

KANSAS WORKERS COMPENSATION FUND

YEAR END REPORT

FY 2016



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Commissioner of Insurance

I. General Overview

The Kansas Workers Compensation Fund (“Fund”) was established in 1993 when the Legislature made sweeping changes to the workers compensation laws. The 1993 changes abolished the Kansas Second Injury Fund. The Kansas Workers Compensation Fund retained the liability for the existing Kansas Second Injury Fund cases. In addition to the old claims, the Kansas Workers Compensation Fund was and is made liable for cases in which an employer does not carry workers compensation insurance and is financially unable to pay these claims. Additionally, the Fund is liable for Director’s Certifications, which are reimbursements to insurance carriers or employers in cases in which there has been an over-payment of benefits to a claimant for one of a number of reasons such as fraud, mistake, or failure to prove a case. An analysis of the liability for each of these claims will be discussed in greater detail below.

a. Second Injury Fund: Old Liability, Old Laws

The purpose behind the now dissolved Second Injury Fund was to incentivize employers to hire people with previous injuries or disabilities. Employers were hesitant, and rationally so, to hire someone with a previous injury because that employee had a greater risk of a second injury.

The Second Injury Fund would be partially or fully liable for the claims of an injured employee if the employer could establish that it hired or retained a handicapped employee (a person who had a pre-existing injury) after acquiring knowledge of the preexisting handicap or upon a finding that the employee intentionally misrepresented the existence of the handicap and the employer hired them without knowledge of that handicap.

b. WCF: Insolvent/Uninsured Employer, Current Law

In 1993, the Second Injury Fund was dissolved and the Workers Compensation Fund was put in its place. The new Fund assumed all the liability for the Second Injury Fund cases. This represented a

significant policy shift. No longer would the Fund be used to incentivize employers to hire previously injured employees, now the Fund is brought into a case where an injured workers employer is uninsured and unable to pay for the medical and disability payments or, in some cases, cannot be located.

Impleading the Fund into a case does not automatically require the Fund to begin making payments. The Fund will essentially step into the shoes of the employer. If an administrative law judge (ALJ) finds that the injury is compensable, that the employer was uninsured at the time of the accident, and that the employer is currently unable to pay expenses related to the injury, then the Fund, upon order from the court, will step into the shoes of the employer and begin making payments. The Fund may then seek reimbursement from the employer in a separate civil action.

c. Reimbursement: Director Certifications

Authority for Director Certifications is given pursuant to K.S.A. §44-556(d). This statute states, in pertinent part, that if compensation is paid by the employer or the employer's insurance carrier and after a full hearing it is determined that the amount of compensation paid was greater than the amount the employee is entitled the employer or the employer's insurance carrier shall be reimbursed by the Workers Compensation Fund.

The Director of Workers Compensation ("Director") must certify the amount of overpayment after a request has been made by the employer or employer's insurance carrier. The Director has discretion only to the amount of overpayment that will be certified, not to the validity of the certification request, assuming the above stated criterion has been met. Once a claim has been certified, the Director will send notice to the Fund that reimbursement should be issued and the Fund must immediately make payment. The Fund is not usually brought into the underlying case but retains liability for the overpayment.

II. New Federal Medicare and ADA Requirements affecting the Fund

The federal Medicare program that pays for health care costs provided to individuals age 65 and older, disabled individuals, and individuals with permanent kidney failure is aggressively enforcing the Medicare as Secondary Payer (MSP) provisions of 42 U.S.C.A. 1395y by using Section 111 of the Medicare, Medicaid and SCHIP Extension Act of 2007 (MMSEA Section 111). The purpose of the MMSEA Section 111 reporting requirements is to enable the Center for Medicare and Medicaid services (CMS) to pay appropriate charges for Medicare covered items and services furnished to Medicare beneficiaries by determining primary versus secondary payer responsibility and requiring financial responsibility by primary payers as necessary.

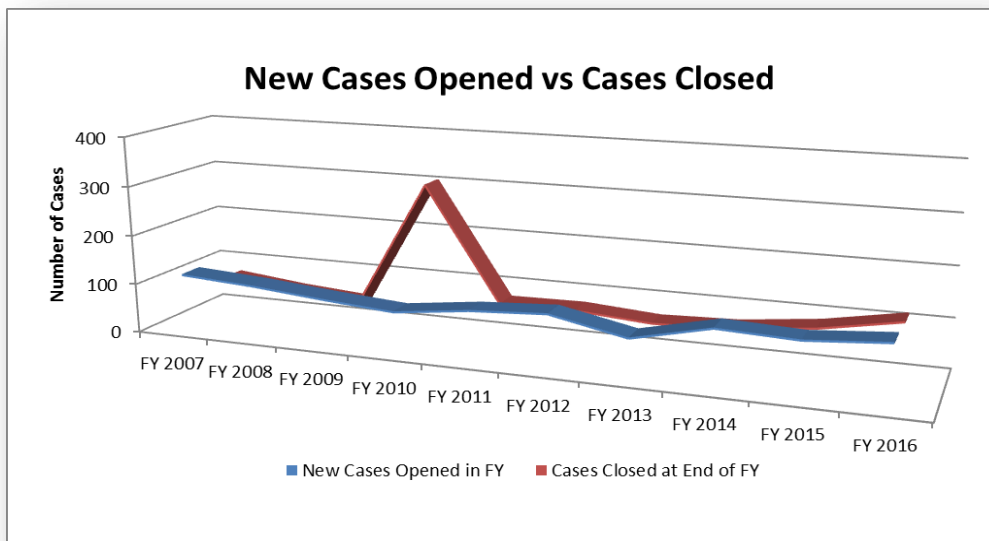
In cases where Medicare has paid for medical services for workers injured on the job or suffering on occupational illness, Medicare will seek to charge back those expenses to compensable providers, including workers compensation plans such as the Fund.

