$ 14,214,740 | 100.00% |

*Small rounding error may occur in percentage formulas

FIGURE II
WORKERS' COMPENSATION FUND
EXPENDITURE ANALYSIS

| DESCRIPTION | FY 2012 | % OF TOTAL | FY 2011 | % OF TOTAL |
|--|---------------------|----------------|---------------------|----------------|
| Disability Compensation | \$ 1,283,839 | 27.58% | \$ 1,864,289 | 36.21% |
| Voc. Rehab. Work Assessments | 20,488 | 0.44% | 15,749 | 0.31% |
| Medical | | | | |
| Doctors | 257,959 | 5.54% | 400,695 | 7.78% |
| Hospitals | 899,396 | 19.32% | 1,133,102 | 22.01% |
| Drugs | 197,928 | 4.25% | 141,255 | 2.74% |
| Misc. Medical Supplies(braces, etc.) | 69,594 | 1.50% | 36,812 | 0.71% |
| Other Services (memberships, tuitions, etc.) | 180 | 0.00% | 1,354 | 0.03% |
| Reimbursements to Insurance Cos. [K.S.A. 44-569(a) and K.S.A. 44-569] | 1,354,520 | 29.10% | 983,790 | 19.11% |
| Attorney's Fees | 294,363 | 6.32% | 323,058 | 6.27% |
| Court Costs, Depositions, Medical Reports, etc. | 92,111 | 1.98% | 46,150 | 0.90% |
| Other Operating Expenses | 183,938 | 3.95% | 202,810 | 3.94% |
| TOTAL EXPENDITURES | \$ 4,654,316 | 100.00% | \$ 5,149,063 | 100.00% |

*Small rounding error may occur in percentage formulas

SOURCES OF FUNDING

FISCAL YEARS 2012- 2011

| <u>FY 2012</u> | <u>DESCRIPTION</u> | <u>FY 2011</u> |
|----------------|--|----------------|
| 1.73% | 1 = Miscellaneous Reimbursements | 0.46% |
| 3.18% | 2 = Fines and Penalties | 1.66% |
| 82.96% | 3 = Assessment Receipts | 61.69% |
| 12.14% | 4 = Carryover Balance and Cancelled Checks | 36.22% |
| 0.00% | 5 = Operating Transfer In | 0.00% |
| 0.00% | 6 = Operating Transfer Out | -0.03% |
| <u>0.00%</u> | 7 = Legislative Sweep | <u>0.00%</u> |
| 100.00% | | 100.00% |

*Small rounding error may occur in percentage formulas

DISBURSEMENTS OF EXPENDITURES

FISCAL YEARS 2012 - 2011

| <u>FY 2012</u> | <u>DESCRIPTION</u> | <u>FY 2011</u> |
|----------------|---|----------------|
| 1.98% | 1 = Administrative Costs (Court Reporter & Deposition Fees) | 0.90% |
| 27.58% | 2 = Compensation Costs | 36.21% |
| 0.44% | 3 = Vocational Rehabilitation | 0.31% |
| 59.72% | 4 = Medical Costs | 52.38% |
| 3.95% | 5 = Other Operating Expenses | 3.94% |
| <u>6.32%</u> | 6 = Attorney Fee Expenses | <u>6.27%</u> |
| 100.00% | | 100.00% |

*Small rounding error may occur in percentage formulas