The Kansas Workers Compensation Fund, as a Responsible Reporting Entity (RRE) under MMSEA Section 111, is subject to the reporting requirements specified by 42 U.S.C.A. 1395y. RRE's are required to electronically submit specific information on Medicare beneficiaries, that the Fund has a medical responsibility for, to the Secretary of Health and Human Services (HHS) in a form and frequency specified by the Secretary. To date, the Department of Insurance has met its reporting obligation in compliance with the MMSEA Section 111, 2007 Act. Receipt of the data has been acknowledged. This year's data submission identified 163 Medicare beneficiaries that the Fund has either a current or permanent obligation to provide medical services for work related accidents or injuries. Of these, only one was from a claim arising in 2016.

III. Case Information

From FY 2005 to FY 2009 the Fund experienced a steady increase in the number of open cases. This is due to the fact that there are fewer old second injury cases that are being closed out by settlement as well as more complicated cases in the uninsured employer realm remaining open. These cases were not closing out quickly due to issues with bankruptcy courts and attempts to obtain reimbursements from employers or third parties. In 2010, there was a significant push towards closing several outstanding cases. This past year, the Fund once again increased its efforts to close outstanding cases. In FY 2016 there was a 32.95% increase in the number of cases closed. This effort has and will continue into the next fiscal year.

Open Case Statistics						
Fiscal Year	New Cases Opened in FY	% Change from prior YR	Cases Closed at End of FY	% Change from Prior YR	Open Cases at End of FY	% Change from prior YR
FY 2007	115	-9.45%	71	+44.90%	3893	+1.28%
FY 2008	106	-7.83%	55	-2.53%	3943	+1.27%
FY 2009	93	-12.26%	44	-20.00%	3991	+1.22%
FY 2010	82	+11.83%	303	+588.63%	3779	-5.31%
FY 2011	100	+21.95%	72	-76.24%	3809	+7.90%
FY 2012	109	+9.00%	74	+2.78%	3853	+1.15%
FY 2013	78	-28.44%	63	-14.86%	3866	>+0.01%
FY 2014	113	+44.87%	68	+7.94%	3914	>+0.013%
FY 2015	107	+5.31%	85	+25.00%	3940	>+0.007%
FY 2016	119	+11.22%	113	+32.95%	3950	>+0.003%



IV. Financial

The Kansas Workers Compensation Fund is fully funded by assessments paid by self-insurers, insurance carriers, and group funded pools. The yearly assessment is based on the carriers' paid losses in Kansas' workers compensation cases from the prior year. Some additional money comes to the Fund from reimbursements from uninsured employers as well as fines collected by the Division of Workers Compensation against uninsured employers.

The Fund has three basic sources of liabilities under the Kansas Workers Compensation Act: 1) liability assumed by the Workers Compensation Fund for Second Injury Cases when the Second Injury Fund was eliminated in 1993; 2) Insolvent/uninsured employer cases; and 3) Reimbursement to employers on an overpayment of benefits. The following data provides financial information regarding the Fund since FY 2005.

Financial Statistics				
FY 2016 (July 2015-June 2016)				
Receipt Analysis			Disbursement of Expenditures	
Assessment Receipts	\$	3,143,617.45	Administrative Costs	\$ 41,122.69
Gen. Fund Entitlement	\$	-	Compensation Costs	\$ 1,105,008.29
Fine & Penalties Receipts	\$	148,434.14	Vocational Rehabilitation	\$ 208.16
Misc. Reimbursements	\$	65,266.66	Medical Costs	\$ 2,043,163.33
TOTAL RECEIPTS	\$	3,357,318.25	Other Operating Costs	\$ 186,561.44
Previous Year Carryover	\$	10,360,511.77	Attorney Fee Expenses	\$ 311,378.71
LEGISLATIVE SWEEP	\$	-		\$ -
TOTAL FUNDS AVAILABLE	\$	13,717,830.02	TOTAL EXPENDITURES	\$ 3,687,442.62
TOTAL END BALANCE	\$	10,030,389.47		
FY 2015 (July 2014-June 2015)				
Receipt Analysis			Disbursement of Expenditures	
Assessment Receipts	\$	7,169,682.03	Administrative Costs	\$ 29,235.91
Gen. Fund Entitlement	\$	-	Compensation Costs	\$ 997,289.88
Fine & Penalties Receipts	\$	209,038.29	Vocational Rehabilitation	\$ 7,700.58
Misc. Reimbursements	\$	411,632.56	Medical Costs	\$ 2,172,728.84
TOTAL RECEIPTS	\$	7,790,352.88	Other Operating Costs	\$ 187,672.87
Previous Year Carryover	\$	6,185,611.77	Attorney Fee Expenses	\$ 220,809.94
LEGISLATIVE SWEEP	\$	-		\$ -
TOTAL FUNDS AVAILABLE	\$	13,975,964.65	TOTAL EXPENDITURES	\$ 3,615,438.02
TOTAL END BALANCE	\$	10,360,511.77		

FY 2014 (July 2013-June 2014)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 5,053,571.42	Administrative Costs	\$ 38,537.17
Gen. Fund Entitlement	\$ -	Compensation Costs	\$ 1,755,540.58
Fine & Penalties Receipts	\$ 202,052.59	Vocational Rehabilitation	\$ 8,047.33
Misc. Reimbursements	\$ 166,453.29	Medical Costs	\$ 4,193,231.69
TOTAL RECEIPTS	\$ 5,422,077.30	Other Operating Costs	\$ 374,596.72
Previous Year Carryover	\$ 7,373,498.70	Attorney Fee Expenses	\$ 248,200.61
LEGISLATIVE SWEEP	\$ -		\$ -
TOTAL FUNDS AVAILABLE	\$ 12,795,576.00	TOTAL EXPENDITURES	\$ 6,618,154.10
TOTAL END BALANCE	\$ 6,185,611.77		

FY 2013 (July 2012-June 2013)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 1,434,289.17	Administrative Costs	\$ 38,661.29
Gen. Fund Entitlement	\$ -	Compensation Costs	\$ 1,246,438.22
Fine & Penalties Receipts	\$ 104,054.15	Vocational Rehabilitation	\$ 7,705.86
Misc. Reimbursements	\$ 31,075.71	Medical Costs	\$ 1,877,535.35
TOTAL RECEIPTS	\$ 1,569,419.03	Other Operating Costs	\$ 176,853.79
Previous Year Carryover	\$ 9,448,671.30	Attorney Fee Expenses	\$ 276,162.88
LEGISLATIVE SWEEP	\$ -		\$ -
TOTAL FUNDS AVAILABLE	\$ 11,018,090.33	TOTAL EXPENDITURES	\$ 3,623,357.39
TOTAL END BALANCE	\$ 7,373,498.70		

FY 2012 (July 2011-June 2012)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 4,749,672.29	Administrative Costs	\$ 42,610.75
Gen. Fund Entitlement	\$ -	Compensation Costs	\$ 1,296,657.62
Fine & Penalties Receipts	\$ 181,833.62	Vocational Rehabilitation	\$ 18,129.43
Misc. Reimbursements	\$ 103,412.30	Medical Costs	\$ 2,762,428.47
TOTAL RECEIPTS	\$ 5,034,918.21	Other Operating Costs	\$ 231,213.74
Previous Year Carryover	\$ 9,072,223.97	Attorney Fee Expenses	\$ 294,363.16
LEGISLATIVE SWEEP	\$ -		\$ -
TOTAL FUNDS AVAILABLE	\$ 14,107,142.18	TOTAL EXPENDITURES	\$ 4,645,403.17
TOTAL END BALANCE	\$ 9,448,671.30		

FY 2011 (July 2010-June 2011)			
Receipt Analysis		Disbursement of Expenditures	
Assessment Receipts	\$ 8,768,448.24	Administrative Costs	\$ 46,149.67
Gen. Fund Entitlement	\$ -	Compensation Costs	\$ 1,864,289.41
Fine & Penalties Receipts	\$ 236,023.02	Vocational Rehabilitation	\$ 15,749.48
Misc. Reimbursements	\$ 65,394.53	Medical Costs	\$ 2,697,007.59
TOTAL RECEIPTS	\$ 9,069,865.79	Other Operating Costs	\$ 202,809.58
Previous Year Carryover	\$ 5,154,857.39	Attorney Fee Expenses	\$ 323,057.68
LEGISLATIVE SWEEP	\$ -		\$ -
TOTAL FUNDS AVAILABLE	\$ 14,224,723.18	TOTAL EXPENDITURES	\$ 5,149,063.41
TOTAL END BALANCE	\$ 9,072,223.97		

FY 2010 (July 2009- June 2010)					
Receipt Analysis			Disbursement of Expenditures		
Assessment Receipts	\$	2,913,157.56	Administrative Costs	\$	36,715.19
Gen. Fund Entitlement	\$	-	Compensation Costs	\$	1,574,469.76
Fine & Penalties Receipts	\$	235,227.10	Vocational Rehabilitation	\$	24,466.46
Misc. Reimbursements	\$	106,071.65	Medical Costs	\$	2,283,451.37
TOTAL RECEIPTS	\$	3,254,456.31	Other Operating Costs	\$	287,796.15
Previous Year Carryover	\$	6,406,717.68	Attorney Fee Expenses	\$	298,113.67
LEGISLATIVE SWEEP	\$	-		\$	-
TOTAL FUNDS AVAILABLE	\$	9,661,173.99	TOTAL EXPENDITURES	\$	4,505,012.60
TOTAL END BALANCE	\$	5,154,857.39			

FY 2009 (July 2008-June 2009)					
Receipt Analysis			Disbursement of Expenditures		
Assessment Receipts	\$	3,781,389.04	Administrative Costs	\$	49,378.25
Gen. Fund Entitlement	\$	-	Compensation Costs	\$	1,427,872.73
Fine & Penalties Receipts	\$	267,504.32	Vocational Rehabilitation	\$	19,865.48
Misc. Reimbursements	\$	29,248.28	Medical Costs	\$	2,333,303.00
TOTAL RECEIPTS	\$	4,078,141.67	Other Operating Costs	\$	279,431.90
Previous Year Carryover	\$	9,122,783.87	Attorney Fee Expenses	\$	320,001.24
LEGISLATIVE SWEEP	\$	(2,355,000.00)		\$	-
TOTAL FUNDS AVAILABLE	\$	10,865,925.54	TOTAL EXPENDITURES	\$	4,429,852.60
TOTAL END BALANCE	\$	6,406,717.68			

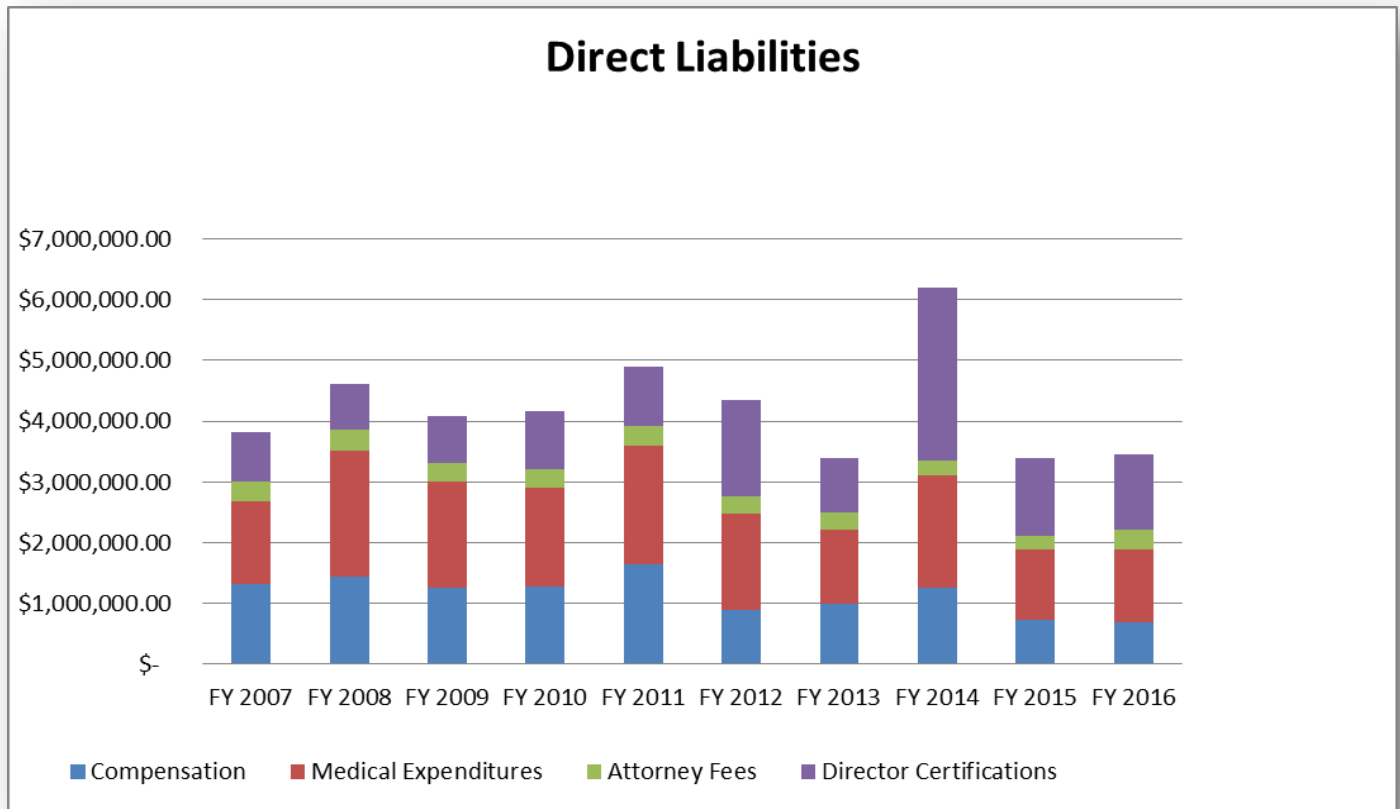
FY 2008 (July 2007-June 2008)					
Receipt Analysis			Disbursement of Expenditures		
Assessment Receipts	\$	5,259,038.44	Administrative Costs	\$	59,807.36
Gen. Fund Entitlement	\$	-	Compensation Costs	\$	1,842,295.56
Fine & Penalties Receipts	\$	249,091.14	Vocational Rehabilitation	\$	6,712.26
Misc. Reimbursements	\$	124,250.09	Medical Costs	\$	2,420,342.32
TOTAL RECEIPTS	\$	5,632,379.67	Other Operating Costs	\$	279,968.91
Previous Year Carryover	\$	7,452,736.54	Attorney Fee Expenses	\$	353,101.68
LEGISLATIVE SWEEP	\$	-		\$	-
TOTAL FUNDS AVAILABLE	\$	13,085,116.21	TOTAL EXPENDITURES	\$	4,962,228.09
TOTAL END BALANCE	\$	9,122,783.87			

FY 2007 (July 2006-June 2007)					
Receipt Analysis			Disbursement of Expenditures		
Assessment Receipts	\$	7,252,927.46	Administrative Costs	\$	47,601.52
Gen. Fund Entitlement	\$	-	Compensation Costs	\$	1,534,873.20
Fine & Penalties Receipts	\$	142,312.50	Vocational Rehabilitation	\$	709.20
Misc. Reimbursements	\$	28,812.48	Medical Costs	\$	1,964,288.77
TOTAL RECEIPTS	\$	7,424,052.44	Other Operating Costs	\$	242,072.30
Previous Year Carryover	\$	-	Attorney Fee Expenses	\$	316,937.60
LEGISLATIVE SWEEP	\$	3,133,513.75		\$	-
TOTAL FUNDS AVAILABLE	\$	10,557,566.19	TOTAL EXPENDITURES	\$	4,106,482.59
TOTAL END BALANCE	\$	7,452,736.54			

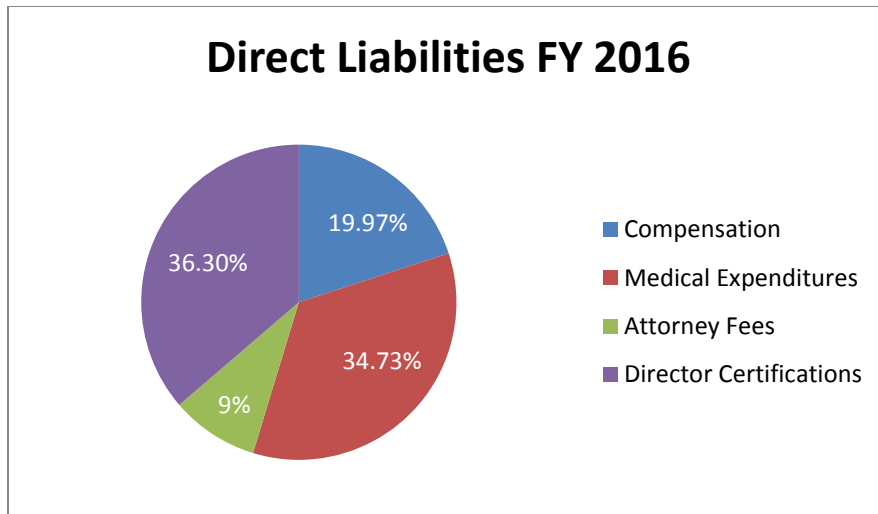
a. Liabilities

Total Direct Liabilities

Fiscal Year	Compensation	Medical Expenditures	Attorney Fees	Director Certifications	Total
FY 2007	\$1,319,966.48	\$1,366,794.78	\$ 316,937.60	\$ 812,400.71	\$3,816,099.57
FY 2008	\$1,440,652.39	\$2,063,809.69	\$ 353,101.68	\$ 758,175.80	\$4,615,739.56
FY 2009	\$1,257,651.94	\$1,740,315.62	\$ 320,001.24	\$ 763,208.17	\$4,081,176.97
FY 2010	\$1,272,968.72	\$1,639,601.75	\$ 298,113.67	\$ 945,350.66	\$4,156,034.80
FY 2011	\$1,635,679.08	\$1,956,159.79	\$ 323,057.68	\$ 969,458.13	\$4,884,354.68
FY 2012	\$ 884,217.72	\$1,585,464.54	\$ 294,363.16	\$1,589,403.83	\$4,353,449.25
FY 2013	\$ 995,757.29	\$1,221,779.22	\$ 276,162.88	\$ 906,437.06	\$3,400,136.45
FY 2014	\$1,250,239.37	\$1,856,095.87	\$ 248,200.61	\$2,842,437.03	\$6,196,972.88
FY 2015	\$ 732,069.07	\$1,149,710.94	\$ 220,809.94	\$1,288,238.71	\$3,390,828.66
FY 2016	\$ 690,908.30	\$1,201,418.52	\$ 311,378.71	\$1,255,844.80	\$3,459,550.33



Direct Liabilities FY 2016



i. Disability Compensation

The purpose of disability compensation is twofold. Firstly, it aims to monetarily compensate a person for the loss in function of a body part or psychological trauma. Secondly, it compensates an injured person for his or her inability to work. While the Fund did see an increase in the total compensation paid from FY 2015 to FY 2016 it was almost \$300,000 lower than the average paid during the FY 2007-FY 2016 time frame. With the continued focus on closing claims the Fund anticipates a continued lowering of this liability.

Yearly Compensation Payments

Fiscal Year	Lump Sum	Permanent Partial Disability	Permanent Total Disability	Temporary Partial Disability	Temporary Total Disability	Total Compensation Paid
2007	\$ 565,637.57	\$ 115,202.56	\$ 303,587.15	\$ -	\$ 550,445.92	\$ 1,534,873.20
2008	\$ 769,396.98	\$ 199,303.27	\$ 250,530.00	\$ -	\$ 623,065.31	\$ 1,842,295.56
2009	\$ 713,039.72	\$ 94,231.05	\$ 128,966.05	\$ 7,549.36	\$ 484,086.55	\$ 1,427,872.73
2010	\$ 777,195.45	\$ 135,152.16	\$ 117,053.67	\$ -	\$ 545,068.48	\$ 1,574,469.76
2011	\$ 1,018,111.36	\$ 150,243.60	\$ 123,448.42	\$ -	\$ 572,486.03	\$ 1,864,289.41
2012	\$ 396,134.12	\$ 131,958.78	\$ 115,018.95	\$ 8,333.72	\$ 645,212.05	\$ 1,296,657.62
2013	\$ 500,213.27	\$ 67,060.03	\$ 127,713.73	\$ -	\$ 551,451.19	\$ 1,246,438.22
2014	\$ 865,338.08	\$ 100,947.61	\$ 116,793.61	\$ -	\$ 713,637.54	\$ 1,755,540.58
2015	\$ 329,730.35	\$ 118,197.66	\$ 112,999.11	\$ 2,534.96	\$ 433,827.80	\$ 997,289.88
2016	\$ 244,246.98	\$ 72,504.32	\$ 125,299.01	\$ 1,242.54	\$ 661,715.44	\$ 1,105,008.29

ii. Medical Expenditures

The Fund has decreased its expenditures for medical treatment for the second consecutive fiscal year. Additionally, the Fund is in the process of closing several cases which represent significant medical liabilities.

Yearly Medical Expenditures							
Fiscal Year	Physicians and Other Professionals	Hospitals	Prescriptions	Medical Supplies and Equipment	Medical Reimbursements	Total Medical Expenditures	% Change from Prior FY
2007	\$345,988.53	\$ 638,716.96	\$135,939.52	\$ 62,796.48	\$ 780,847.28	\$ 1,964,288.77	-15.66%
2008	\$327,542.27	\$1,079,626.07	\$132,504.61	\$117,169.18	\$ 763,500.19	\$ 2,420,342.32	+23.22%
2009	\$296,926.45	\$1,026,932.54	\$172,654.73	\$ 38,398.60	\$ 798,390.68	\$ 2,333,303.00	-3.60%
2010	\$269,865.28	\$ 819,877.86	\$140,423.74	\$ 27,727.56	\$ 1,025,556.93	\$ 2,283,451.37	-2.14%
2011	\$402,048.41	\$1,133,102.23	\$141,254.93	\$ 36,812.18	\$ 983,789.84	\$ 2,697,007.59	+18.11%
2012	\$258,138.64	\$ 899,395.99	\$197,928.13	\$ 69,150.61	\$ 1,337,815.10	\$ 2,762,428.47	+4.50%
2013	\$321,402.41	\$ 427,151.26	\$163,020.79	\$ 31,743.47	\$ 934,787.42	\$ 1,877,535.35	-32.03%
2014	\$329,062.75	\$1,013,047.04	\$114,716.17	\$ 79,905.89	\$ 2,810,203.62	\$ 4,193,231.69	+123.34%
2015	\$217,169.13	\$ 426,865.82	\$134,584.17	\$ 55,585.92	\$ 1,338,523.80	\$ 2,172,728.84	-48.19%
2016	\$161,551.63	\$ 495,112.26	\$119,058.15	\$ 78,325.70	\$ 1,189,115.59	\$ 2,043,163.33	-5.96%

iii. Attorney Fees

The Fund utilizes contract attorneys in order to keep costs down and increase efficiency. In FY 2016 the amount paid to these attorneys increased to levels seen in 2011. The increase was due to an amplified effort to close outstanding cases, as well as an increase in the hourly fees paid to Fund Attorneys. In FY 2015, the Fund increased the hourly wage from \$85/hr. to \$105/hr. in order to attract, and keep, highly competent attorneys. The increase was applied to all cases assigned after the beginning of FY 2015. All other cases continued to be paid at the \$85/hour level. The Fund believes this change has positively affected the Fund’s overall liabilities.

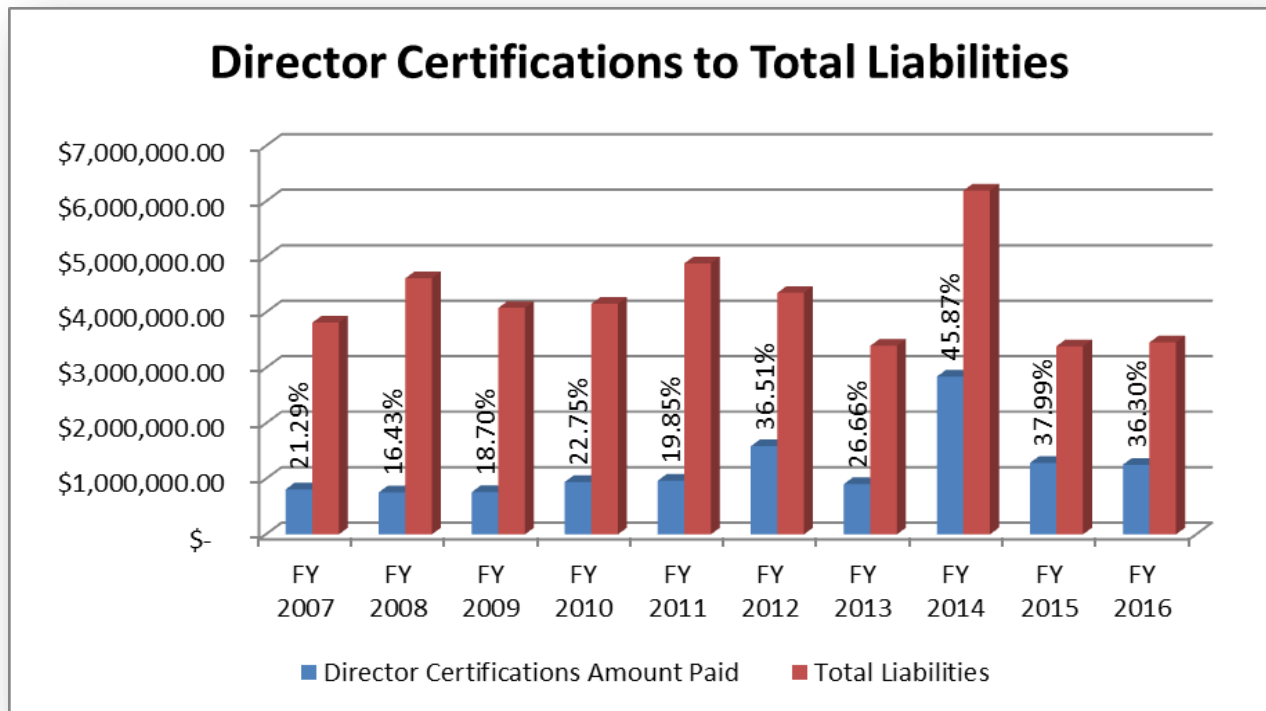
Dollars of Compensation Paid Per Dollar of Attorney Fees

Fiscal Year	Attorney Hours Paid	Fund Attorney Fees Paid	Claimant Attorney Fees Paid	Total Attorney Fees
FY 2007	3,605	\$ 312,114.05	\$ 4,823.55	\$ 316,937.60
FY 2008	4,119	\$ 350,151.68	\$ 2,950.00	\$ 353,101.68
FY 2009	3,606	\$ 306,533.60	\$ 13,467.64	\$ 320,001.24
FY 2010	3,492	\$ 296,820.32	\$ 1,293.35	\$ 298,113.67
FY 2011	3,710	\$ 315,343.59	\$ 7,714.09	\$ 323,057.68
FY 2012	3,217	\$ 273,517.35	\$ 20,845.81	\$ 294,363.16
FY 2013	3,248	\$ 265,442.78	\$ 10,720.10	\$ 276,162.88
FY 2014	2,920	\$ 242,601.98	\$ 5,598.63	\$ 248,200.61
FY 2015	2,598	\$ 212,714.94	\$ 8,095.00	\$ 220,809.94
FY 2016	3,663	\$ 311,378.71	\$ -	\$ 311,378.71

iv. Directors Certifications

As stated above, Director Certifications represent the Fund’s obligation to reimburse an insurance carrier/employer for money expended during a workers compensation case over and above the amount legally required. The typical scenario includes an employer who pays benefits up front and then it is later found the claim was not compensable or the employee failed to continue his pursuit of the claim. The Fund is usually not a party to the underlying claim and does not have the right to appeal a Director’s Certification. Currently, Director Certifications represent 36% of Funds expenses. The Fund is currently conducting an investigation into how the State can better manage its costs.

<i>Director’s Certifications</i>		
<i>Fiscal Year</i>	<i>Amount Paid</i>	<i>Number of Certifications</i>
FY 2007	\$ 812,400.71	27
FY 2008	\$ 758,175.80	30
FY 2009	\$ 763,208.17	15
FY 2010	\$ 945,350.66	24
FY 2011	\$ 969,458.13	33
FY 2012	\$1,589,403.03	44
FY 2013	\$ 906,437.06	24
FY 2014	\$2,842,437.03	58
FY 2015	\$1,288,238.71	44
FY 2016	\$1,255,844.80	52



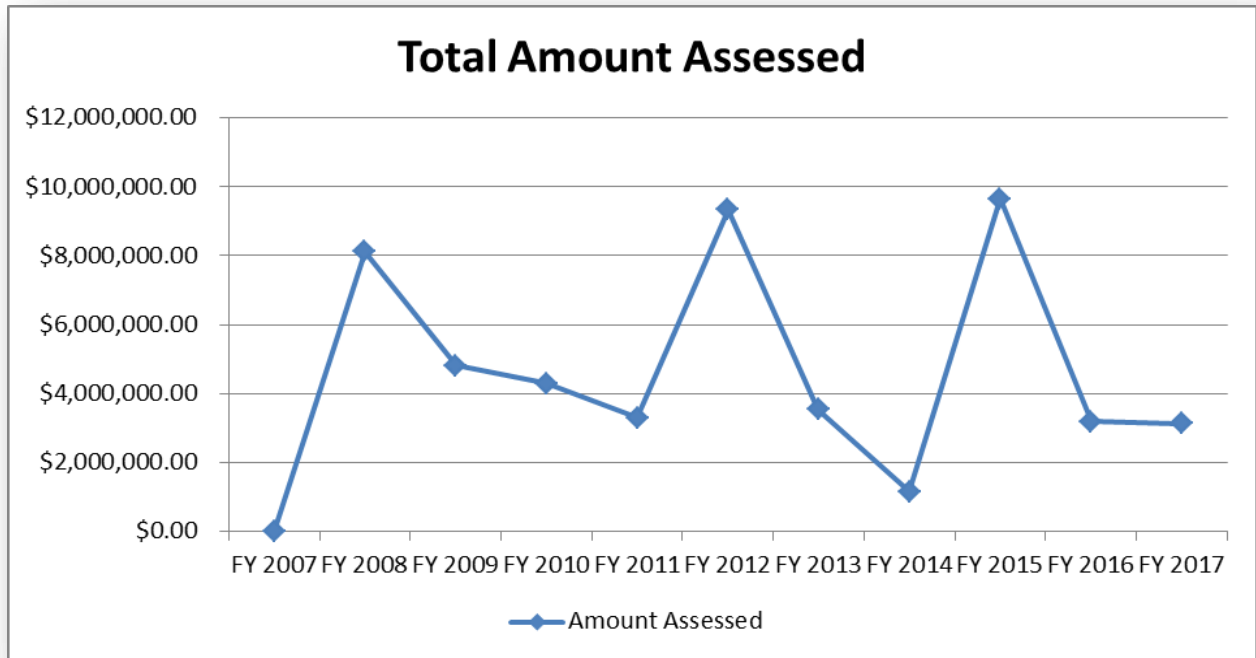
b. Sources to Replenish the Fund

i. Assessment

Pursuant to K.S.A. § 44-566a, the assessment of self-insurers, insurance carriers, and group funded pools is due every year on July 1. The rate of the assessment should be “equal to the amount sufficient, in the opinion of the Commissioner of Insurance, to pay all amounts, including attorney fees and costs, which may be required to be paid from such fund during the current fiscal year.” K.S.A. § 44-566a. The Commissioner understands the need to keep a consistent assessment rate to aid in the yearly budgeting process for Kansas companies. In FY 2016 and FY 2017 the rate was set at .75% of all paid losses. A paid loss is essentially the amount of money expended to pay claims by one of the aforementioned groups in a fiscal year.

Annual Workers' Compensations Assessments

Fiscal Year	Number of Assessed Entities	Assessment Rate	Amount Assessed
FY 2005	507	1.00%	\$3,985,504
FY 2006	495	1.00%	\$4,037,483
FY 2007	510	None	NONE
FY 2008	506	2.00%	\$8,118,886
FY 2009	501	1.15%	\$4,808,482
FY 2010	502	1.00%	\$4,290,288
FY 2011	503	.75%	\$3,308,576
FY 2012	468	2.00%	\$9,344,294
FY 2013	479	.75%	\$3,537,409
FY 2014	477	.25%	\$1,150,543
FY 2015	477	2.25%	\$9,657,729
FY 2016 ¹	471	.75%	\$3,184,806
FY 2017	478	.75%	\$3,135,908



ii. Reimbursements from Employers

The Fund has the right to be reimbursed all money expended on behalf of an uninsured employer in the course of litigation. The Fund always seeks to obtain reimbursement from the

¹ FY 2016 runs from July 1, 2015- June 30, 2016. The Assessment was conducted May 1, 2015.

uninsured employer. Fund attorneys attempt to enter into voluntary reimbursement agreements and promissory notes with the employers at any stage of the case. If by the end of the case an employer refuses to enter into an agreement, the Fund attorney will proceed with a civil action against the employer. Unfortunately at this stage, many employers have entered into bankruptcy proceedings and under existing law the Fund is barred from suing the employer for reimbursement of the monies expended on their behalf. The Fund is currently increasing its efforts to seek reimbursement from employers.

Reimbursement Collected from Employers

<i>Fiscal Year</i>	<i>Amount of Reimbursement</i>	<i>Number of Cases</i>
FY 2007	\$ 28,812.48	18
FY 2008	\$ 124,250.09	22
FY 2009	\$ 29,248.28	23
FY 2010	\$ 101,296.94	22
FY 2011	\$ 65,394.53	26
FY 2012	\$ 103,412.30	22
FY 2013	\$ 31,075.71	19
FY 2014	\$ 166,453.29	22
FY 2015	\$ 411,632.56	25
FY 2016 ²	\$ 65,266.66	25

iii. Fraud and Abuse by Employers

K.S.A. §44-505 provides that every employer with “a total gross annual payroll for the proceeding calendar year of not more than \$20,000 for all employees and wherein the employer reasonably estimates that such employer will not have a total gross annual payroll for the current calendar year of more than \$20,000”³ is not subject to the Workers Compensation Act. All employers

² FY 2016 ran from July 1, 2015- June 30, 2016.

³ No wages paid to an employee who is a member of the employer’s family by marriage or consanguinity shall be included as part of the total gross annual payroll. Additionally, all employment in agricultural pursuits, all firemen who are members of any fireman’s relief association and qualified real estate agents as independent contractors fall under the Act.

who are subject to the act must obtain workers compensation insurance, qualify as self-insured or belong to a qualified group funded pool under K.S.A §44-532(b).

If an employer knowingly fails to secure payment of workers compensation through one of these three methods the Director of the Division of Workers Compensation may assess a civil penalty in the amount equal to twice the annual premium the employer would have paid had such employer been insured or \$25,000, whichever amount is greater. See K.S.A §44-532(d). All moneys received shall be credited back to the Workers Compensation Fund. In order to assist in the fight against this type of abuse, the Fund has and will continue to notify the Division of Workers Compensation about possible fraud and abuse, and provide whatever assistance the Division requires in their investigation of these claims.

<i>Section 44-532 Fines Deposited with Fund</i>
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Fiscal Year	Amount of Deposited	Journal Entries
FY 2007	\$142,312.50	67
FY 2008	\$249,091.14	69
FY 2009	\$267,504.35	88
FY 2010	\$235,627.10	72
FY 2011	\$236,023.02	56
FY 2012	\$181,833.62	58
FY 2013	\$104,054.15	41
FY 2014	\$202,052.59	48
FY 2015	\$209,038.29	61
FY 2016 ⁴	\$148,434.14	47

⁴ FY 2016 ran from July 1, 2015-June 30, 2016.

V. Ways the WCF is Reducing Claim and Operational Costs

a. Restructuring the Claims Process

Beginning February 1, 2017, the Fund will start the process of restructuring its claim handling system in order to cut costs and increase its reimbursement ratio. Under the current system, Fund Attorneys are tasked with performing all aspects of claim management, including: litigating the underlying workers compensation claim, filing reimbursement cases, negotiating fees for medical providers, reviewing medical invoices, etc. Many of these tasks can be performed by other providers at a lower overall cost to the Fund. Instead of a singular attorney handling the case from beginning until end, a team of vendors will be used, each specializing in a specific part of the process. These providers include workers compensation attorneys, civil collection attorneys, investigators, claims managers, and third party medical administrators.

b. Review Attorney Bills Closely

In order to keep the claim and operational costs low, all Attorney bills are systematically reviewed by fund staff at the Kansas Insurance Department and an annual audit is completed. The Fund pays a flat rate hourly fee of \$105.00 to all outside counsel to handle its cases.

c. Increase Electronic Communication

During FY 2016, the Fund created an internal website for the efficient exchange of information. Increasing the ease of access to this information will improve our Fund Attorneys efficiency and decrease the number of billable hours. The attorneys are also encouraged to reduce mailing and communication costs by using e-mail. The use of email for communication speeds the resolution of issues as they arise, decreases mailing costs and reduces the processing times for medical billing.

d. Increasing Case Oversight

The Fund recently implemented new monthly status update requirements has begun to attend periodic hearings so that the Fund is always advised of the case progress, the prospects for reimbursement, when settlements should be offered, and when a case should be appealed. Increasing oversight over the Fund Attorneys should improve the efficiency and performance.

VI. Conclusion

The Commissioner of Insurance has been and will continue to be committed to improving the administration of the Kansas Workers Compensation Fund in all areas of concern.